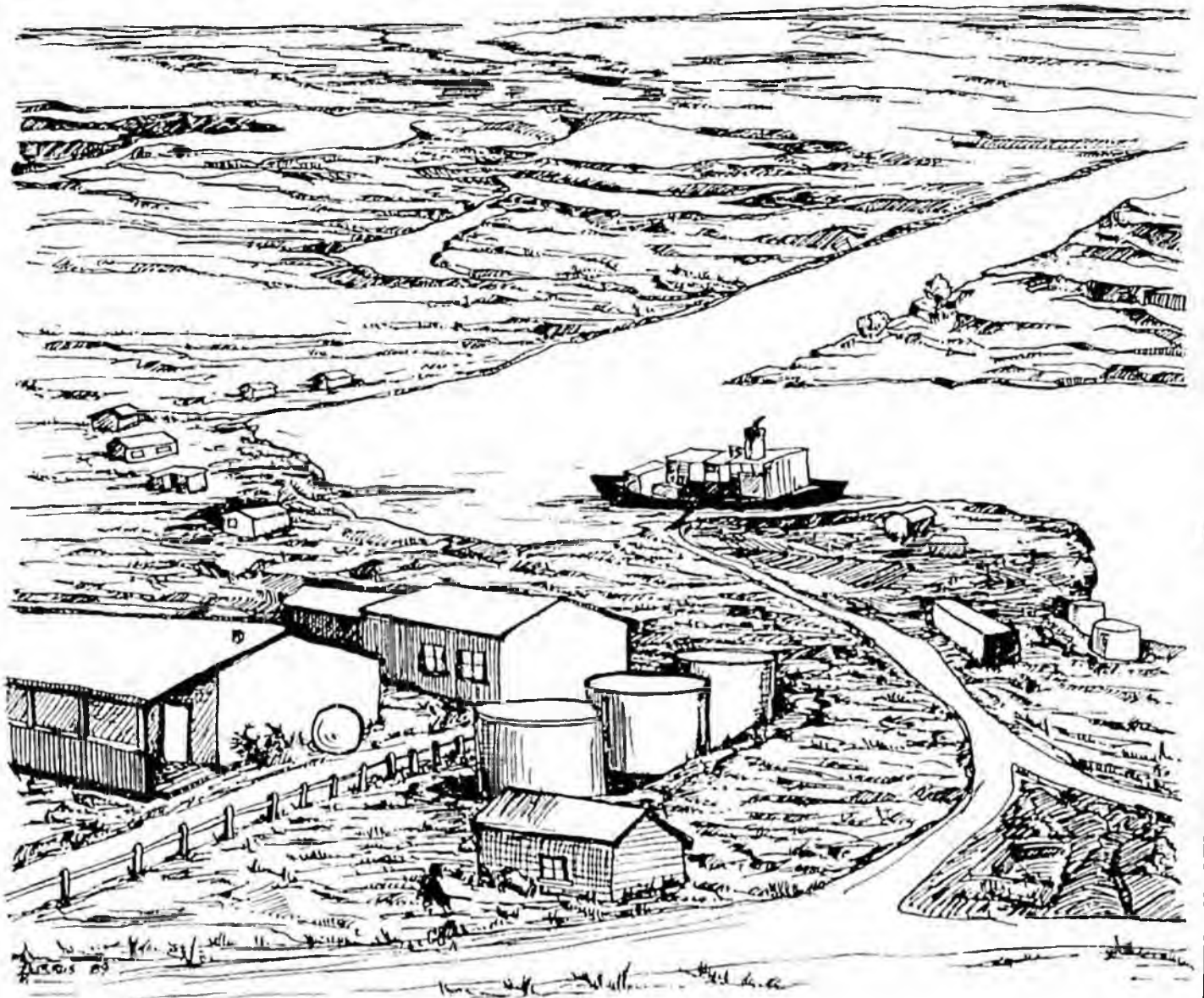


ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 2005-2006 3047

COOPERATIVE PURCHASING:

A Way to Save When Buying Fuel
For Rural Communities



State of Alaska
Steve Cowper, Governor

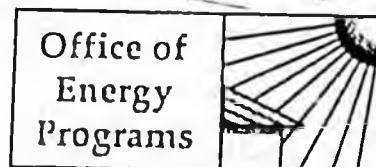
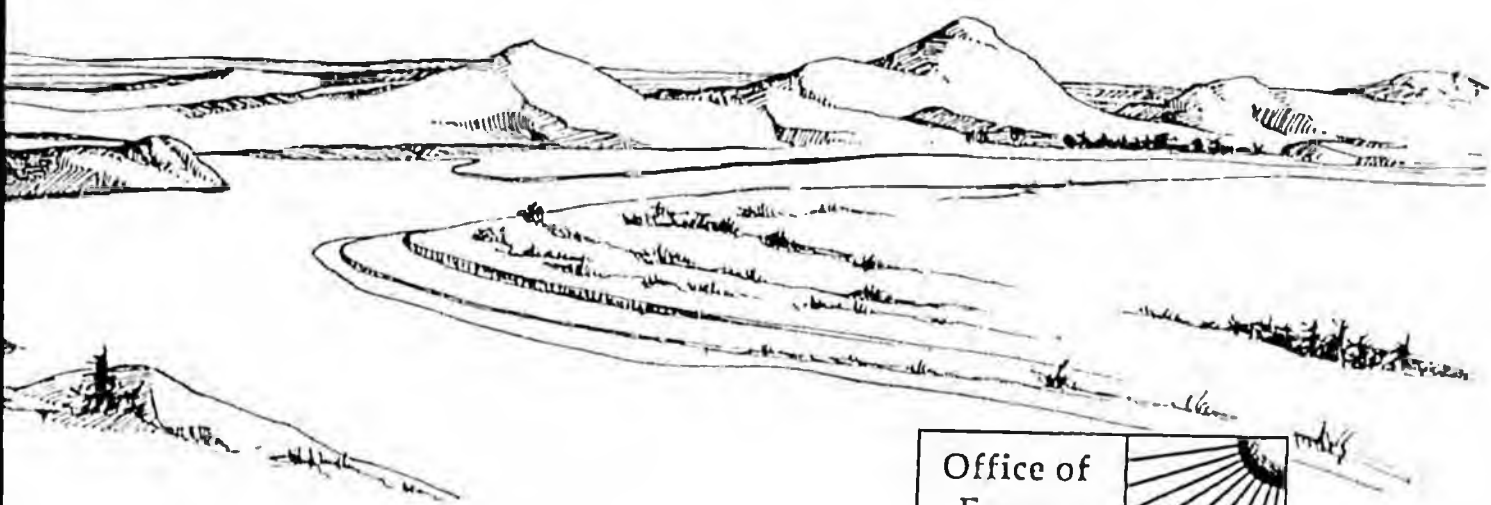
Department of Community and Regional Affairs
David G. Hoffman, Commissioner

Rural Development Division
Michael C. Harper, Director



COOPERATIVE PURCHASING:

A Way to Save When Buying Fuel
For Rural Communities



Rural Development Division

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Frank D'Elia
Energy Specialist
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Published: 9/30/89

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There were numerous other individuals and organizations that assisted throughout this effort which began over two years ago. Their contribution to this effort was just as important as those listed above. If CYMA's efforts highlighted the need for this type of handbook to assist other communities or organizations in similar circumstances. The Department of Community and Regional Affairs decided to take the lead in meeting this need. This handbook was developed by the team of Mr. Tim Troll and Mr. Conrad Zipperian under contract to the state for state use.

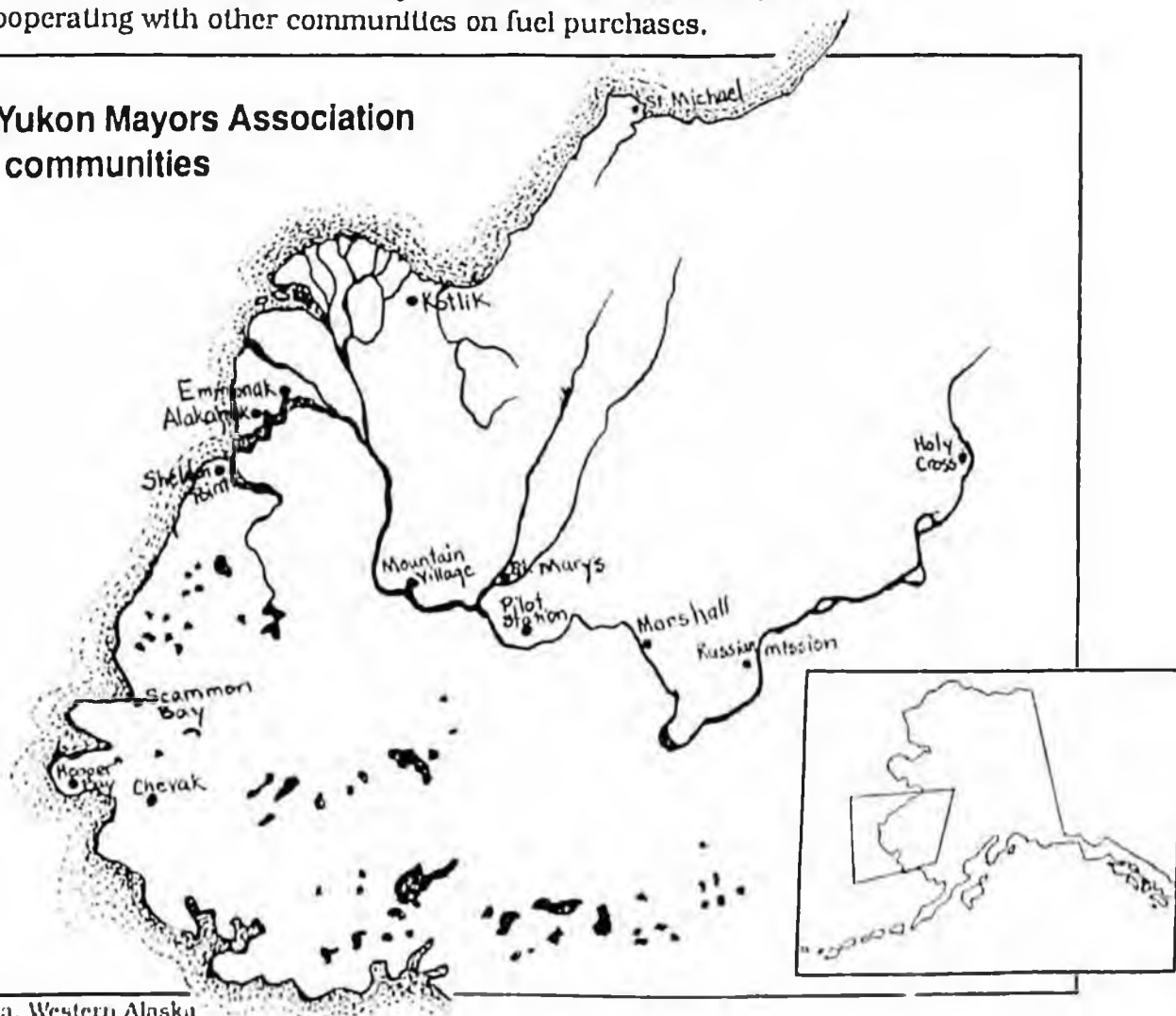
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Before you begin . . .

If you could save 30 percent, 40 percent, even 50 percent of the cost of heating your community buildings, would you consider it worthwhile to read the next 20 pages? This book describes one of the easiest ways to cut the cost of your fuel.

Buying fuel at the lowest possible price should interest nearly everyone. Your village could cut fuel costs substantially by requesting competitive bids from a large group of suppliers. And you could cut fuel costs even further by cooperating with other communities on fuel purchases.

Coastal Yukon Mayors Association member communities



Yukon River Area, Western Alaska

You don't need to be a fuel expert, you don't need to spend large amounts of money up front, and you don't need a complicated set of rules in order to form a cooperative buying organization.

Sound too good to be true? It's not. The Coastal Yukon Mayors Association (CYMA) has demonstrated that a cooperative bidding and buying agreement is not only possible but also very profitable for the communities involved. This book focuses on the association's success in organizing a cooperative fuel purchase. It is mostly about how rural community governments can pull together to lower fuel costs. Other organizations, such as schools, also may find the handbook useful for understanding and adopting cooperative purchasing.

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Chapter 1

Low cost ways to cut fuel costs

You can cut your community's fuel costs by buying in bulk. You may need to work with other communities, however, to build up enough volume to earn a bulk discount.

In rural Alaska, heating fuel has always been one of the most expensive items in community budgets. Heating fuel and gasoline often cost twice as much in rural areas as they would in other parts of the United States.

During the 1980s, when state income rose dramatically and the state passed part of the funds along to local governments, many communities in Alaska built new public facilities, such as community centers, schools, equipment garages and city offices. The amount of fuel needed in most communities increased. New buildings needed fuel for heating. New water systems needed fuel to prevent freezing during the long winter months. And new police vehicles, ambulances, garbage trucks, fire trucks, road graders and other heavy equipment all added to the fuel needs of the community.

Unfortunately, now that the buildings are in place and equipment has been purchased, state money and local revenues are decreasing. There is less and less money available to pay for operating and maintenance costs, including fuel purchases.



2 LOW-COST WAY TO CUT FUEL COSTS

As a community leader who wants to cut back on operating expenses, you can look at a variety of fuel-reducing options. You might decide to reduce fuel use by practicing conservation. You might decide to use waste heat recovery or other less expensive energy sources. The drawback to these options is that they require you to spend money before you can begin to save.

The one option that does not require you to make a big up-front investment is to reduce the cost of fuel. That's where cooperative purchasing and competitive bidding come in.



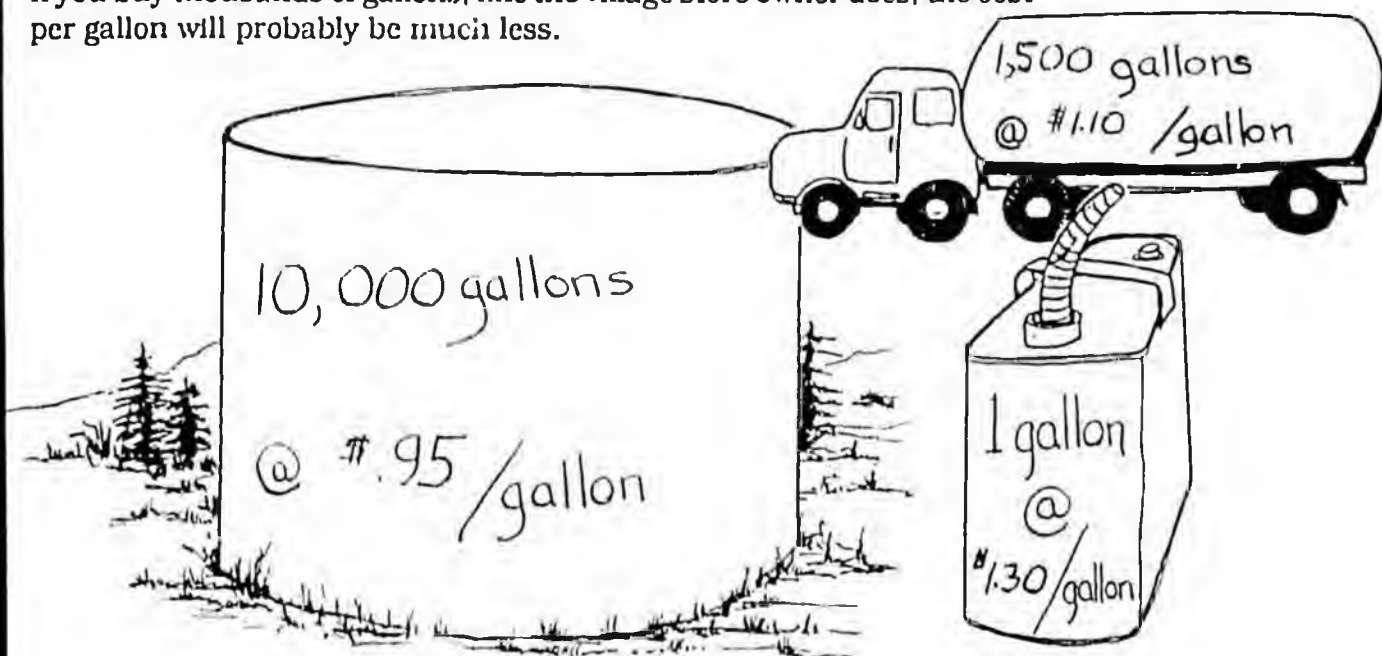
Chapter 2

Cooperative purchasing

Buying large amounts of almost anything will lower your cost per unit. The more heating fuel you buy, for example, the lower your cost per gallon. But what if your community can't use enough fuel to get a good price? What if your village doesn't have enough storage tanks to hold those extra gallons that would give you a better price? By going together with other communities in a cooperative purchasing agreement, you may be able to save money on fuel purchases.

What is cooperative purchasing?

Cooperative purchasing is based on the simple idea that buying in large amounts will result in a lower "per unit" cost. For example, if you buy a gallon of gasoline at the pump at your village store, the cost is pretty high. If you buy thousands of gallons, like the village store owner does, the cost per gallon will probably be much less.

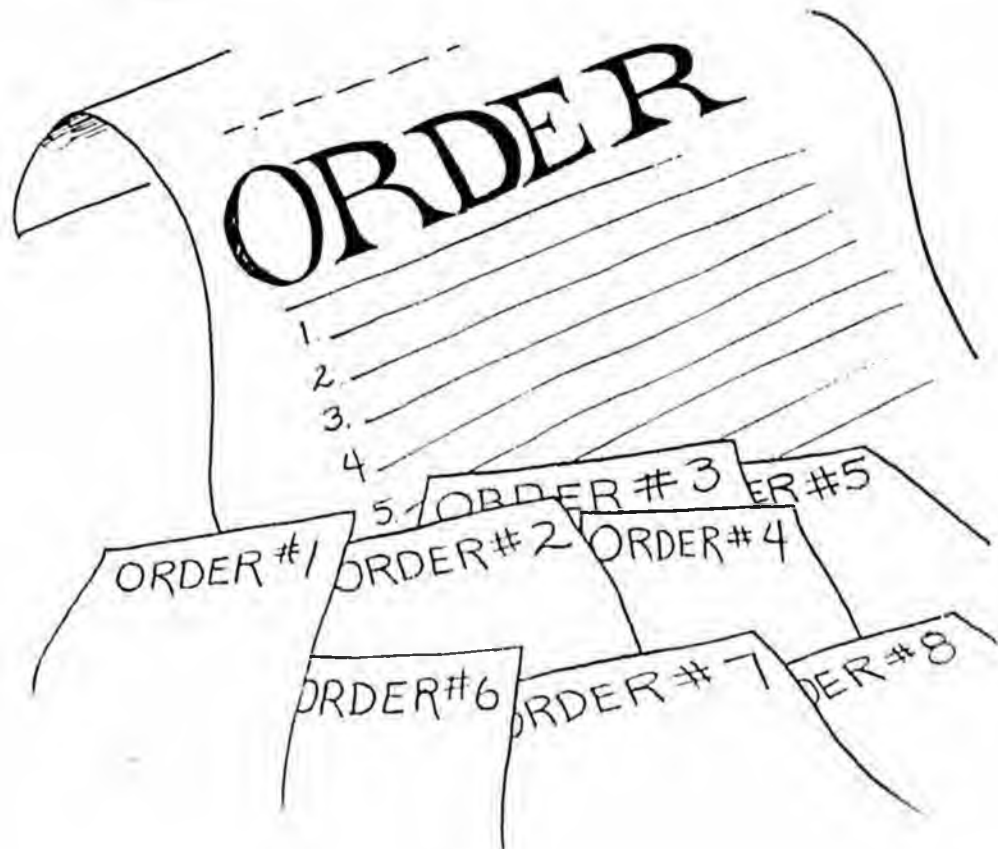


Under a cooperative purchasing arrangement, several organizations combine their orders and agree to purchase together to get lower prices. Savings are passed on to all the participants in the cooperative arrangement.

City governments throughout the country have used cooperative purchasing arrangements to cut the cost of everything from office supplies to heavy equipment. Cooperative purchasing is especially good for small cities because they can get cost reductions that only large purchasers usually get. However, to get these cost reductions you must buy a large amount of a particular item. This might be difficult if a group of communities were buying furniture or equipment. Each community would have to agree to purchase the same style, make and variety to make a large enough order for a price break. Fuel is ideal for cooperative buying because most communities need the same kind of fuel.

Why do you save money when you buy in large amounts?

The savings from volume buying comes from sharing transportation and handling costs, from buying at wholesale prices instead of retail, and from reducing the supplier's collection and billing costs. Suppliers like the convenience of dealing with one large customer, rather than several smaller ones. They'll often pass some of their "profit" on to the large customer, just because it's so much more convenient to handle one large order.



Chapter 3:

The Coastal Yukon Mayors Association Story

When 14 communities in western Alaska began cooperating on a bulk fuel purchasing plan in 1986, they set an example that other cities throughout rural Alaska can follow. CYMA's 14 member communities, located near the Lower Yukon River, have populations ranging from 13⁴ to 665.

The Coastal Yukon Mayors Association (CYMA) is a nonprofit organization formed in 1986 to encourage and coordinate cooperative ventures. Its primary purposes are to distribute information among its member communities, to serve as a forum for discussing common issues, and to advocate common positions. The CYMA also set up a cooperative arrangement for its members to request fuel bids together.

The CYMA cannot commit any member community to buy from the successful bidder, and it cannot sign any contracts for member communities.

The member communities of the CYMA have signed a cooperative agreement to call for fuel bids together. It is not an agreement to buy fuel together. The difference is important. The participating communities agree to combine their individual fuel orders into one bid, instead of each community issuing separate bids for fuel. The cities may accept or decline the low bid received through the CYMA. Those that accept agree to purchase fuel from the low bidder. Those that decline have the right to decide not to follow through on a purchase.

The member communities have not delegated any of their municipal powers or responsibilities to the CYMA.

The first venture of the CYMA was to coordinate a bulk fuel purchase for its members. In 1987 the CYMA asked for bids for 479,000 gallons of diesel fuel and accepted a bid of 88.6 cents (\$0.886) per gallon. Many member cities had previously paid more than \$1 per gallon, but how much of the reduction was the result of the cooperative bidding process or how much the result of other factors is not clear. Most participating communities believe the lower cost was at least partly because of their cooperative effort. Some fuel suppliers estimate you can save from 10 percent to 20 percent of fuel costs by buying in large quantities, depending on the amount purchased.

Bureau of Indian Affairs: Fuel supplier to rural Alaska

The Bureau of Indian Affairs (BIA), in cooperation with the military, purchases large quantities of fuel for resale to rural communities throughout Alaska. The price of fuel offered through the BIA generally establishes the price of fuel throughout the industry.

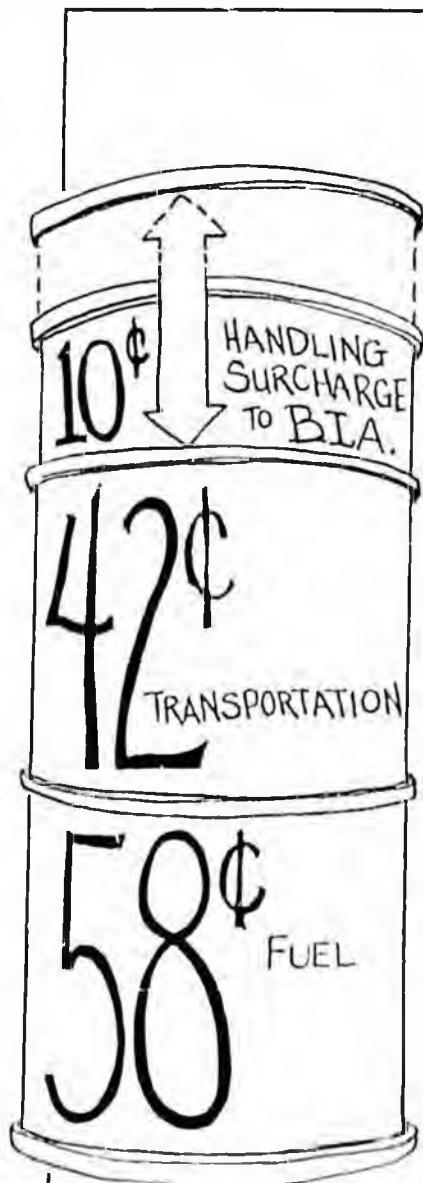
For 1989, the cost of fuel oil through the BIA varied between \$1.10 and \$1.32 per gallon. This price breaks down to 58 cents per gallon for the cost of extracting the oil from the ground and refining it; 42 cents per gallon for transporting it from the refinery to the village; and 10 to 32 cents per gallon for handling and BIA fees.

The BIA offers quantity discounts for fuel purchased by a single customer. Discounts range from 1 to 6.5 cents per gallon for quantities of 25,000 to 5 million gallons.

Part of the reason the BIA can offer discounts is because they receive a discount at the refinery. Refineries offer discounts both on large one-time purchases and on large installment purchases. They do not advertise or "post" these discounts; they negotiate with each buyer. Refineries will generally give discounts of 2 to 3 cents per gallon for single purchases exceeding 420,000 gallons (10,000 barrels).

Many private suppliers offer prices within range of the BIA's prices because they, too, negotiate large-volume discounts at the refinery and can pass them along to their customers. But you may find that neither the refinery nor your supplier will tell you about the discount unless you ask.

For more information about the BIA's fuel program contact the U.S. Bureau of Indian Affairs Fuels Program, Seattle Support Center, P.O. Box 80947, Seattle, WA 98108, telephone (207) 764-3328.

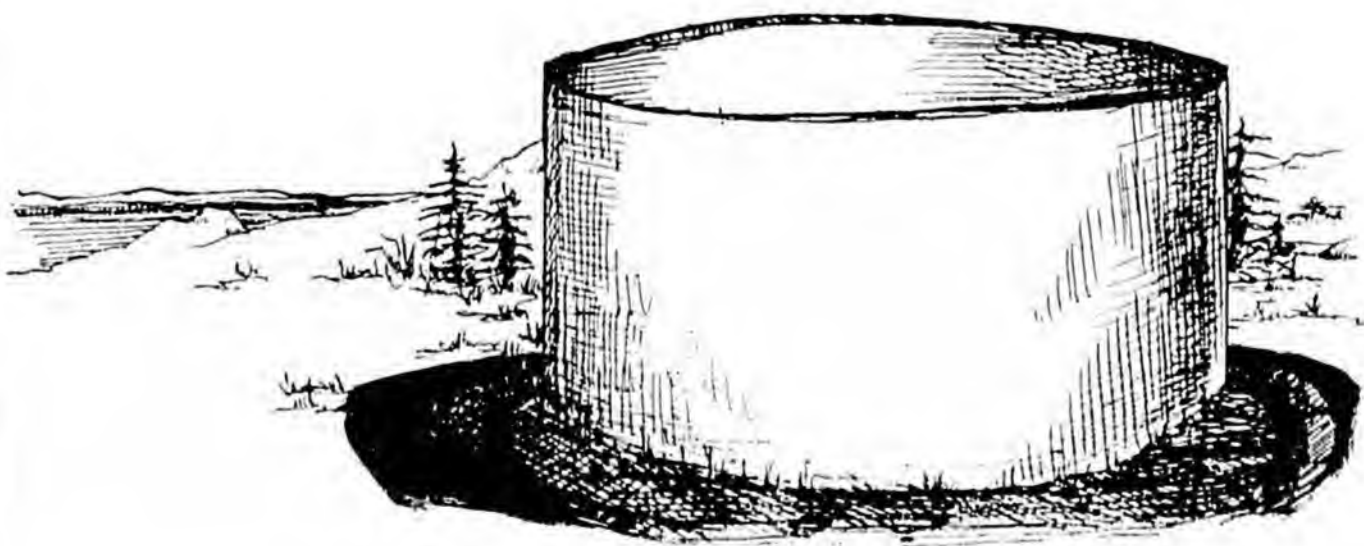


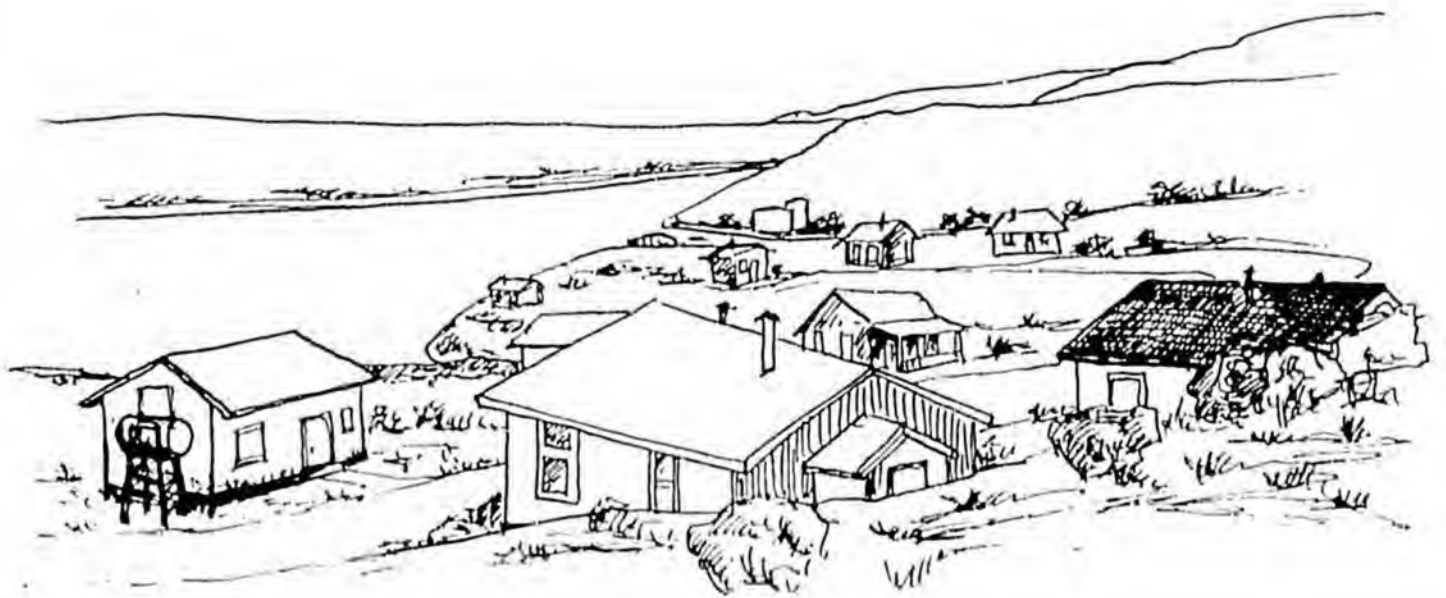
In 1988 the CYMA called for bids for 260,000 gallons of diesel fuel. The lowest bid was 83.6 cents (\$0.836) per gallon.

In 1989 the CYMA asked for bids for 320,000 gallons of diesel fuel. Two companies responded. The lowest bid for diesel fuel was \$1.16 per gallon, and the high bid was \$1.26 per gallon. The fuel supplier for the CYMA in 1989 estimates participating communities saved from 6 to 9 cents per gallon by bidding and buying together, rather than buying separately.

Even though the CYMA now has a three-year track record on bid openings, the cooperative is still trying to work out a number of problems. For example, some member communities have cash flow and credit problems that delay fuel shipments to their communities. Others are not able to accurately estimate their fuel requirements and either over- or under-order.

CYMA's cooperative purchasing arrangement is worth a closer look, even with these difficulties.





Chapter 4:

Cooperative purchasing: What the law allows

Alaska state law allows your community to enter into cooperative agreements with two or more local governments. But your local laws also must allow for cooperation among communities.

Do your local laws allow you to join into cooperative agreements?

All communities should have an ordinance in effect which authorizes the community to enter into cooperative agreements. A sample ordinance is provided in Appendix A.

Your community also may have ordinances or regulations that govern purchasing. Any cooperative arrangement you enter into should comply with your community's purchasing rules and those of other participating communities.

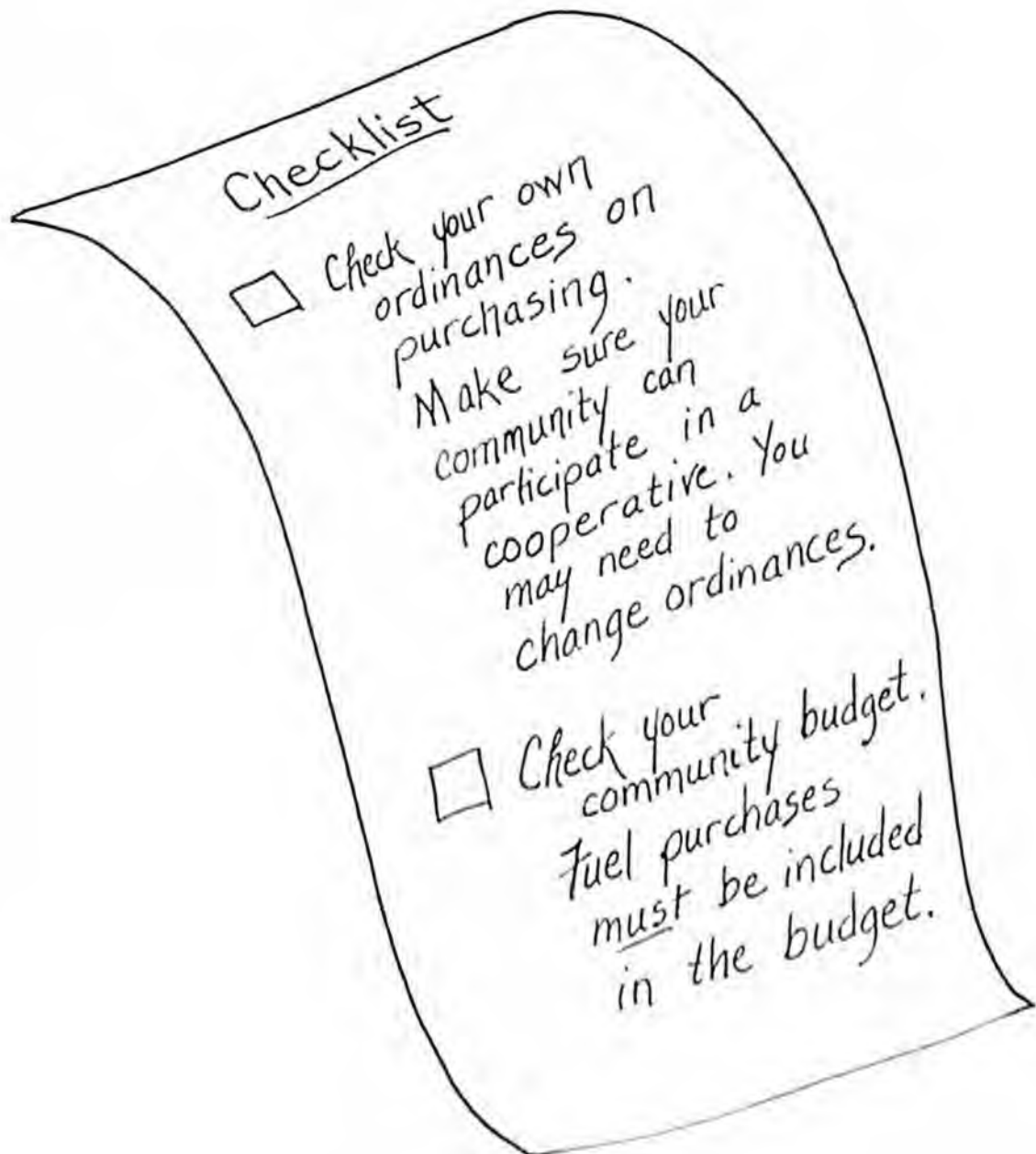
A community cannot use a cooperative arrangement to get around any restrictions found in its own ordinances or regulations.

All community spending must be in accordance with your budget. Most city councils and borough assemblies pass their budgets at the beginning of their fiscal year.

A cooperative organization cannot make the final decision on how to spend a member community's money unless the governing body of the community has authorized the cooperative to do so.



More information about state laws concerning cooperative agreements is provided in Appendix A.



Checklist

Check your own ordinances on purchasing. Make sure your community can participate in a cooperative. You may need to change ordinances.

Check your community budget. Fuel purchases must be included in the budget.

Chapter 5:

A framework for cooperative purchasing

A cooperative organization can be as simple or as complex as its participants want it to be. How much cooperation do you want? How much authority do the members want to give to the organization? Your answers to these questions will determine how complex your cooperative will be.

How can you cooperate?

There are at least four ways communities can cooperate with each other.

Informal cooperation

The simplest form of cooperation is informal. One community might volunteer occasionally to do something for the benefit of another community, without a contract or written plan. This kind of cooperation happens frequently in rural Alaska. For example, one village might lend a piece of special equipment to another village.

LEVELS OF

COO	<ul style="list-style-type: none"> • voluntary, occasional • no contract
COOPER	<ul style="list-style-type: none"> • common project and understanding • no contract

Informal cooperation could be used for fuel purchasing. Your village might simply agree to order fuel with a nearby community, or your village government and your local school district might buy fuel together.

Planned cooperation

Another type of cooperation is when cities work together on a project, without a formal contract. The understanding may or may not be written.

During its first year of operation, the Coastal Yukon Mayors Association (CYMA) did not have a written understanding among the participating cities. Unfortunately, this led to some confusion when the CYMA ordered fuel for participants who had not committed themselves to purchasing fuel from the supplier selected by the CYMA. The CYMA later wrote a formal plan called "the Cooperative Agreement for the Purchase of Fuel." A modified version of this agreement is provided in Appendix B and is discussed further in Chapter 6.

The CYMA agreement is not a contract among the participating communities because it does not require them to purchase through the CYMA. The agreement merely outlines the procedure the participating cities will use for obtaining fuel bids and making purchases through the CYMA.

A more general agreement form for cooperatively purchasing any item also is provided in Appendix B.

Either before or after you develop a cooperative agreement with other communities, each community governing body should pass a resolution approving the agreement. The resolution should emphasize that the community is participating in the cooperative for the benefit of the community and the public. A resolution is not absolutely necessary for the cooperative agreement since a commitment of funds is not required, but it gives the cooperative organization support when it is acting on behalf of the community. A sample resolution is provided in Appendix C.

COOPERAT	<ul style="list-style-type: none">• written contract• lawsuits possible
COOPERATION	<ul style="list-style-type: none">• create a separate agency

Cooperation by contract

A third kind of cooperation involves written contracts. Contracts are formal, legal documents that often involve a commitment of funds. A community that fails to do what it had agreed to do under the contract can be sued for damages or hardship suffered by the other communities that signed the contract. For example, damages could involve additional costs for fuel if your community misses placing an order because one of the other communities backs out of the signed contract, or if another community holds up the purchase until it is too late to deliver fuel by barge.

Cooperation through the creation of a separate agency

Sometimes creating a separate agency is the best way for communities to cooperate. The cooperative agency acts for all of its members.

When you create a new agency, you have to decide several legal questions, including who has the power to do what. You'll also have to decide who will be your representative at cooperative meetings. You could choose to send elected or appointed city officials, such as city council members or the city manager. Or, you could appoint a knowledgeable person from the community as your representative.

Sometimes it is more efficient to provide services on a regional basis. If so, a separate agency is useful. Good examples of this type of regional organization are the regional Native nonprofit organizations that provide a wide variety of services throughout rural Alaska. Most of these organizations were formed by Native tribal governments. Under federal law, tribal governments have the responsibility to provide certain services to tribal members. Recognizing that many of these services, such as housing and health care, are more efficiently provided on a regional basis, tribal governments created cooperative nonprofit organizations and gave them the power to provide services on behalf of all members.

The CYMA is one example of cooperation through a separate agency. Although an important activity of the CYMA is to handle the cooperative's fuel bid agreement, that is only part of what it does. Its primary purpose is to provide a forum for its members to communicate about issues of common interest. The CYMA facilitates cooperation among its members. It has no authority to commit or contract for any of its member communities because the member communities have not given it any municipal power or responsibility.

Who should participate in your cooperative arrangement?

Under Alaskan law, your community is allowed to cooperate with other communities, and with the state and federal government.

You also can cooperate with other governmental bodies, including school districts, housing authorities, tribal governments or nonprofit organizations established by a government.

Should you cooperate with for-profit organizations?

It's probably best not to include for-profit organizations in your cooperative.

The Alaska constitution prohibits spending public money or extending public "credit" for a purpose that is not a "public" purpose. If your cooperative arrangement could result in appropriating public funds or in extending the credit of a local government to a private organization, the arrangement could violate Article 9, Section 6 of the state constitution.

Local governments should not, as a matter of policy, favor one private enterprise over another private enterprise. Your community might have more than one local fuel distributor. These distributors may compete for customers among the community's residents. Letting one local fuel distributor and not another participate in the cooperative purchase would interfere with their competition.

For both these reasons, the CYMA does not extend its cooperative services to private for-profit organizations. The cooperative agreement allows nonprofit and charitable organizations to participate, although none have participated in a fuel bid so far.

The fact that local governments and other governmental agencies are acting together to lower the cost of fuel should benefit the private sector. Prices quoted to the cooperative are public information which private businesses and individuals can use to negotiate their own fuel prices.

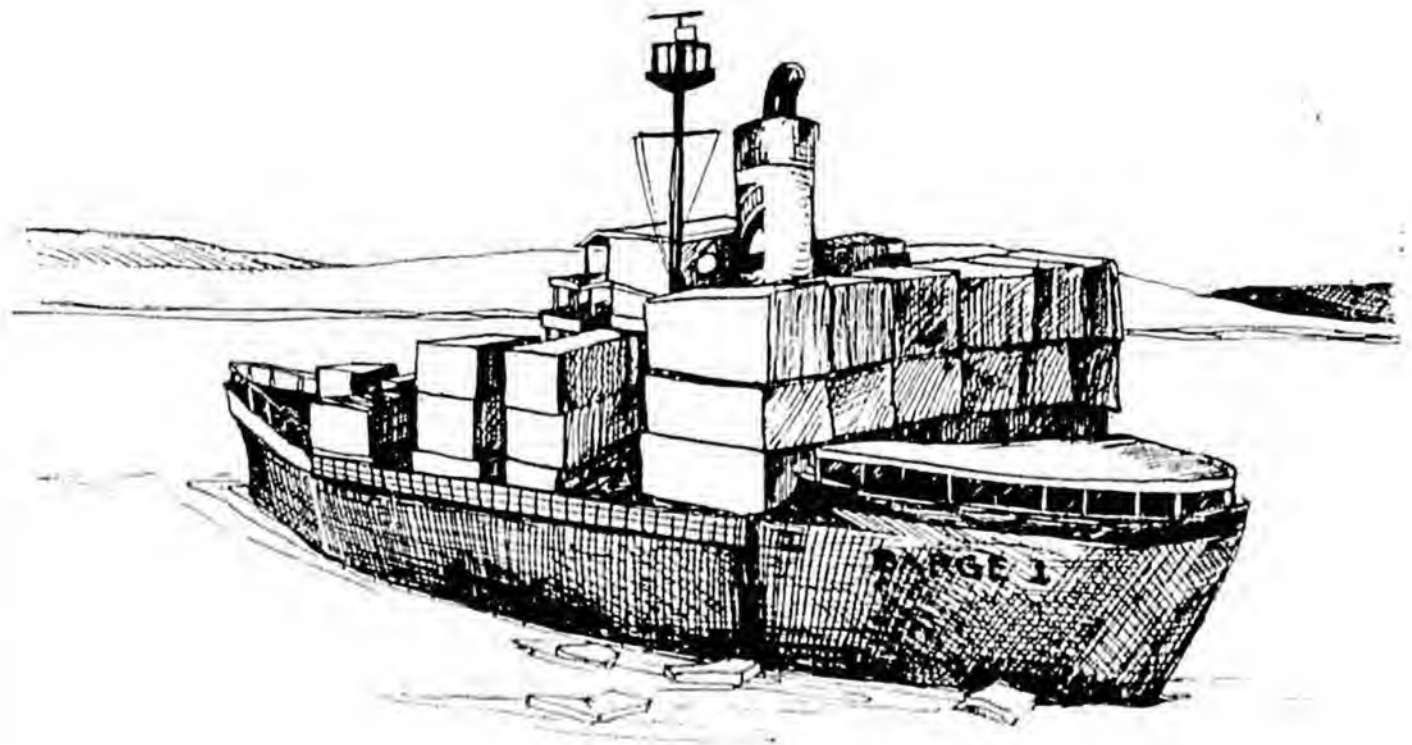
Something else to think about in deciding who should participate in a cooperative is the transportation system. For fuel-purchasing cooperatives, everyone should have the same method of fuel delivery. For example, most members of the CYMA share the Yukon River as a common transportation system. Most of the communities have fuel shipped in by barge. They are close enough to each other to make it possible for those bidding to supply fuel to calculate a common delivery cost. A common delivery system is important if participants insist on one price for all

PARTICIPATION

- municipalities
- school districts
- housing authorities
- tribal governments
- non-profits
- government owned utilities
- private businesses

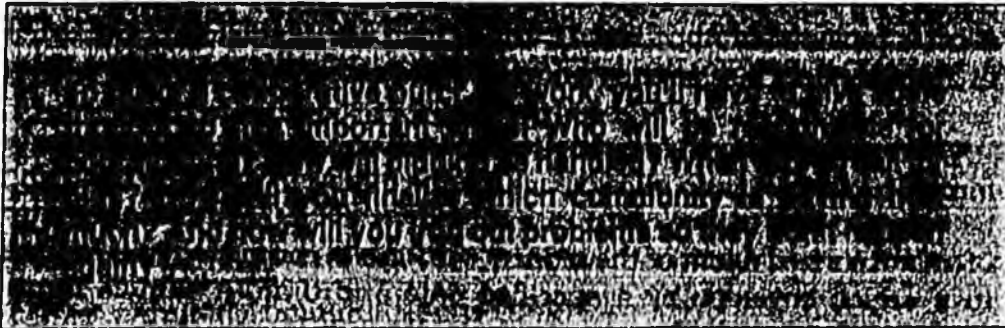
participants. However, a common delivery system is not necessary if the participants are willing to accept varying bids. The CYMA has a few member cities that do not use the Yukon River as a transportation route. In 1987 two of these communities received a slightly higher bid through the CYMA than other participating members. The difference in the price reflected the higher transportation cost to these communities. But their fuel costs were still lower than before they joined the cooperative.

A common transportation system also may be important from the fuel supplier's standpoint. Fuel suppliers can only bid if they have the ability to provide the service. It might be difficult, for example, for a community on the lower Yukon and a community in Southeast Alaska to try to purchase fuel together in a cooperative because interested fuel suppliers might not be able to ship to both communities.



Chapter 6:

Key elements of a successful cooperative purchase



Who will be responsible for coordinating the fuel purchase?

Central coordination is critical to the success of a cooperative. Central coordination will save you money because each community is not spending funds to conduct a separate bid process.

One person or organization must be responsible for gathering all of the fuel information from the participants, preparing a bid package, advertising for bids, receiving bids and selecting the lowest responsible bidder. This job in the Coastal Yukon Mayors Association (CYMA) is done by the administrative staff of one of the participating communities. Currently, they are paid for their work out of dues each community pays to the CYMA. Another way to raise the money to pay for this coordination role is to collect a small fee from each community based on how much fuel they ordered. For example, you might assess each community one cent per gallon as an "administration" fee.

An outline explaining who does what in a cooperative is provided in Appendix F.



How will bidding be handled?

For most community purchases, you must obtain bids if the expected purchase price is over a certain amount. For some communities this limit is \$250. For others it may be \$2,000. These and other requirements for bidding vary from community to community. It is important from a legal standpoint that bid procedures used by the cooperative be similar to the bid procedures of each participating community. If the cooperative's bid procedures are different from your community's bid procedures, your city council should amend its laws governing bid procedures. A sample ordinance is provided in Appendix A. You may also refer to the Local Government Handbook, pages 8-10 of Chapter 3, Section 4.

The typical bidding procedure begins with a formal advertisement of the bid through newspapers or other publications. A sample advertisement is provided in Appendix D. You should also send a notice of the bid to any suppliers you already know are interested in submitting a bid.

When prospective bidders answer the ad, you should send them a bid form. The form should allow space for the bidder to describe the item to be supplied and to give costs, quantity, delivery dates and the signature of an authorized agent of the bidder. The form is completed and returned in a sealed envelope by a specified date and time. A sample form is provided in Appendix E.

The deadline for returning bids must be strictly adhered to. Be sure the date and time are correctly listed in the advertisement.

When bids are opened, you should inspect each bid to see if it conforms to the required specifications. Record each bid and announce the low bidder.

Evaluating bids

Evaluating bids on the basis of price alone may not always be wise. The CYMA uses the concept of the lowest *responsible* bidder. The successful bidder should be able to deliver fuel with the least possible risk to the communities buying it. If the CYMA does not have confidence that the lowest bidder can deliver the fuel on time and in a safe manner, the lowest bid can be rejected. In your bid request, you may want to require the bidder to describe his past experience and his plan for delivering the fuel. Also, the lowest bid may not be the best choice if the bidder does not guarantee the quality of the product, or if the bidder refuses to accept other conditions you consider important.



Fixed-price bid vs. fluctuating-price bid

A fixed-price bid requires the bidder to provide a single price for all fuel deliveries. The price is the same throughout the delivery period.

A fluctuating-price bid allows the price for fuel to go up or down during the delivery period based on the market price.

Oil price information sources

If your cooperative decides to ask for fluctuating-price bids, the bids should be tied to a price index. Following are some publications you and your supplier can look at to establish your purchase price.

Oil Price Information Index (OPIS)

United Communications Group
4550 Montgomery Avenue, Suite 700N
Bethesda, MD 20814-3382
Main Office (301) 961-8700
Circulation (301) 961-8777
Published weekly

Oil Express

United Communications Group
4550 Montgomery Avenue, Suite 700N
Bethesda, MD 20814-3382
Main Office (301) 961-8700
Circulation (301) 961-8777
Published Weekly

Lundberg Letter

P.O. Box 3996
North Hollywood, CA 91609-0996
Main Office (818) 768-5111
Published bi-monthly

These publications vary in fee and content. Fees range from \$200 to \$455 per year. Some also offer a "hot line" for daily price information.

You may find other sources of oil price information by asking at libraries, asking your fuel supplier, or asking a refinery representative.

The advantage of fixed-price bidding for a community or a cooperative buying fuel is that it gives a stable price that can be easily budgeted. Once you accept a fuel bid, you know how much to set aside for the purchase.

Fixed-price bidding is difficult, however, because the market price for fuel changes almost on a daily basis. A fuel supplier submitting a fixed-price bid must predict what the price of fuel will be when it is delivered. For example, if the bid opening is in March, the supplier must predict the purchase price for fuel in May, at the time he plans to purchase it. In March the cost of fuel to the supplier may be 60 cents per gallon. If the supplier predicts the price will be 80 cents per gallon in May and bids a fixed price based on this amount, he will lose money if the price turns out to be higher than 80 cents per gallon. But if the price is lower than 80 cents, he will make money. Fixed-price bidding involves more risk for the supplier, especially when oil prices are unstable.

Although you might save money if the fixed price turned out to be lower than a fluctuating-price bid would have been, the disadvantage is that you will most likely pay more on a fixed-price bid because fuel suppliers will bid high to reduce their risks.

A fluctuating-price bid should be tied to a price index. The Oil Price Information Service (OPIS) publishes an index every week that is commonly used by fuel suppliers for Alaska. For example, the Alaska Village Electric Cooperative (AVEC) asks for a fluctuating-price bid and requires bidders to base price quotes on the published OPIS price for diesel fuel No. 2 in Seattle, Washington, for the week of the bid opening. If you ask all bidders to use the OPIS price, you then have competition only on transportation and handling.

Modified fixed-price bid

If fuel deliveries can be made more than once during the delivery period, you can ask for bids for each delivery date. For example, in the CYMA region, fuel can be delivered from June through September. A fuel supplier may be able to make two or three deliveries to a community during this time period. Suppliers could be asked to give bids for deliveries made during each month, or some other appropriate interval. If prices quoted for one period were lower than those quoted for another, communities could save money by purchasing most of their fuel for delivery during the least expensive period. For example, usually the later you wait in the year, the higher the prices will be. This is because refinery stockpiles may have been drawn down and are not being replaced yet. Also, it is more difficult to make deliveries in the fall. Buying before fall makes good economic sense.

Writing a timetable: When do you call for bids?

The duties of the coordinator should be specifically written out in the cooperative agreement and in a fuel delivery timeline.

The fuel delivery timeline for the communities in the CYMA is decided by break-up and freeze-up on the Yukon River. Because there are no roads connecting the region to the rest of the state, the most economical way to deliver fuel is by barge.

Break-up usually occurs in May, and fuel deliveries can be made by late May or early June. Deliveries can continue until freeze-up, usually in early October. Most of the participating communities need fuel by late May, so bid award procedures must be finished early enough to allow the fuel supplier to deliver to some communities in May.

In the CYMA cooperative agreement, a timetable was built by counting backward from May 15, the last day you could reasonably expect a supplier to receive an order and still be able to make early deliveries of fuel. This timetable outlines the responsibilities of the coordinator, as well as those of each participant:

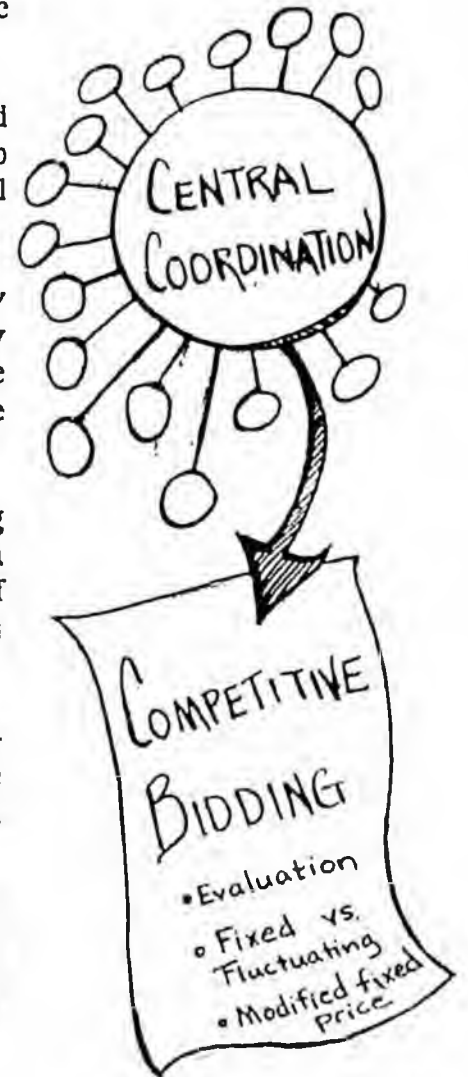
January 2: Each participant delivers estimated fuel needs to coordinator. The process begins with estimated needs. These needs are determined from past use and expected new uses. A form to write down your estimates for the coordinator is provided in Appendix B.

The coordinator takes the information sent by each participant and compiles it into one bid package. During the period between January 2 and February 15, the coordinator also may be contacting other potential organizations for participation in the bid.

If participants also want to solicit bids for other petroleum products such as motor oil and lubricants, the coordinator should develop uniform specifications to satisfy the needs of each community. The specifications should be agreed to by each participant. If participating communities cannot agree on uniform specifications, the item should be dropped from the bid.

February 15: Coordinator prepares and sends bid solicitation to selected newspapers for advertisement and to anticipated bidders. The advertisement explains the estimated fuel need and requests bids. It tells potential bidders to contact the coordinator to obtain the bid package and quotation forms. A sample fuel bid advertisement is provided in Appendix D.

The coordinator may schedule a pre-bid conference between February 15 and March 15 to answer questions of potential bidders. Another way



Deliver needs bids list

JANUARY						
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

22 KEY ELEMENTS OF A SUCCESSFUL COOPERATIVE PURCHASE

FEBRUARY

					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28		

Bid solicitations sent to newspapers

MARCH

	1	2	3	4	5
7	8	9	10	11	12
13	14	15	16	17	18
19	20	21	22	23	24
25	26	27	28	29	30
31					

Coordinator receives bids

APRIL

				1	2
3	4	5	6	7	8
9	10	11	12	13	14
15	16	17	18	19	20
21	22	23	24	25	26
27	28	29	30		

MAY

1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Purchase commitments due

Final tabs sent to bid. responsible

Lowest responsible bidder accepts or rejects final tabulation

to clarify the bid package for bidders is to establish an inquiry deadline. Allow sufficient time for bidders to ask their questions either by telephone or in writing. Then summarize both the questions and answers. Mail this summary to your mailing list of everyone who requested the bid package.

During the period from February 15 to March 15, participating communities should not be soliciting other fuel bids.

March 15: Coordinator receives bids. All fuel suppliers must have bids delivered to the coordinator by the close of business on March 15. The coordinator tabulates all bids, eliminates bids that are not responsive to the solicitation and selects the lowest responsible bidder. The tabulation is sent to all participating organizations. The coordinator is not bound to select the lowest bidder, if in his opinion the lowest bidder is not a "responsible" bidder. According to the cooperative agreement, the coordinator may consider the past performance and experience of the bidder, as well as other criteria, to determine the lowest responsible bidder. If the coordinator does not select the lowest bidder, he must give an explanation to all participants of his reasons for rejecting the lowest bid. All bidders should be notified of the results and a formal notice given to the selected bidder.

May 1: Purchase commitments due. All participants accepting the bid of the lowest responsible bidder must send written orders in the form of a purchase order or letter of commitment to the coordinator by 5 p.m. May 1, or the first business day after May 1. The order or letter must be from an official such as the city manager or mayor who has authority to commit the community to a contract. The timeline gives each community more than enough time to tell if it must make adjustments to the original estimates. This also gives each community enough time to seek other bids for comparison to the bid received through the cooperative.

May 4: Coordinator sends final order to lowest responsible bidder. Within three business days after commitments are due, the coordinator tabulates the final orders as received from each participant. Final orders may differ from the earlier estimates. The final tabulation is sent to the lowest responsible bidder and is considered an "aggregate" offer to purchase fuel at the price specified in the bid. The fuel bid solicitation form in Appendix E can be adapted into a final tabulation form.

May 8: Lowest responsible bidder accepts or rejects final order. The lowest responsible bidder has three business days from receipt of the final tabulation to accept or reject it. Because the final orders may require the delivery of more or less fuel than specified on the bid solicitation, and because the bid was based on the estimate provided in the solicitation, the lowest responsible bidder must have the chance to evaluate whether they can deliver the fuel for the price specified on the bid.

If the bidder accepts the order, the coordinator releases the purchase orders and letters of commitment to the bidder. If the bidder rejects the orders, purchase orders and commitments are returned to each participating community.

Under the CYMA plan, once the commitments are released to the bidder, the responsibility of the coordinator ends. All future transactions, including delivery of fuel and payment, are between the bidder and participating communities.

The CYMA agreement makes no provision for price negotiation. Each community made its commitment based on the bid price. The coordinator has no authority to make a commitment on behalf of any participant for a higher price. If the bidder rejects the tabulation and asks for a higher price, the cooperative purchase fails. Then, each community will have to negotiate for fuel purchases on their own, with any supplier they choose. The best place to start would be with any other supplier who submitted a bid in response to the cooperative purchase.

Failure of the cooperative purchase could force communities to pay higher prices for fuel. If your community were depending on the cooperative purchase and you were not prepared to go out for bids on your own, you might have to buy fuel quickly - without taking time to get competitive bids - if the cooperative failed. It would be wise to make backup plans, in case the cooperative purchase does not go through.

In areas of Alaska where cold weather does not hinder fuel deliveries, other timelines may be appropriate. A timeline developed around a common fiscal year may be appropriate. A worksheet for preparing a critical timeline is included in Appendix F.

Commitment: How to finalize which community is buying how much.

A definite method for determining commitment must be a part of the process. Neither the coordinator nor the successful bidder should be left to guess whether a participating community is going to purchase fuel through the cooperative arrangement.

Only an official of a city can authorize spending public funds for buying fuel. The coordinator of the cooperative purchase should not have this power, except, perhaps, for his own community.

The CYMA requires that a community's commitment be in the form of



a purchase order signed by an authorized official. In the case of a city, such an official would be the mayor or city manager. Whether a purchase order is the method used is not critical. The critical factor is that any order placed should be in writing. If a written order is not required, questions about whether orders were made, or how much was ordered, would undoubtedly arise. Fuel purchase orders that require spending thousands of dollars should be in writing.

Evaluation: How will you iron out problems?

At least once a year, participating communities in the cooperative arrangement should meet to evaluate the previous fuel bid process. The fuel supplier should be invited to send a representative to participate in the evaluation of the process. If participants had any problems, these problems should be addressed before any more fuel is bid.

Problems should be categorized by areas, such as:

- bid procedures: collecting estimates of fuel needs; establishing delivery dates; type of fuel or other products to be ordered; credit standing of participating communities;
- fuel delivery: timeliness; quality of fuel; quantity of fuel; fuel transfer system; knowledgeable people on barge staff and city staff;
- performance of supplier: timeliness; courtesy; organization; coordination; lack of mishaps.

Did it work?
 yes no

What to do next year.....

1. _____

2. _____

3. _____

4. _____

The performance of the fuel supplier also should be evaluated. If communities experienced problems directly related to the supplier, and these problems were significant, the supplier should be informed to correct the problems if they want to be considered on future bids. You may need to clarify these issues in your purchase contract to avoid similar problems with future purchases. A list of suggested steps for safe fuel handling and barge delivery, prepared by a fuel supplier, is provided in Appendix J. It may help your community understand what the supplier expects when their barge anchors at your dock.

The CYMA conducts its evaluation at its annual meeting.

Chapter 7:

Writing a contract

Who writes the contract for a fuel purchase - the coordinator or the individual community? Who negotiates with the supplier? Who signs the contracts? Who handles the money? These questions need to be decided before you call for bids.

An important step in cooperatively purchasing fuel is to decide how big a role the cooperative will play. Your cooperative could be set up to call for bids only, or it could go further and actually contract with the fuel supplier.

You also will have to decide who will carry out the tasks that need to be done to make the cooperative run smoothly. A sample outline of how key tasks could be divided among the communities, the coordinator and the supplier is provided in Appendix F.

The Coastal Yukon Mayors Association (CYMA) coordinator acts as a "broker." He or she collects estimated fuel needs from communities, compiles these estimates into a bid package, calls for bids and determines the lowest responsible bidder. He or she notifies communities of the low bidder, collects purchase orders from communities and sends them along to the supplier.

In the CYMA, no money passes through the coordinator's hands. The actual purchase is entirely between the individual community and the fuel supplier.

Another way to set up a cooperative would be to give the coordinator the power to purchase fuel for all participating communities, so that the coordinator was acting as the "banker" between the communities and the

supplier. In some ways, this arrangement might work better than the present CYMA system. For example, fuel suppliers could go to one source - the cooperative - to collect their money, instead of to 14 different communities.

If your cooperative organization decides not to contract with the supplier on behalf of participating communities, it is still a good idea for all communities to use the same contract when they deal with the supplier. The cooperative could develop a standard purchase contract for all participants to use and include a blank form in the bid package so each bidder is aware of the terms and conditions for the fuel purchase. The coordinator would send a ready-to-sign contract to each community after the lowest responsible bidder were selected. The community would authorize the purchase by completing and returning the signed contract to the coordinator, who in turn would send it to the successful bidder. The contract would serve as the necessary written commitment for the purchase.

Whichever way you decide to organize, your community should be protected by a written contract. A contract between a community and a fuel supplier, or between the cooperative and a fuel supplier, must include price, quantity, delivery dates, precise description of the product to be supplied, and method for payment. These terms are often included in a purchase order, but a contract can go further. It can be used to explain who is responsible for what. It can explain the burdens and risks between a buyer and a seller.

Contracts should be approved by resolution of the city council. A sample contract is provided in Appendix G. A sample resolution calling for approval of the fuel purchasing contract is provided in Appendix H. The sample contract in Appendix G addresses some of the following:

A CONTRACT INCLUDES:

1) Price
\$ — /gallon

2) Quantity
— gallons

3) Delivery
dates

month day year

4) Description
of product

5) Method and
schedule for
payment



The risk of transportation

Fuel is only useful to a community if it is actually offloaded into the community's storage tanks. Fuel lost in delivery, such as in a storm at sea, is of no value to the city. Your supplier should be required to guarantee delivery and insure against the hazards of transportation. If you pay for the fuel only after delivery, this shifts the burden to the supplier. You could also require a performance bond.

The risk of loading and offloading

Your contract should make the fuel supplier responsible for any problems in loading or offloading fuel. This might include damage to dock facilities, fuel spills or risks that may exist because the community does not have adequate docking facilities. The fuel supplier should be responsible for the fuel up to the point where connection is made to the pipeline to the community storage tanks.

The risk of timely delivery

If delivery time is critical, you should place the risk of timely delivery on the supplier by imposing a payment penalty for failure to deliver on time.

The risk of product quality

The contract could include fuel specifications and allow for testing the fuel quality. Your testing mechanism should be in place, whether someone knowledgeable in your community does the tests or you call in someone else to do it. Why test? So you are sure what you receive is what you ordered and paid for. If the fuel delivered does not match the specifications of the contract, the supplier should bear all costs for replacement, including the replacement of existing fuel that may have been contaminated. For example, the supplier should replace any fuel contaminated as a result of delivering diesel fuel No. 2 when diesel No. 1 was specified.

3R's
RECOGNITION of RISKS and RESPONSIBILITIES
 • transportation • loading/off-loading
 • timely delivery • product quality • additional charges

Any warranty of product quality, however, would cease at the point of delivery. If the fuel becomes contaminated after it has been delivered, and the supplier is not at fault, the community would assume all responsibility.

The burden of additional charges

The price requested in the bid should be the price at delivery. The supplier must account for all carrying charges and additional charges, including taxes, that must be added to the cost of fuel. Since all of these charges would have been passed on to you in the purchase price, the supplier should bear the burden of any expenses it neglected to include in its bid.

Chapter 8:

Financing your bulk fuel purchases



Most communities in rural Alaska have adequate storage capacity to allow bulk purchases of fuel oil. Many communities have most of their annual supply of fuel oil delivered during late spring and summer because delivery is not practical during the winter. Bulk delivery reduces transportation costs and often results in more competitive prices.

Paying for fuel that is delivered several months before it is used, however, often creates cash-flow problems. To reduce these problems, the state established the Bulk Fuel Revolving Loan Fund (BFRLF). The fund provides short term loans to communities so they have enough cash to purchase fuel oil in bulk quantities.

Who is eligible?

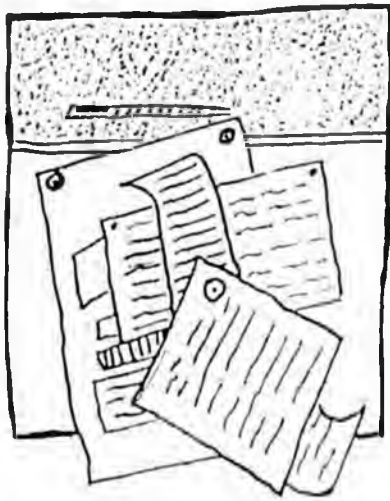
Loans may be made to an organized municipality or unincorporated village with a population under 2,000, or to a private individual with a written endorsement from the governing body of the community.

How much can you borrow, and under what terms?

The loan amount may not be more than 90 percent of the wholesale price of the fuel being purchased. The maximum loan amount is \$50,000. The loan must be repaid within one year.

Generally, there is no interest for your first loan from the revolving loan fund. For your second loan, you will pay 5 percent interest. The interest rate for additional loans will be based on municipal bond rates.

You must pay a \$25 loan application fee when you apply. This is nonrefundable. Collateral may be required for the loan. You will have to pay an "origination fee" of one half of one percent of the total loan amount, if the loan is approved.



Officials who work with the bulk fuel loan program encourage communities which apply for loans to establish bulk fuel cooperatives with neighboring villages. Communities also are expected to set aside a reserve fund that can be used for future bulk fuel oil purchases. Having a bulk fuel reserve account will allow your community to *earn* interest, rather than *pay* interest.

The Bulk Fuel Revolving Loan Fund recently has been transferred from the Department of Commerce and Economic Development, Division of Investments, to the Alaska Energy Authority (formerly the Alaska Power Authority). For more information contact the Alaska Energy Authority Loans Examiner, P.O. Box 190869, 701 E. Tudor Road, Anchorage, AK 99519-0869, telephone (907) 561-7877.

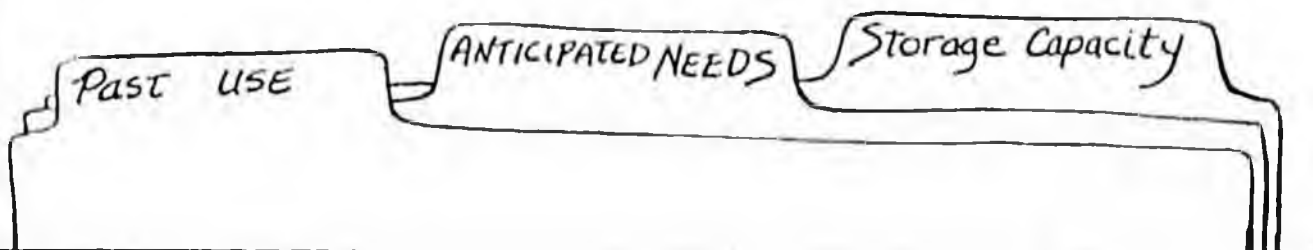
Chapter 9:

How much fuel do you need?

In a time of financial stress, saving money can be as important as finding new sources of money. You can often save money by making city operations more energy efficient. But first, you must measure how much fuel community facilities are using.

The value of recordkeeping

One of the most important things a community administrator must decide every year is how much fuel should be purchased. Fuel is one of the single most expensive items in the municipal budget. It is not only the administrator's responsibility to obtain the best price for fuel, but it is also his or her responsibility to purchase only as much fuel as will be needed. If too much fuel is purchased, cash that may be needed for operating the community will be locked up in fuel. If too little fuel is purchased, shortages may occur when it is not possible to obtain additional fuel at reasonable rates. Because most community operations depend on fuel, a shortage will have a drastic impact on a community's ability to function.



How much fuel to purchase depends on several things, including past fuel use, fuel storage capacity and expected new fuel needs. No community should make fuel-purchase decisions based entirely on storage capacity. You must know your community's needs so that both over-buying and under-buying can be avoided. If you just fill the tanks every year without keeping track of what your community uses, you might come up short if fuel use increases beyond the capacity of the tanks. And just one shortage can be disastrous.

Accurate recordkeeping is very important in estimating fuel needs and avoiding dangerous shortages. Information on past fuel use should be a key tool in deciding how much fuel to buy. You should keep simple records of fuel used by each city facility or operation and compile this information into a useful format.

An example of the recordkeeping of the City of Mountain Village, one of the participants in the Coastal Yukon Mayors Association (CYMA) cooperative fuel purchase, is provided in the charts on this page and the next. (A sample form is provided in Appendix I.) The city stores all its fuel in one location and delivers from that location to each facility. Because the city manager started a recordkeeping system, he now knows that he has various options available when it is time to purchase fuel. For example, by accurately monitoring fuel use he discovered the city has approximately 25,000 gallons of *extra* storage capacity. The manager knows that if the bid received for fuel is exceptionally low, he can fill city storage tanks to capacity. On the other hand, if bids are high, he knows the city only needs about 35,000 gallons of fuel for the year, so he can purchase just that amount. If the city already has fuel in storage, he can cut back on his order, using the cash saved for other city operations. He also knows when the city can rent fuel storage space to other organizations that may need to store fuel.

Recordkeeping is also important for allocating costs to various city operations. Allocating costs is important, especially if one of the operations depends on user charges. The City of Mountain Village operates its water and sewer system as an enterprise, like a business. Residents who have water and sewer service pay for the service. The revenue received from residents should cover all of the costs of operating the water and sewer system. Fuel is one of the major operating costs for a water and sewer system in rural Alaska, because water lines must be heated during the winter months. Unless the city keeps accurate records of how much fuel is used by water and sewer operations, it is impossible to tell whether the fees charged are enough to cover the costs.

As a direct result of keeping accurate records, the City of Mountain Village now knows that the water and sewer system uses about 8,000

City of Mountain Village Fuel Records

MONTHLY FUEL CONSUMPTION BY FACILITY															
NO	FACILITY	1986			1987			1988			1989			TOTAL	% OF TOTAL
		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER		
1	PUMP HOUSE #1	733	722	777		365		500				414	801	4402	21.00%
2	PUMP HOUSE #2	800		240	175	264					500	448		3025	9.80%
3	PUMP HOUSE #3							218				105	87	418	1.90%
4	SEWAGE TREATMENT			287				279					398	874	4.80%
5	BUNK HOUSE	135	170									233	44	582	2.70%
6	OLD GARAGE													0	0.00%
7	CLINIC	288	385	322		264	155	158				413	400	2363	11.27%
8	CITY OFFICE	478	370	364				180			390		808	2388	11.30%
9	CITY MGR HOUSE	108		151			133				200	180	85	858	3.90%
10	FIRE STATION	113	288					188				330		885	4.32%
11	NEW GARAGE	840	882	770				224			301	498		2765	13.30%
12	HEAD START													0	0.00%
13	COMMUNITY HALL	284	408	818			180	274				181	428	1885	9.17%
14	TEEN CENTER	383		414				184					381	1342	6.40%
15	OTHER													0	0.00%
														0	0.00%
1988	TOTAL	3827	2834	3553	275	813	478	871	0	0	1281	2808	3224	20986	100.00%
1989	% OF TOTAL	17.30%	13.56%	16.95%	1.31%	4.36%	2.30%	10.30%	0.00%	0.00%	6.11%	13.40%	15.30%	100.00%	871

PRIOR YEAR FUEL CONSUMPTION														
NO	FACILITY	1986			1987			1988			1989			TOTAL
		JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	
1986	TOTAL	5778	4443	2805	2096	1706	0	371	0	3221	1730	2298	2287	28758
1987	TOTAL	8014	4350	4188	3119	0	748	0	0	2982	2183	3253	3484	22740
	% CHANGE 1987 TO 1986													-35.87%
	% CHANGE 1988 TO 1987													-21.84%

ANNUAL FUEL DELIVERIES BY DEPARTMENT							
NO	DEPARTMENT	1986	% 1986	1987	% 1987	1988	% 1988
1	WATER & SEWER	20402	73.24%	18632	82.46%	7819	37.30%
2	ADMINISTRATIVE	3999	14.30%	3877	12.54%	8771	27.52%
3	CLINIC	220	0.79%	2375	7.56%	2390	11.27%
4	FIRE DEPARTMENT	1131	4.88%	1058	3.37%	885	4.22%
5	ROAD DEPARTMENT	1088	3.82%	1811	5.78%	2785	13.28%
6	PARKS & RECREAT	1037	3.77%	2877	8.52%	1342	6.42%
	TOTAL	27838	100.00%	22630	100.00%	20986	100.00%

The city manager of Mountain Village has found that keeping good records of how much fuel the city uses and where it is used can save money. By tracking how much fuel was used for heating water and sewer lines during the winters of 1986 and 1987, for example, he began to wonder if something could be done to cut the amount of fuel being used. He found the city could reduce the heat in the lines to a minimum acceptable temperature. This reduced fuel usage from 20,000 gallons to 8,000 gallons, a savings of 12,000 gallons, or nearly \$12,000. These charts show how Mountain Village keeps track of how much fuel is used by different city departments and facilities.

gallons of diesel fuel in a normal year. If the price of fuel is \$1 per gallon, the fees charged to users of the water and sewer system should be enough to cover the \$8,000 needed to pay the fuel bill, as well as other operating expenses. Before records were maintained, the city did not know how much fuel was used by the water and sewer system.

Keeping track of fuel usage also allows the city to see changes in use patterns that may indicate problems. Again, the records from the city of Mountain Village provide an excellent example. Fuel used by the city water and sewer system in 1986 and 1987 averaged about 20,000 gallons. The city manager felt this was excessive. He discovered waterlines were heated more than was necessary in winter. He reduced the temperature to the minimum safe-operating temperature. The result: A reduction from 20,000 gallons of heating fuel per year to 8,000 gallons per year - an immediate saving of nearly \$12,000. Actual savings are even greater because the drop in fuel use means the city does not have to deliver fuel from central storage to the water and sewer system as often. The city only has the capacity to deliver 500 gallons at one time. A savings of 12,000 gallons means 24 fewer trips by the city fuel truck.



Using a cheaper fuel - diesel fuel No. 2

You can also save if you can use diesel fuel No. 2 instead of the more expensive diesel fuel No. 1. The disadvantage of diesel fuel No. 2, which is generally seven or eight cents cheaper per gallon, is that it begins to thicken as the temperature falls to between 10 and 20 degrees Fahrenheit. Unless diesel fuel No. 2 can be stored in a heated location or combined with certain additives, it cannot be used in many Alaskan locations during the winter.

Chapter 10:

Conservation: A key to using less fuel

No discussion about fuel savings would be complete without mention of the value of energy conservation.

Conservation can be done at many levels. It can take very little time or a lot of time. It can be done by individuals or by whole communities. However, conservation options that offer you the most savings usually require some capital investment. This need for "up-front" money stops many people from practicing energy conservation, especially if they do not know exactly how much money they will be able to save or how long it will take to get their money back. This chapter describes several conservation options for community buildings and/or small commercial buildings.

Ways to reduce heating costs

These low-cost conservation measures can result in savings of 10 to 25 percent:

- Turn down the heat in buildings that are not being used.
- Reduce heat in parts of buildings that are not being used.
- Try not to overheat buildings. Match the heating level to the use of the building.
- Use caulking material to stop leaks in all parts of the building, even though people don't feel the drafts. Many small holes allow a lot of heat to escape and cold air to enter the building.

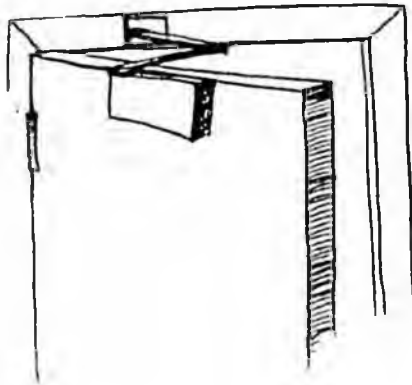


Turn down
the heat

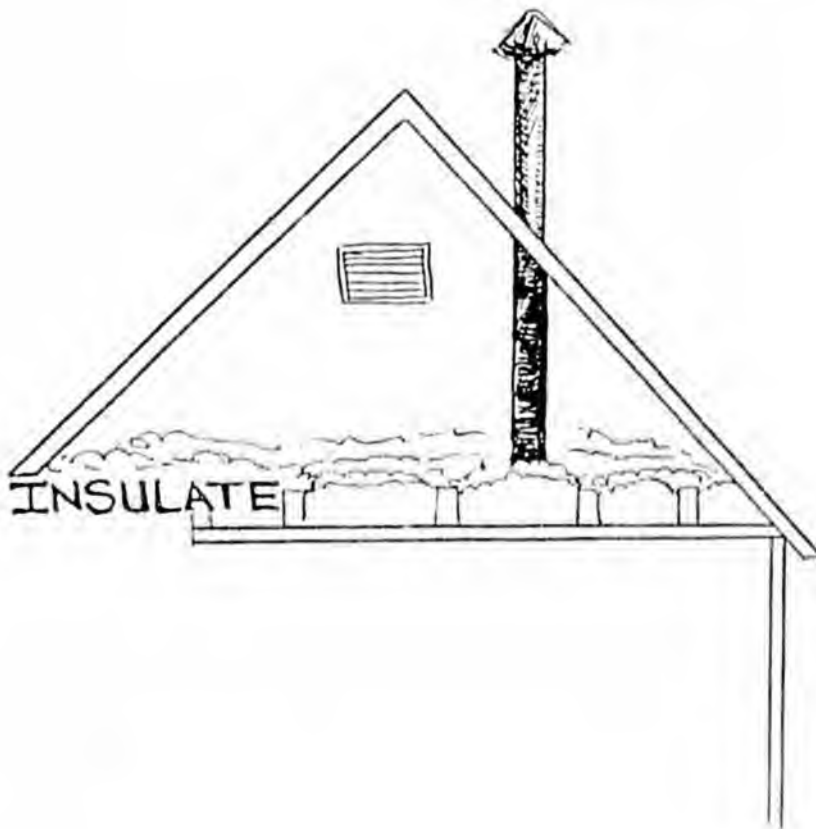


- Tell people who use the buildings how much it costs to heat them. This may get them to reduce energy-wasting habits such as leaving doors and windows open.
- Keep all heating equipment clean and tuned up.

These moderate cost conservation measures can result in savings of 10 percent to 40 percent:

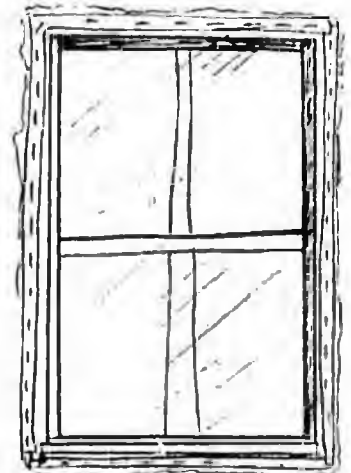


- Install automatic controls on heating equipment. Setback thermostats can save a lot in buildings that are only used during the day-time. Automatic controls are usually more consistent and effective than human memory.
- Use window coverings, especially on single pane windows. Storm windows (inside or out) and shrink film plastic are very effective.
- Replace burners on old heating equipment. New flame retention burners and ones with built-in flue dampers reduce fuel consumption significantly.
- Insulate the attic, which is usually the easiest and most cost-effective place to insulate. Savings depends on how often the building is heated.
- Install airtight entries and automatic door closers.



These higher-cost conservation measures may save you 20 percent to 60 percent:

- Replace inefficient heating systems. This can improve burner efficiency, as well as improve the distribution and control of heat in buildings with many rooms and heating needs.
- Superinsulate. This can be done inside or outside and in varying amounts. Extra levels of insulation and reduced air leakage can reduce energy consumption very dramatically.
- Replace or cover windowglass. More expensive window coverings can be effective, depending on the quality of the original windows.

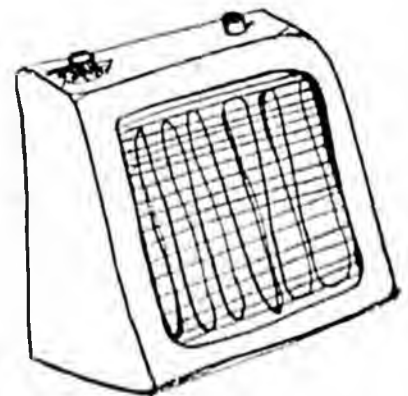


Cover windows

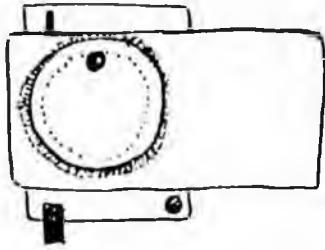
Methods to reduce the cost of electricity

These low-cost electrical measures may save you 5 percent to 30 percent:

- Clean light fixtures. Dust and dirt can reduce light output by 30 percent. Users may turn on more lights if fixtures are dirty.
- Turn off lights or appliances when not needed.
- Avoid as much as possible electric appliances that make heat, especially electric space heaters or electric ranges.
- Tell people who use the buildings how much the electrical costs are for the building. This may get them to reduce energy-wasting habits, such as leaving lights and appliances on when they are not needed.
- Reduce lighting in places that have more light than needed by removing bulbs in fixtures, using task lighting, or simply turning off lights when there is enough light from the sun. If lamps, or bulbs, are removed from fluorescent fixtures, disconnect ballasts.
- Choose energy-efficient appliances. Pay close attention to energy guide labels and energy ratings for all major appliances such as refrigerators.
- Match the appliance with the task. Avoid using big

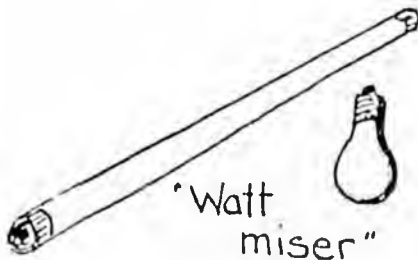


appliances for small jobs. Small appliances use less electricity. For example, don't use a large coffee pot to make one cup of coffee.



These moderate cost-electrical conservation measures can save you 10 percent to 40 percent:

- Install automatic controls. There are many types of controls that will automatically operate lights and appliances. Some are pre-set timers. Some sense light levels. Some sense occupancy. Some turn things off a certain time after they have been turned on. Make sure these devices can tolerate large current fluctuations, which are frequent in rural Alaska.
- Install "Watt Miser" bulbs. Many incandescent and fluorescent bulbs are made in watt-saving types. They will reduce consumption by 5 or 10 watts per bulb and cost about the same as the standard types.



These higher cost electrical conservation measures can save you 15 percent to 40 percent:

- Use compact fluorescent bulbs. These bulbs replace incandescent screw-in bulbs. They are expensive, but they last nine to ten times longer than incandescent bulbs and reduce consumption by 75 percent.
- Adapt fixtures. Fluorescent fixtures can be changed or replaced to provide light at less cost. You can adapt your lights by using electronic ballasts, reflectors and fixtures that will use energy efficient compact fluorescent bulbs or compact tubes.
- Use energy management systems to control the energy use in large buildings. The more complicated ones can regulate heating, lighting and appliances and make sure the energy use is as low as possible.
- Consider purchasing a community freezer. Passive freezers or community electric freezers save energy and money. They can be quite expensive to purchase, but they pay off in the long run.
- Recover waste heat from generators and use it to heat buildings.
- Increase generator efficiency. Efficient operation of generators can be a major way to reduce the cost of electricity. This is a

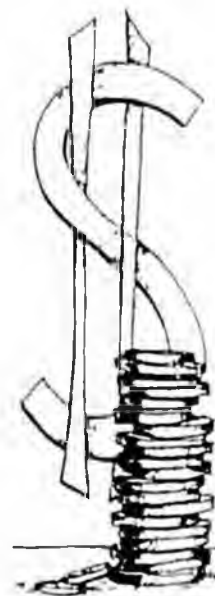


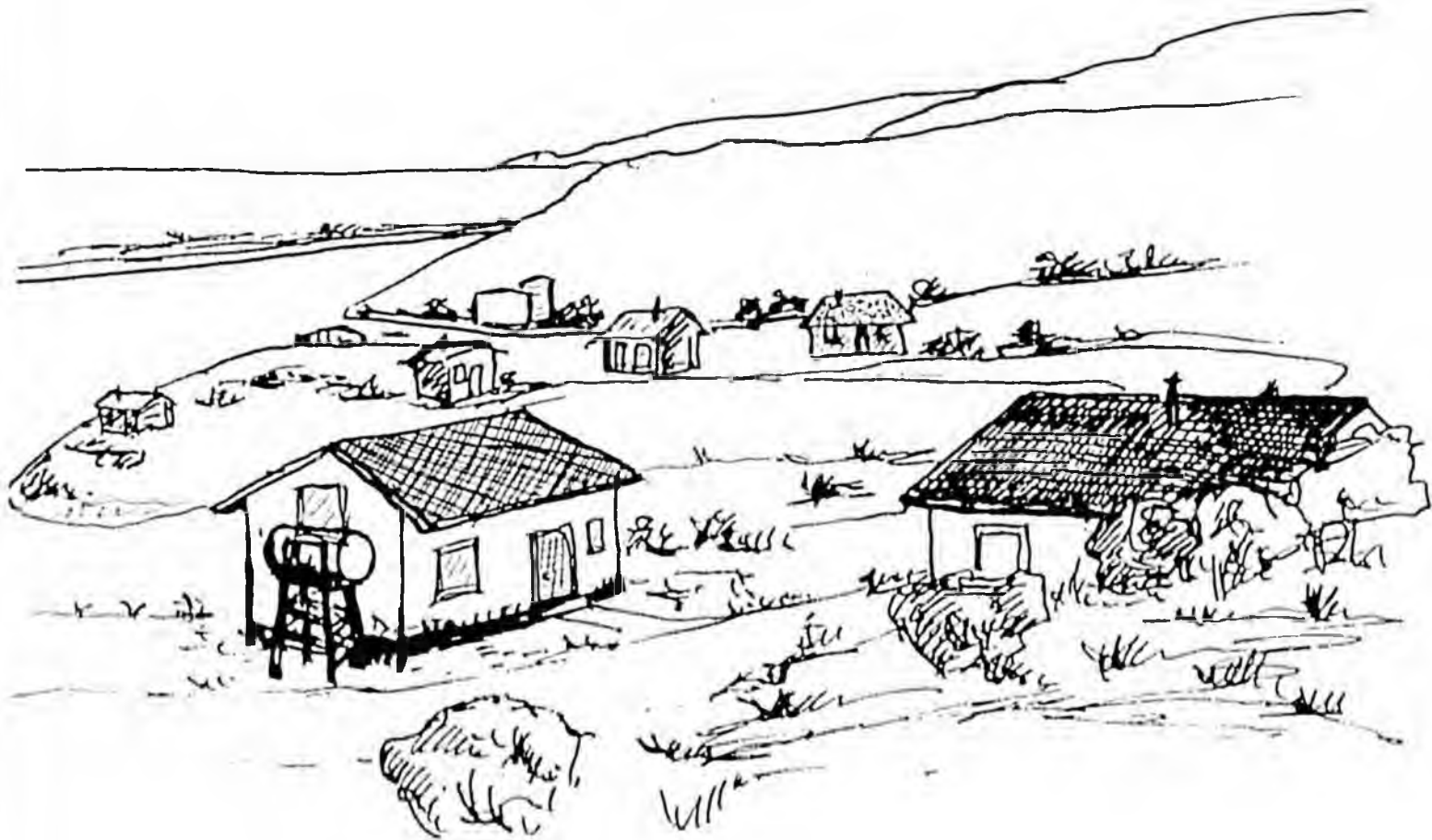
complicated area, but your local government can make sure the utility in your community is trying to take advantage of the latest technologies and operations techniques.

Where can you find 'up-front' money for conservation measures?

Finding money to pay for energy conservation can be difficult, but communities in Alaska have used a variety of programs to pay for conservation efforts.

- Grants - Look into state funds such as the Rural Development Assistance program. The City of Tununak used this program to superinsulate the city's clinic building.
- Performance contracting - Money is provided by the company that installs the energy-saving technology and the savings are shared between that company and the building owner. The Sea Lion Corporation of Hooper Bay and the Rural Alaska Community Action Program, Inc., have such a contract in effect.
- Loans - Some state loan programs and private loan funds may be available.
- Reinvest savings from cooperative bulk fuel purchases - Cooperative purchasing will save you money on fuel costs. Use this money to install more energy-efficient heating systems, weatherize city buildings, install automatic controls on heating equipment, etc. Using information gathered during a cooperative purchasing process, you can decide which projects at what facilities will save you the most money.
- The State of Alaska - The Department of Community and Regional Affairs assists rural communities in making their operations more energy efficient. Services range from providing technical assistance, to assisting in finding financing, to actually making the needed improvements. For more information about energy conservation call the Department of Community and Regional Affairs Energy Resource and Information Service's toll free number, 1-800-478-4636.





Appendix A:

State and local laws on cooperative purchasing among municipalities

Municipalities in Alaska have the authority to do almost anything not specifically prohibited by the State of Alaska. This authority comes from Article X, Section 1 of the Alaska Constitution which directs that "A liberal construction shall be given to the powers of local government units."

Besides this very general authority, municipalities also are given specific authority to enter into cooperative arrangements. Article X, Section 13 of the Alaska Constitution, provides that "Agreements, including those for cooperative or joint administration of any functions or powers, may be made by any local government with any other local government, with the state, or with the United States, unless otherwise provided by law or charter.

In addition, Alaska Statute 29.35.010(13) says municipalities have the power "to enter into an agreement, including an agreement for cooperative or joint administration of any function or power with a municipality, the state, or the United States."

These provisions of Alaska law tell us cooperative agreements among two or more municipalities are legal.

Sample ordinance authorizing cooperative agreement

ORDINANCE NO _____

AN ORDINANCE OF THE CITY OF _____, ALASKA AUTHORIZING COOPERATIVE AGREEMENTS BETWEEN THE CITY AND OTHER PUBLIC ORGANIZATIONS

BE IT ENACTED BY THE CITY COUNCIL FOR THE CITY OF _____, ALASKA that Title ____, Chapter ____, of the _____ City Code of Ordinance is hereby amended as follows:

Sections

1. Cooperative agreements authorized
2. Sale, acquisition or use of property
3. Cooperative purchasing
4. Supply of personnel, information and technical services
5. Cooperative use of facilities
6. Dispute resolution
7. Effect of federal or state grants
8. Definitions

Section 1. Cooperative agreements authorized

The city, through the mayor or city manager, and subject to the approval by resolution of the city council, may participate in or sponsor, conduct, or administer a cooperative agreement for the procurement or cooperative use of property, equipment, services and supplies or the cooperative provision of services or sponsorship of activities with any other public organization in accordance with an agreement entered into between the city and the other public organization.

Section 2. Sale, acquisition or use of property

The city may sell or lease property to another public organization. The city may acquire from, or use any property belonging to another public organization.

Section 3. Cooperative purchasing

The city may enter cooperative purchasing agreements with other public organizations. Where the public organization administering a cooperative purchasing agreement complies with the agreement, the city, when participating in such purchase, shall be deemed to have complied with the provisions of this ordinance and any other purchasing ordinances, rules or regulations of the city.

Section 4. Supply of personnel, information and technical services

The city is authorized upon written request from another public organization to provide personnel, equipment or other property to the requesting public organization upon terms and conditions acceptable to the city council. The personnel, equipment or other property, and the information and technical services of the City may be made available to any other public organization provided that the requirements of the city have precedence over the requesting public organization.

Section 5. Cooperative use of facilities and equipment

The city may enter into an agreement for the joint or common use of facilities, for the interchange of any procured items, or the common lease, common purchase or common use of capital equipment or facilities with any other public organization subject to terms and conditions acceptable to the city council.

Section 6. Dispute resolution

The city is authorized to enter into an agreement with any other public organization to establish a procedure to resolve all disputes arising from cooperative agreements.

Section 7. Effect of federal or state grants

If federal or state grant requirements differ from the provisions of this ordinance or the provisions of any cooperative agreement entered into by the city, nothing herein is intended to absolve the city from any obligation to fully comply with the terms and conditions of federal or state grant requirements.

Section 8. Definitions

For the purposes of this chapter the term "public organization" shall include the federal government, the state government, a municipality, a Native traditional or IRA government, or a school district.

PASSED AND APPROVED BY A DULY CONSTITUTED QUORUM OF
THE CITY COUNCIL FOR THE CITY OF _____ THIS _____ DAY
OF _____, 19____.

Introduction:

Public Hearing:

Mayor

ATTEST:

City Clerk

Appendix B:

Cooperative agreements for the purchase of fuel

Sample No. 1:

COOPERATIVE AGREEMENT FOR THE PURCHASE OF FUEL

THIS AGREEMENT is made for the purpose of soliciting bids for the procurement of heating fuel, gasoline and other petroleum products for its signatories. As used in this agreement, the following terms shall have the following meanings, unless the context clearly indicates a different meaning is intended:

Association: The _____ Association;

City: Any incorporated city or governing body of an unincorporated community participating in this cooperative agreement;

Cooperative purchasing plan: The plan established by this agreement;

Coordinator: The coordinator shall be the executive director of the association or the designee of the association;

Participating agency: A public organization, nonprofit or charitable organization not otherwise a signatory to this agreement that desires to participate in the cooperative purchasing plan.

Lowest responsible bidder: The lowest responsible bidder shall be defined by criteria established by the coordinator and shall not necessarily mean the lowest bidder. The following factors are examples of relevant criteria for determining the lowest responsible bidder: The past performance of the bidder, the willingness of the bidder to provide a performance bond, the experience of the bidder in the area served by the association, and the contribution the bidder has made to the welfare of the communities in the area served by the association. These criteria may

also be used by the coordinator to determine the lowest responsible bidder in the event of a tie bid. The criteria set forth above shall not be exclusive.

SECTION 1. COOPERATIVE AGREEMENT. Upon ratification of this cooperative agreement by the official act of the governing body of each city and a copy of said ratification being delivered to the association, this shall constitute an agreement between each of said cities. Association shall deliver copies of ratifications to the signatory cities. Cities not ratifying the agreement shall not be entitled to the benefits of this agreement. Cities not signatories to the original agreement may become parties to this agreement by official ratification of the agreement by the governing body, and delivery of ratification to the association.

SECTION 2. COOPERATIVE PURCHASING PLAN. The following procedures shall constitute the cooperative purchasing plan:

A. Each city shall notify the coordinator in writing on a form similar to the form annexed hereto no later than ____ p.m. on the ____ day of _____, 19__, of its intent to participate in the plan. Such notification will specify the estimated amount of heating fuel, gasoline and other petroleum products it desires to purchase and the approximate dates delivery is required. A minimum order of 2,500 gallons of heating fuel or gasoline shall be required for annual participation in the cooperative purchase. No city shall be obligated by virtue of said notice to purchase any amount. The coordinator shall also solicit participation from other public agencies and nonprofit organizations (participating agencies) within the region encompassed by the association, said participation to be in the form of a letter of agreement from said participating agencies to abide by the same terms and conditions set forth herein for cities and any other conditions as may be set by the association or the coordinator.

B. Upon receipt of said notifications, coordinator shall no later than ____ p.m. on the ____ day of _____, 19__, prepare a solicitation of bids and deliver the solicitation by certified mail and publication to potential suppliers. All bids must be received by the coordinator no later than ____ p.m. on the ____ day of _____, or the first business day thereafter. Bids received later than the time set forth herein shall be rejected.

The purchase price for each petroleum item shall be stated by bidders

In price per gallon or other appropriate unit, which price shall be the same for all cities or participating agencies, or if the price is not the same, an explanation of the difference must be supplied. Each bidder shall also provide for each city and participating agency an estimated date of delivery. Bids not providing this information or other information the association or coordinator requires on the bid solicitation shall be rejected as nonresponsive.

No city or participating agency shall be entitled to receive a volume discount for its own account; all volume discounts shall be prorated among all cities and participating agencies. The coordinator shall select the lowest responsible bidder for recommendation to cities and participating agencies. If the coordinator selects a bid that is not the lowest bid submitted, he shall provide explanation for rejecting said bid.

C. Each city and participating agency shall have until __ p.m. on the _____ day of _____, 19__, or the first business day thereafter, to return a purchase order, contract or other form of commitment to coordinator. The commitment shall constitute an offer to purchase at the price stated by the lowest responsible bidder. The purchase order may contain an increase or decrease in amounts from the original estimate submitted to coordinator. Until the time a city or participating agency returns a commitment to the coordinator, it is free to independently solicit and obtain bids from potential suppliers; provided, however, that invitations for such individual bids shall not be advertised, nor shall bids be received individually during the period in which the coordinator is advertising for and receiving bids for fuel and other petroleum products, except in case of emergency or hardship.

D. The coordinator shall tabulate the commitments and submit the tabulation to the lowest responsible bidder within three business days. The submission shall be considered an aggregate offer to purchase at the price stated by the lowest responsible bidder. The lowest responsible bidder shall have three business days from the date of receipt of the coordinator's tabulation to notify the coordinator in writing that it accepts the offer. If the offer is accepted the coordinator shall release the commitments to the bidder and the binding agreement shall exist between said bidder and each city and participating agency. Thereupon, each city and participating agency shall be responsible for coordinating delivery and payment directly with the bidder.

E. If the offer is not accepted by the time set forth in paragraph D, each city and participating agency shall not be obligated to purchase from said bidder, and the coordinator shall return all commitments.

SECTION 3. COSTS OF ADMINISTRATION. Coordinator shall keep an accurate record of the cost of performing the duties of coordinator. Coordinator shall be entitled to compensation for services rendered plus out-of-pocket costs and expenses.

The association may, upon approval by a majority of members voting at the annual meeting, levy an administrative service charge not to exceed one cent per gallon against all organizations participating in the cooperative fuel purchase. Upon implementation by the association at its annual meeting, the charge shall remain in effect until altered or removed by the association at a subsequent annual meeting. The charge will be collected from each participating organization or city. Payment of the charge is a condition of future participation in the cooperative fuel purchase, and in the case of a member city of the association, payment of the charge is required for continued membership in the association.

SECTION 4. CONTRACT. Upon ratification of this agreement as provided in Section 1, this agreement shall constitute a contract between all ratifying cities, and shall remain in effect for each city unless and until the coordinator receives notification that a city will no longer be a participant. Thereafter, additional cities or public agencies may, from time to time, execute this agreement in the form prescribed by the association, and such execution subsequent to the date of this agreement shall not be deemed to require its re-execution by the original signatories.

EXECUTED THIS ___ DAY OF _____, 19___, AT _____, ALASKA

Attachment to contract

COOPERATIVE FUEL PURCHASE

NOTIFICATION OF INTENT TO PARTICIPATE

THE CITY OF _____ HEREBY NOTIFIES THE _____ ASSOCIATION OF ITS INTENT TO PARTICIPATE IN THE COOPERATIVE FUEL PURCHASE PLAN SPONSORED BY THE ASSOCIATION FOR THE YEAR 19___. FOLLOWING ARE THE ESTIMATED QUANTITIES OF FUEL REQUIRED BY THE CITY FOR THE YEAR AND THE APPROXIMATE DATES REQUIRED FOR DELIVERY:

PETROLEUM PRODUCT	QUANTITY	DATES FOR DELIVERY
Diesel fuel No. 1	_____	_____
	_____	_____
	_____	_____
Gasoline	_____	_____
	_____	_____
	_____	_____
OTHER		
_____	_____	_____
_____	_____	_____
_____	_____	_____

THIS NOTICE SHALL NOT BIND THE CITY TO ANY CONTRACT TO PURCHASE THE PRODUCTS LISTED ABOVE. THE NOTICE IS PROVIDED FOR INFORMATION AND BID SOLICITATION PURPOSES ONLY

DATED: _____
 CITY OFFICIAL

Sample 2:

COOPERATIVE PURCHASING AGREEMENT ¹

THIS AGREEMENT made this ___ day of _____, 19___, between the following:

CITY OF _____, a municipal corporation under the laws of the State of Alaska; and

CITY OF _____, a municipal corporation under the laws of the State of Alaska; and

CITY OF _____, a municipal corporation under the laws of the State of Alaska; and

OTHER PUBLIC ORGANIZATIONS which choose to participate in the provisions of this Cooperative Purchasing Agreement as hereinafter provided.

WITNESS:

Pursuant to the authority granted by the State of Alaska providing for cooperation between municipalities, and pursuant to authority granted by the governing bodies of the respective municipalities, the parties hereto, in consideration of the mutual promises contained herein, agree as follows:

1. The items and classes of items which may be designated by the parties hereto may be purchased jointly for the period commencing with the execution of this agreement and continuing until terminated as hereinafter provided. Each of the parties shall designate, in writing, the items to be purchased and indicate therein the quantities desired, the location for delivery and other requirements.

2. There is hereby established the _____ purchasing council, hereinafter referred to as "purchasing council," which shall consist of one representative from each public organization participating in this agreement. The purchasing council shall adopt such rules for organization and procedure as it may deem suitable for the conduct of its business.

3. The specifications for such items shall be prepared by the purchasing council. In all cases where appropriate to the use of the product, the purchasing council shall use standard specifications.

¹ Adapted from cooperative purchasing agreement used by cities of Pennsylvania.

4. The purchasing council shall designate the participating public organization which shall assume responsibility for advertising for bids. Such organization shall also be designated to receive and open the bids at the time and in the manner provided by law or provided by the procedures adopted by the purchasing council. Bids may be solicited for specified quantities of a product or may be solicited on a requirements basis, whichever is appropriate under the circumstances.

5. The cost of advertising and any other costs incidental to the bidding, the award of any contract or rejection of any bid, shall be apportioned equally between the parties.

6. Upon receipt of the bids by the organization who has advertised, the same will be submitted to the purchasing council. Not later than fifteen (15) days following its receipt of bids, the purchasing council shall submit to the appropriate authority of each party a complete tabulation of all bids received and shall certify as to the lowest responsible bidder.

If the purchasing council finds that the lowest bidder is not responsible and accordingly certifies that some other bidder is the lowest responsible bidder, it shall include an explanation and report on its findings when it transmits its tabulations and certification. The purchasing council shall not certify as the lowest responsible bidder any bidder who does not comply with the specifications as advertised in all respects, or who seeks to vary the specifications as advertised in any respect.

7. Contracts of purchase shall be awarded to the lowest responsible bidder as certified by the purchasing council. Separate contracts shall be prepared by each party to this agreement. If any one or more parties rejects the lowest responsible bidder for a distinct item as certified by the purchasing council, then all bids may be rejected and the item or items may be rebid either individually or cooperatively, except that Paragraph 8 shall apply when the rebid is on a cooperative basis.

8. Nothing in this agreement shall prevent any party from awarding contracts of purchase, with or without advertising, individually and on its own behalf; provided, however, that invitations for such individual bids shall not be advertised, nor shall bids be received individually during the period in which the purchasing council is advertising for and receiving bids for the same commodities, except in case of emergency or hardship.

9. The ordering of materials purchased through this agreement shall be the individual responsibility of each of the parties hereto and the successful bidder or bidders shall bill each of the parties directly for the materials ordered by it.

10. Each of the parties shall be liable only for the materials ordered by and received by it, and none, by virtue of this agreement, assumes any additional liability.

11. Specifications shall be prepared and approved by the purchasing council, and no changes will thereafter be made except in the case of error or omission. No change may be made without the approval of the purchasing council. Nothing herein shall be deemed to prevent changes in specifications for subsequent purchases.

12. Any dispute arising between any of the parties hereto and a successful bidder not relating to the validity of the award of contract of purchase or the rejection of any bid or bids, shall be settled by and at the cost of that one of the parties hereto involved in the dispute.

13. This agreement shall take effect upon the execution of the signatories. Thereafter, additional public organizations or municipalities may, from time to time, execute this agreement in the form prescribed by the purchasing council, and such execution subsequent to the date of this agreement shall not be deemed to require its re-execution by the original signatories.

14. This agreement shall continue in effect from the date of execution, unless any party shall give ten (10) days written notice to the other parties indicating its desire to terminate same.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their authorized officials the day and year first above written.

CITY OF _____ CITY OF _____

Appendix C:

Sample resolution approving cooperative fuel purchase agreement

RESOLUTION _____

OF THE CITY COUNCIL FOR THE CITY OF _____
APPROVING AGREEMENT FOR THE COOPERATIVE PURCHASE OF
FUEL

WHEREAS: The city annually purchases significant amounts of fuel and other petroleum products for its general operations; and

WHEREAS: The cost of fuel and other petroleum products is a significant portion of the annual budget for the city; and

WHEREAS: The city council considers it to be in the best interests of the city to participate in any measures that may result in a reduction of the cost or use of fuel and other petroleum products to the city; and

WHEREAS: Purchasing fuel and other petroleum products in bulk in cooperation with other neighboring municipalities may result in cost savings to the city; and

WHEREAS: The city is authorized by ordinance to enter cooperative arrangements with other municipalities;

THEREFORE, BE IT RESOLVED that the city council approves the cooperative agreement for the purchase of fuel executed by its representative and the terms of the agreement are incorporated by reference into and made a part of this resolution.

PASSED AND APPROVED by a duly constituted quorum of the city council this ____ day of ____, 19__.

Mayor

ATTEST:

City Clerk

Appendix D:

Sample advertisement for request for fuel bids

REQUEST FOR FUEL BIDS, _____ Association

_____ Association is soliciting bids for the purchase and delivery of fuel to participating organizations. The estimated requirements are _____ gallons of diesel fuel No. 1 and _____ gallons of gasoline. All bids must be received no later than _____ p.m. _____, 19____, at the city offices in _____, Alaska. Information packages may be obtained by contacting _____, city manager, City of _____, at (907) _____ or P.O. Box _____, _____, Alaska, 99____.

Publish:

Intentionally left blank

Appendix E:

Sample fuel bid solicitation

SOLICITATION OF FUEL BID

for

_____ ASSOCIATION

The _____ Association is soliciting bids for the purchase and delivery of petroleum products on behalf of its member local governments and other public or nonprofit organizations serving the _____ region. You are requested to provide a quote for each product listed. The quote should be CIF (cost, insurance and freight) to the respective community and should include all taxes and other charges which may be applicable. The products and quantities desired by each participant along with space for your quote follow:

PARTICIPANT	PRODUCT	QUANTITY	YOUR QUOTE
City of _____	Diesel fuel No. 1	_____ gals	\$ _____ /gal
	Regular gas	_____ gals	\$ _____ /gal
	Unleaded gas	_____ gals	\$ _____ /gal
	Tractor hydraulic fluid	_____ drums	\$ _____ /drum
	_____	_____	\$ _____ /
_____	_____	\$ _____ /	

.....

PARTICIPANT	PRODUCT	QUANTITY	YOUR QUOTE
City of _____	Diesel fuel No. 1	_____gals	\$_____/gal
	Regular gas	_____gals	\$_____/gal
	Unleaded gas	_____gals	\$_____/gal
	Tractor hydraulic fluid	_____drums	\$_____/drum
	_____	_____	\$_____/
_____	_____	\$_____/	

.....

PARTICIPANT	PRODUCT	QUANTITY	YOUR QUOTE
City of _____	Diesel fuel No. 1	_____gals	\$_____/gal
	Regular gas	_____gals	\$_____/gal
	Unleaded gas	_____gals	\$_____/gal
	Tractor hydraulic fluid	_____drums	\$_____/drum
	_____	_____	\$_____/
_____	_____	\$_____/	



COMPANY: _____

ADDRESS: _____

PHONE: _____

SIGNATURE OF OFFICIAL: _____

TITLE: _____



If you are unable to quote all items, quote those items your company can provide. If conditions to your quote apply please attach an explanation. If your quote for a product is not the same for all participants, attach an explanation for the difference in quotes.

ALL BIDS MUST BE RECEIVED NO LATER THAN ____ P.M. on the _____ day of _____, 19____. BIDS WILL BE OPENED AT ____ P.M. on the _____ day of _____, 19 _____. BIDS SHOULD BE MAILED TO THE ATTENTION OF _____, CITY MANAGER, CITY OF _____, P.O. BOX _____, ALASKA _____.

Questions may be directed to Mr./Ms. _____ between the hours of ____ a.m. and ____ p.m. at (907) ____-____. The successful bidder will be notified by Mr./Ms. _____. After notification, each participant will have until _____, 19____, to confirm an order with the successful bidder. Participants may confirm their orders through the _____ Association or directly with the successful bidder. The successful bidder shall have until _____, 19____, to make final commitment for delivery. Each participant will contact the successful bidder regarding delivery and the portion of the items listed above it requires. Each community is also responsible for payment for its share of the items purchased.

THANK YOU FOR YOUR RESPONSE

_____ Association

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Appendix F:

Sample task outline: Who does what in a cooperative fuel purchase?

WHO		WHEN
PARTICIPATING COMMUNITIES	COORDINATOR	FUEL SUPPLIER
		(date)
FUEL ESTIMATES DELIVERED TO COORDINATOR		
COMPILE ESTIMATES SEND BID PACKAGES TO SUPPLIERS		
MAIL ADS TO PAPERS		
DELIVER BIDS		
OPENS BIDS		
PARTICIPANTS NOTIFIED OF LOW BIDDER		
NOTIFY COORDINATOR OF BID ACCEPTANCE, AMOUNT OF FUEL FOR PURCHASE		
SEND PURCHASE ORDER		

Chart continues on next page

WHO		WHEN
PARTICIPATING COMMUNITIES	COORDINATOR	FUEL SUPPLIER
	NOTIFIES SUPPLIER OF FINAL ORDER	
		ACCEPTS FUEL ORDER
	RELEASES COMMITMENT TO SUPPLIER	
		NOTIFIES COORDINATOR OF ACCEPTANCE OF FINAL ORDER.
	RELEASES PURCHASE ORDERS TO SUPPLIER	
		FUEL DELIVERIES BEGIN

Appendix G:

Fuel supplier contracts

Sample No. 1:

AGREEMENT FOR THE SUPPLY OF PETROLEUM PRODUCTS BETWEEN THE CITY OF _____ and _____ COMPANY *

THIS AGREEMENT made this ____ day of _____, 19____, by and between the City of _____, a municipal corporation of the State of Alaska, herein called "city," and _____ company, a corporation authorized to do business in the State of Alaska, whose address is _____, herein called "seller":

1. Purchase and Sale. Seller agrees to sell and deliver, CIF (cost, insurance and freight) to city fuel tanks located at _____, Alaska, No. 1 diesel fuel of a quantity described herein, and city agrees to purchase the fuel according to the terms set forth below.

2. Quality. All fuel delivered by seller shall conform to the specifications as attached hereto. City reserves the right to reject any delivery for failure to fully comply with the specifications (including the pour point specification) on a barge compartment-by-compartment basis and to require expeditious delivery of replacement fuel in full compliance with the specifications.

The fuel will be tested by a third party selected by city as it is loaded into each barge compartment at the refinery or at the loading berth. The testing shall determine, at a minimum, the BTUs per gallon, the cloud point, and the pour point of the fuel to be delivered to city. Seller will, within seventy-two hours (72) of completion of loading, supply city by fax machine with an estimate of the anticipated delivery date. The cost of third-party testing will be paid by city.

* Adapted from sample provided by Roger R. Kemppe from the law offices of Kemppe, Huffman & Ginder.

City shall be given forty-eight hours (48) advance notice of the time and place of lifting and shall be allowed access to perform additional testing of the contents of each barge compartment.

Prior to unloading, each tank of the barge will be checked for water. This will be done by using a water indicator paste with a sounding stick or tape. During unloading, the quality of the fuel actually delivered to city shall be independently verified by an independent testing laboratory selected by city. The quality of the fuel delivered to city shall be determined by extracting samples of fuel from each barge compartment prior to the delivery of the fuel. Samples will be drawn in either one pint or one quart measurements into new, clean, metal screw-cap containers. All samples will be delivered to the independent testing laboratory. A standard single test will be run to determine pour point, cloud point, and water content. An umpire series may be run with the required number of tests to determine the BTU value of the fuel. City will finally accept delivery upon receipt of test reports confirming that the fuel meets the specifications. City will supply seller by fax machine with a copy of the results of this testing within six (6) days of delivery. Rejection of all or part of the delivered fuel for any reason shall not relieve the seller from timely compliance with the terms and conditions of this agreement. The cost of this testing will be the responsibility of city.

3. Quantity. Seller will deliver and city will accept a quantity of approximately _____ gallons. Seller agrees to revisions in delivered quantities up to a total delivered amount of _____ gallons if nominated by city 30 days prior to the lifting schedule provided by the seller.

The city fuel tanks shall be checked for fuel content prior to delivery of the fuel required by this agreement. The liquid level shall be checked by using the installed gauges and/or the thief hatch, whichever test is acceptable to the parties. In addition, prior to delivery, the temperature of the fuel in the tanks shall be determined and recorded. After delivery of the fuel and following a 24-hour settling period, the fuel levels and the temperatures in the tanks will be measured. Standard correction methods to sixty degrees Fahrenheit (60 degrees F) and certified tank strapping charts shall be utilized to determine the actual quantity of the fuel that has been delivered. City will give the seller 24-hours notice of intent to determine the quantity of fuel delivered and will allow representatives of seller to be present during determination of the quantity of fuel delivered.

4. Price. The contract price to be paid by city for fuel delivered and meeting the standards required under this agreement will be \$_____ per gallon. This price includes all product costs, loading, transportation,

cargo insurance and offloading expense. This price includes federal LUST and Superfund taxes, if applicable.

5. Price Adjustment. The contract price will be adjusted in either or any of the following circumstances:

A. The BTU content (gross heating value per gallon) is determined by the umpire tests set out in section 2 of this agreement to be less than one hundred and thirty eight thousand (138,000) BTUs per gallon, in which the contract price shall be proportionately reduced in the same proportion that the actual tested BTU content of the delivered fuel is less than one hundred and thirty eight (138,000) BTUs per gallon.

B. If the Oil Price Information Service (OPIS) Anacortes average reported price for diesel fuel No. 1 on the date of lifting of any particular delivery is different than \$_____ per gallon, the contract price shall be either reduced or increased by the same amount in dollars that the OPIS Anacortes average reported price on the day of lifting is less than or more than \$_____ per gallon (the adjusted price equals the contract price plus the figure created where \$_____ per gallon is subtracted from the OPIS Anacortes average reported price for diesel fuel No. 1 on the day of lifting). Seller agrees to notify city of the exact date of lift and to supply city with a copy of the OPIS Anacortes average price for diesel fuel No. 1 as of the date of lifting prior to delivery to city.

6. Delivery. Seller agrees to begin and complete delivery for a minimum of _____ gallons within the period May 15 to June 15. Balance of delivery will be completed after August 1, but not later than September 30. In the event seller does not complete delivery within the dates stated above, city may, at city's option, declare seller in breach of this agreement and secure substitute fuel at the seller's expense except to the extent delivery is precluded by Section 10 (B) herein.

7. Discharge.

A. Except as provided herein, seller shall be solely responsible for delivery and offloading of fuel to city fuel tanks. Seller shall be the operator in charge of offloading and shall provide the services of a qualified person in charge to supervise the offloading to the city header during all times of discharge. Seller certifies that seller's barge and facilities are suitable for offloading to city. City certifies as follows:

(1) One Hundred Fifty Feet (150 ft.) of four-inch (4") oil transfer hose is adequate to reach from the side of the barge to city's pipeline header.

(2) City will, upon request, certify the length and diameter of the pipeline extension from the header at the dock to the three-way coupling.

(3) City will, upon request, certify the maximum working pressure of city pipelines.

(4) City has on file an applicable contingency plan as required by the U.S. Coast Guard, EPA and ADEC.

(5) City will provide appropriate warning signs as required by U.S. Coast Guard regulations.

B. Seller will deliver fuel by barge to city and will be responsible for all offloading of fuel, pumping, and connection of seller's facilities to the city pipeline header. Additionally, seller shall furnish personnel qualified to operate the barge, berth the barge, tie up the barge, untie the barge, and discharge fuel into city facilities. Work performed by the seller shall be performed with the exercise of ordinary care, and seller agrees to exercise such care toward the city facilities. In this respect, seller will hold city, together with its officers, agents and employees, harmless from and indemnify city from any liability or claim of liability, and defend city, its officers, agents and employees, from any such claim for damage to the dock facilities or other property located on the dock facilities as a result of seller's negligent operation of its barge or discharge of fuel.

C. Discharge of fuel by seller to city facilities will be accomplished at constant operating pressures not to exceed one hundred (100) psi. Qualified seller operators will be utilized to ensure that pumps are operated so as to avoid surging or air hammering which might permit pressure to exceed constant pressure requirements.

D. City agrees to provide shoreside personnel to be responsible for valve, tank, and pipeline watch.

E. City agrees to accept responsibility for leaks from city's header through its pipes and into its tanks except where leaks result from failure of seller to observe requirements of this agreement.

8. Payment. Invoices shall be submitted to city at the following address: _____ . Invoices shall reflect the date and quantity of fuel delivered to the city. Invoices shall be paid within ___ days of receipt.

9. General Terms.

A. Default of any party or failure by any party to perform or fulfill any obligation imposed upon that party as described in this agreement shall justify termination of this agreement by the nondefaulting party. Waiver

by any party of any breach hereof shall not be deemed to be a waiver in the performance of this agreement.

B. Neither city nor seller shall be in breach of its obligations hereunder to the extent that performance is prevented, delayed, or diminished as a result of acts of god; strikes or labor troubles; changes in the applicable laws or regulations; fire, flood, windstorm, explosion, or earthquake; riot; war; sabotage; or hostilities; court injunction or orders; and any other similar cause or causes beyond the control of the party affected thereby.

C. This agreement constitutes the sole agreement between the parties. Any amendment to this agreement must be in writing signed by both parties.

D. Neither city nor seller shall in any event be responsible for consequential or special damages, including without limitation, loss of profits, loss of use of property, delay, or damages consequential upon loss of use, whether resulting from the negligence of either party and even if the possibility of such damages is or was foreseeable by either of them.

E. This agreement shall bind the successors and assigns of each party hereto, and no assignment shall be made without the consent of the other party.

IN WITNESS WHEREOF the parties execute this agreement for the purposes set forth therein

DATED: _____ CITY OF _____

Mayor

ATTEST:

City Clerk

DATED: _____ COMPANY

By _____
Title _____

Fuel specifications

All diesel fuel delivered shall be premium quality, light colored, 100 percent distilled American Society of Testing and Materials (ASTM) diesel fuel No. 1, and meet the requirements of ASTM D975 for the Grade 1D fuel.

Diesel fuel No. 1 specification data:

1. API shall equal or exceed 39.0 gravity degrees
2. Cloud point shall be minus 35 degrees Fahrenheit or lower.
3. Pour point shall be minus 45 degrees Fahrenheit or lower.
4. Sulfur shall be 0.10 mass percentage or lower.
5. Sediment and water volume shall be less than .05 of 1 percent.
6. Cetane number shall be within the range of 45, plus or minus 2.
7. BTU per gallon, gross - 133,600 minimum
8. Flash point, Pensky-Martens shall be within the range of 110 to 140 degrees Fahrenheit
9. ASTM distillation shall not exceed 420 degrees Fahrenheit at the range 90 percent recovered point

Any testing will be done in accordance with standard ASTM D975. Bidders shall submit a certificate verifying the product to be delivered equals or exceeds specified standards.

Sample No. 2:

AGREEMENT FOR THE SUPPLY OF PETROLEUM PRODUCTS BETWEEN THE CITY OF _____ AND _____ COMPANY

THIS AGREEMENT made this _____ day of _____, 19____, by and between the City of _____, a municipal corporation of the State of Alaska, herein called "city," and _____ company, a corporation authorized to do business in the State of Alaska, whose address is _____, herein called "seller":

1. QUANTITY: Seller agrees to sell the following described petroleum products, conforming to city specifications attached hereto and made a part of this contract, and deliver the same by waterborne transportation to the city at its storage tanks located on the city waterfront:

_____ gallons of diesel fuel No. 1

_____ gallons of regular grade gasoline

2. PRICE: City shall pay \$_____ per gallon of diesel fuel No. 1 and \$_____ per gallon of regular grade gasoline within thirty days of invoice after delivery of products. The stated price is CIF (cost, insurance and freight) to the point of delivery and includes all federal and state taxes and any other fees or charges assessed against the products while in transit.

3. DELIVERY: Delivery of the above described products shall be on the following dates in the stated amounts plus or minus 14 days:

_____ gallons of diesel fuel No. 1 by _____.

_____ gallons of diesel fuel No. 1 by _____.

_____ gallons of diesel fuel No. 1 by _____.

_____ gallons of regular grade gasoline by _____.

_____ gallons of regular grade gasoline by _____.

_____ gallons of regular grade gasoline by _____.

Failure to deliver products by the dates stated shall result in a penalty of \$ _____ per day until delivery is made. All fuel ordered must be delivered prior to the onset of freeze-up conditions that will prevent delivery by water borne transportation. The seller assumes the risk, subject to any conditions set forth in this agreement, of delivery prior to freeze-up conditions. It shall be sellers sole responsibility to deliver

products by other means of transportation for the same contract price should seller fail to make all deliveries by waterborne transportation prior to the onset of freeze-up conditions. The seller shall not be excused from the terms of this agreement because delivery of fuel by other means of transportation at the same price is too expensive or commercially impractical.

Delivery operations shall, whenever possible, take place when there is sufficient daylight to visually observe all areas affected by delivery, including city storage tanks and the fill line. A diligent effort shall be made by seller to provide adequate advance notice to city of each delivery and to establish a timetable for delivery. It will be the responsibility of seller to assign a responsible individual to monitor the city storage tanks, opening and closing valves as required and maintaining two-way communication with the pump operator during all pumping operations.

In no event is any city storage tank to be filled beyond ninety-four percent (94%) of its total capacity; doing so may result in fuel expansion beyond the capacity of the fuel tank resulting in a fuel spill.

3. **METER TICKETS:** Seller shall provide valid meter tickets from a meter currently legally calibrated in such a format as to indicate the exact number of gallons delivered into city storage tanks so that deliveries can be accurately and fairly determined. Signing of receipt for petroleum products shall be in such a manner that an explanation is given to the city representative, clearly and fairly explaining what is being signed and how the delivered quantity was determined.

4. **INVOICES:** Invoices shall be submitted to city at the following address: _____. Invoices shall reflect the date and quantity of fuel delivered to the city and shall be submitted with the appropriate meter ticket attached as described in section 3.

5. **PRODUCT WARRANTY:** Seller warrants that the petroleum products delivered shall conform to the specifications attached hereto. All products supplied are subject to verification testing by independent test. If testing indicates the product does not conform to specifications, the city at its sole option, may require the seller to either: a) remove the nonspecification product, including any existing product that may have been contaminated, and replace the nonspecification product and any contaminated fuel with product that complies with all specifications, or b) impose a penalty of ___ cents per gallon, which penalty shall be paid directly to city or deducted from payments due or to become due to the seller.

Whenever a periodic test indicates that product delivered does not conform to specifications, all product delivered since the date of the last

lest may, at the sole option of the city, be considered as not meeting the specifications and shall be subject to the provisions of this section.

6. POLLUTION: Seller warrants that it will comply with the U.S. Federal Water Pollution Control Act of 1970 as amended, and that all transportation units shall have secured and carry aboard current U.S. Federal Maritime Commission Certificates of Financial Responsibility (oil pollution). Further, seller warrants that all transportation units are in compliance with all applicable U.S. Coast Guard regulations in effect from time to time, in particular, those regulations pertaining to the availability of oil spill containment equipment. Seller shall comply with all other laws, rules, and regulations relating to water or oil pollution.

It shall be seller's responsibility to take whatever measures are necessary to prevent or mitigate any damage that may result from an escape or discharge of oil which causes or threatens to cause environmental damage.

Seller shall carry third party pollution liability insurance covering all transportation units used in the performance of this contract. The limits of liability shall not be less than \$1,000,000 per occurrence. City shall be named as an additional insured on the policy with respect to the performance under this contract and the policy shall contain a waiver of subrogation against city.

7. PERFORMANCE BOND: A performance bond in form satisfactory to city shall be furnished by seller at its expense.

IN WITNESS WHEREOF the parties execute this agreement for the purposes set forth therein

DATED: _____ CITY OF _____

Mayor

ATTEST:

City Clerk

DATED: _____ COMPANY

By _____

Title _____

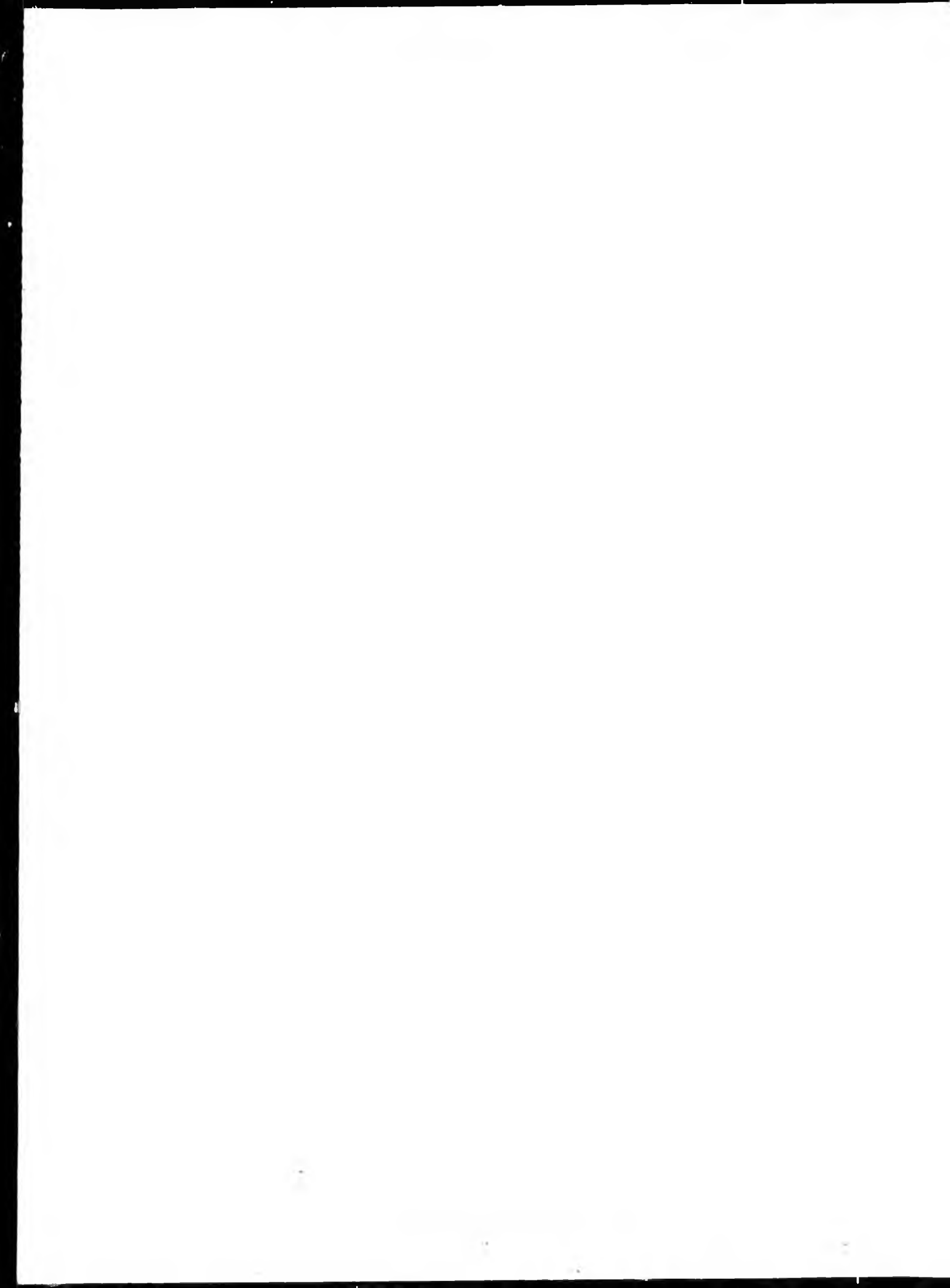
Fuel specifications

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Diesel fuel No. 1 specification data:

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5. Sediment and water volume shall be less than .05 of 1 percent.
6. Cetane number shall be within the range of 45, plus or minus 2.
7. BTU per gallon, gross - 133,600 minimum
8. Flash point, Pensky-Martens shall be within the range of 110 to 140 degrees Fahrenheit
9. ASTM distillation shall not exceed 420 degrees Fahrenheit at the range 90 percent recovered point

Any testing will be done in accordance with standard ASTM D975. Bidders shall submit a certificate verifying the product to be delivered equals or exceeds specified standards.



Appendix H:

Sample resolution for approving fuel purchasing contract

RESOLUTION _____ OF THE CITY COUNCIL

FOR THE CITY OF _____ APPROVING A CONTRACT FOR
THE PURCHASE OF PETROLEUM PRODUCTS

WHEREAS: The City of _____ needs to purchase certain petroleum products; and

WHEREAS: _____ Company has offered to supply the required products at a price acceptable to the City Council; THEREFORE, BE IT RESOLVED the City Council approves the contract between the city and _____ Company for the purchase of specified petroleum products and the terms and conditions of the contract are incorporated by reference into and made a part of this resolution.

PASSED AND APPROVED by a duly constituted quorum of the city council for the City of _____, this ____ day of _____, 19__.

Mayor

ATTEST:

City Clerk

Intentionally left blank

Appendix I:

Charts for tracking fuel use at community buildings and facilities

Using this chart would be one method of keeping track of how much fuel each of your city facilities will use in a year. Keeping accurate records for several years will help you decide how much fuel you need to buy.

Appendix J:

Steps for safe fuel handling and barge delivery ¹

Before the barge arrives:

- Determine the quantity of fuel each tank can hold by measuring the tank with a hand-held gauge tape or stick and using tank volume charts.
- Check all tanks for water. Do this by using water-finding paste on your gauge tape or sticks. Place a thin film of water-finding paste on the lower end of your gauge line. Any water present in the tank will be on the bottom of the tank and will change the color of the paste. Drain the water from the tank before delivery.
- Check the cargo line and valves for leaks. Make sure the cargo lines are in good condition and not blocked or broken.

When the barge arrives:

- Communicate with the barge tankerman. Make sure you and the tankerman prepare a Declaration of Inspection (D.O.I.). Both of you will sign the D.O.I. Once this is done, you will know the quantities of product the barge is going to deliver to you, and the tankerman will know what quantity you can hold in your tanks.
- Sample the fuel on the barge before delivery. Use a clean glass jar for visual inspection. Visually check the fuel for floating particles; if you find any, the fuel is dirty and should be rejected. Visually check the fuel for a cloudy or hazy

¹ Steps for Safe Fuel Handling was prepared by Delta Western, Alaska's Petroleum Distributor.

- appearance. If you find it cloudy, your fuel has water in suspension and, again, the fuel should be rejected. The fuel should be clear, clean and bright before it is accepted.
- Hook up hoses to your cargo line headers, or run the hose to the tank. Before delivery starts, have a communications system set up between shore-side and barge personnel. Hand-held radios are the best mode of communication. If this is not possible, then hand signals and verbal signals should be used. Do not pump fuel unless there is a way for shore-side "tank watch" and barge tankerman to communicate. One person should be assigned as tank watch. This person will be responsible for filling the tanks, making tank switches and shutting down the barge when necessary. When fuel nears the top of the tank, the tankerman should be told to slow down the pumping of fuel. When the fuel reaches the desired level, pumping should stop immediately to avoid over-filling the fuel tank. Remember to leave enough room at the top of the tank for expansion of the fuel due to temperature increases.
- Assign a second person to move between the barge and your tanks. This person's responsibility is to assist tank watch, check cargo lines and valves for leaks, and help tank watch communicate with the barge. This person should also help take visual samples during delivery.
- There should be no *smoking* on or near the fuel tanks and barge, or where lines and hoses run between the two.

Before the barge departs:

- When the barge has finished, shut all valves, disconnect the hose, and gauge tanks to determine the quantity of oil received. The amount should be nearly the same as the amount the barge has given you an invoice for.
- Check the tank for water and remove any additional free water.

**SENATE COMMITTEE REPORT
First Committee of Referral**

DATE: 4/22/05

FURTHER: Finance

Date of 5-Day Notice: 4/21/05
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 4-28-05

Community and Regional Affairs Committee considered SENATE BILL NO. 188

SB 188 BULK FUEL REVOLVING LOAN FUND CAP

"An Act increasing the maximum amount of loans from the bulk fuel revolving loan fund to one borrower."

and recommends:

- be replaced with _____ CS SB 188 (CRA)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:	
<input checked="" type="checkbox"/>	Same Title
<input type="checkbox"/>	New Title
SCS House Bill:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DCCED	4/26			✓	1

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	Do PASS	Do NOT PASS	No REC	AMEND
ELLIS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
WAGONER	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
STEIDMAN	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
KOOKERI	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CHAIR: R. STEVENS	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>