

Ruralite

ALASKA VILLAGE

NOVEMBER 2020

The crew of the *Naniq* loads summer supplies and customer freight after winter shipyard maintenance was performed in Seward. PHOTO BY MARK SMITH

Vitus Marine Brings Value to Partnership

AVEC and Vitus Marine team up to improve fuel delivery. Page 4

Vitus Marine Brings

Alaska Village Electric Co-op's transportation initiative continues to benefit members throughout Western Alaska

Western Alaska faced an enormous challenge in the late 2000s when the cost of oil worldwide increased dramatically and the region wrestled with virtually no competition in the regional fuel supply market. The combination had a major financial impact on our members because our power plants rely on diesel fuel to generate electric power, and residents rely on stove oil to heat their homes.

After much consideration, Alaska Village Electric Cooperative's Board of Directors approved a bold plan to help stabilize the cooperative's soaring fuel costs.

"Because of steep increases in transportation costs over the last few years, the board decided to invest in assets that will bring at least \$2.5 million (in 10 years) in cost savings to the members who have seen drastic increases in energy costs since 2007," AVEC President/CEO Meera Kohler said at the time.

These assets are two sets of twin tug-and-barge fuel delivery vessels specifically designed and commissioned by AVEC to work in Alaska's diverse and remote geographical conditions.

The shallow-draft tugboats can operate in a little over 5 feet of water. When the water depth is too low for barges to safely operate, fuel must be flown in, which is extremely expensive.

The vessels were chartered and operated under a contract with Vitus Marine LLC, a newly formed company managed by experienced Western Alaska mariners who had operated various marine assets in Alaska for more than 20 years. Vitus specialized in meeting the bulk transportation needs of Western Alaska's maritime communities. The company's principals, Chief Strategic Officer Mark Smith and CEO Justin Charon, were excited about working with AVEC to find relief for high fuel costs by reinstating competition in the Western Alaska fuel market.

A major benefit would be a reduction in

AVEC's fuel cost, which translates to lower electric bills.

"The marine market in Western Alaska is challenging both operationally and from a business standpoint," Justin said. "We were looking for more than just a customer before we reentered the market. We wanted a partner where our goals were aligned. We found all that and more in AVEC. That partnership with a strong organization and long-term vision for success was key to overcoming some of the hurdles in those early years."

After blessing and christening the vessels in 2012, they became sturdy, dependable workhorses that continue to perform well in difficult conditions.

Dependability is important as AVEC's tugs and barges provide a lifeline to rural residents, schools and businesses that rely on diesel generators for their electricity, stove oil for their furnaces, and gasoline for their ATVs and boats.

The vessels use the latest technology, including the articulated tug barge connection system. The back end of the barge forms a "U" where the front of the tug nestles in and is held in place with stainless hydraulic pins and rubber pressure feet. This setup combines the economics of a tug and barge with the increased speed, maneuverability and efficiency of a single ship.

This solution to reducing spiraling fuel costs proved successful. Since its inception, Vitus has delivered more than 37 million gallons to AVEC, and saves the cooperative more than half a million dollars annually. The original concept was a savings of \$2.5 million over a 10-year period. That was achieved in the first five years and continues to grow every year, fulfilling the goal to stabilize fuel and shipping costs for AVEC members and the entire western Alaska fuel market.

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Value to Partnership



CLOCKWISE FROM TOP: The Vitus crew makes an end-of-season fuel delivery in Quinhagak, where ice is already forming. PHOTO BY ERIC BROWN One method of storing the boats for the winter is to beach them and wait for the ice to melt in the spring. Little Picu sat outside on the ice-covered barge as the crew sailed back to the safety of winter storage. The fuel delivery season is about five months long, when the riverways are free of ice. PHOTOS COURTESY OF VITUS MARINE

ALASKA VILLAGE

Partnership

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Vitus Energy first appeared in the international spotlight in late 2011. After a massive November storm hit Nome, the frozen ocean made a competitor's traditional tug and barge fuel delivery to the area impossible. The result was a highly publicized fuel shortage for Nome heading into Alaska's notoriously frigid winter months. Vitus overcame the challenge by chartering a double-hulled, ice classed Russian tanker to deliver 1.6 million gallons of home heating oil, unleaded gasoline and diesel fuel to Nome and its residents.

An operation like this had never been attempted in the history of Alaska. Its subsequent success gave Vitus a tremendous amount of distinction among Alaskans and the Arctic shipping community.

Vitus is now seen by many Alaskans as a company that can overcome extraordinary challenges in the most extreme climate in the world. For an Alaskan business, this effort is the definitive proof that working with a local firm brings better solutions.

Vitus offers more than fuel delivery.



Remote Alaskan villages rely on affordable fuel to heat their homes and businesses.

Below are a few examples of how Vitus Marine has come to the rescue.

- **Buying and delivering critically important hand sanitizer.** AVEC was in a bind, trying to ship hand sanitizer to its power plants across the state and running into major roadblocks with the

postal service and air cargo companies. The challenge was the alcohol content in the hand sanitizer. Vitus Marine stepped in and offered to buy and deliver hand sanitizer to our power plants. AVEC was grateful for their assistance. That generosity reflects the deep relationship the cooperative has with



Mark Smith

Chief Strategic Officer

Mark Smith is a third-generation owner/operator of an Alaska marine transportation business. He began as a deckhand with Smith Lightering in 1973 and eventually purchased the family business in 1987. With headquarters in Aleknagik, the company grew to serve the marine supply needs of western Alaska's coast and river villages. "Vitus was formed to put my experience into action," Mark says. Although now working out of an Anchorage office, Mark and his family continue to commercial fish and maintain the shipyard area established in Aleknagik in 1934. He has an executive MBA from the University of Washington.



Justin Charon

Chief Executive Officer

Justin Charon worked in the marine transportation/fuel distribution industry for 20 years. In 1997, he began work at Yukon Fuel Co. managing inventories, providing sales analysis and pricing support, ISO 9000 implementation and product tracking on Yukon's tug and barge fleet. From 2001 through 2005, Charon served as Yukon's chief financial officer, leading numerous acquisitions and strategic planning projects. Following his departure from Yukon in 2005, Charon was a principal owner of Great Circle Flight Services, which provided fuel service to Anchorage International Airport and was sold in 2008. He has a bachelor's of business administration and is a certified management accountant.



ABOVE: Helena Jones christens AVEC-208.
RIGHT: AVEC-208 crew members delivered much-needed hand sanitizer to power plants.

Vitus. When AVEC has a pressing need that Vitus can help with, they are there. Thank you!

- **Backhaul of scrap material.** In 2019, some AVEC villages were able to participate in grant-funded environment cleanups. Vitus assisted with backhaul of scrap material. Without this help, the scrap material would just build up as there are no roads in Alaska's remote regions for trucks to transport waste material.

- **Ship rescue.** During a storm with heavy weather off Norton Sound, the Naniq was dispatched to rescue a vessel that issued a Mayday. The Naniq crew towed the vessel to safety, demonstrating that the AVEC vessels continue to provide best in class performance for western Alaska. ■

