

**CITY COUNCIL – BOROUGH ASSEMBLY  
JOINT WORK SESSION AGENDA**

Wednesday, September 11, 2013  
 Assembly Chambers  
 7:30 p.m.  
 (Borough Chairing)

*Joint work sessions are informal meetings of the Borough Assembly and City Council where elected officials discuss issues that affect both Borough and City governments and residents. Although additional items not listed on the joint work session agenda are sometimes discussed when introduced by elected officials, staff, or members of the public, no formal action is taken at joint work sessions and items that require formal action are placed on a regular Borough Assembly and/or City Council meeting agenda. Public comments at work sessions are NOT considered part of the official record. Public comments intended for the “official record” should be made at a regular Borough Assembly or City Council meeting.*

1. Public Comments
2. Fisheries Analyst Report
  - a. Discussion of a Community Driven Economic Analysis Sponsored by the City/Borough Regarding Fishing Industry Proposals Pertaining to Comprehensive GOA Trawl Bycatch Management
3. City Sales Tax – GCI and ACS Charges to Borough residences .....3
4. Biosolids – Long term solution at the Landfill.....8
5. Animal Control Contract with the Borough

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Item 3

**BIRCH HORTON BITTNER & CHEROT**

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A PROFESSIONAL CORPORATION

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May 18, 2011

**VIA ELECTRONIC DELIVERY**

Ms. Mary C. Munk  
 Finance Director  
 City of Kodiak  
 710 Mill Bay Road  
 P. O. Box 1397  
 Kodiak, AK 99615-1397

RE: Taxation of Internet Sales  
 Our File No.: 505,786.58

Dear Mary:

You have asked for advice concerning the application of the sales tax levied by the City of Kodiak (the "City") to sales of goods that a customer orders over the internet from a business located in the City, for delivery in the City. In general, the rules governing the taxability of sales of goods that are ordered over the internet are no different than those governing the application of City sales tax to transactions involving the ordering of goods by mail or telephone. Below, I have provided a series of questions and answers to aid in determining whether any transaction that crosses the boundaries of the City is a taxable sale made in the City, based on the criteria in KCC 3.08.010(c). After the questions and answers, I provide some additional explanation of how the questions and answers should be applied, analyze the taxability of the specific transaction that was the subject of your question, and discuss other issues related to the taxation of sales transacted over the internet.

**1. Analysis of Taxability.****A. Introduction.**

The approach described below may be used to determine the taxability of any sale transaction that crosses the boundaries of the City. The beginning point for analysis is that the City levies its sales tax on sales made within the City.<sup>1</sup> Rules then

<sup>1</sup> KCC 3.08.010(b).

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determine whether a sale is "made within the City."<sup>2</sup> Because the City only levies the tax on sales "made within the City," these rules define the farthest extent to which the City sales tax may be applied to transactions that cross City boundaries. In addition, the City may not tax transactions whose taxation is prohibited under the constitution or statutes of the United States or the State of Alaska. This rule also is codified explicitly as a tax exemption.<sup>3</sup> Constitutional prohibitions on the taxation of transactions that cross City boundaries are incorporated in the analysis of the taxability of transactions below.

### **B. Taxation of Sales.**

Applying the following sequence of questions will determine whether a sale transaction that crosses City boundaries is subject to City sales tax.

- 1 • Delivery in the City. Does delivery of the sold item occur in the City?
  - No – The transaction is not taxable. ✖
  - Yes – Continue to the next question.
- 2 • Business Located in the City. Is the sale made by a business located in the City?
  - Yes – The transaction is taxable.
  - No – Continue to the next question.
- 3 • Place of Business, Agent or Employee in Alaska. Does the seller maintain a place of business, or an agent or employee, elsewhere in the State of Alaska?
  - No – The transaction is not taxable.
  - Yes – Continue to the next question.
- 4 • Solicitation inside of the City. Does the seller regularly or repeatedly promote sales in the City by means such as advertising, promotional events or solicitation of sales?
  - Yes – The transaction is taxable.
  - No – The transaction is not taxable.

## **2. Discussion of Particular Questions Concerning Taxability.**

### **A. Business Located in the City.**

A seller of goods or services over the internet also may maintain a "bricks and mortar" place of business in the City, in which case the seller meets the "business located in the City" criterion for taxability. For example, if ABC Big Box Retailer, Inc. has a store in the City, and a City resident purchases goods from ABC Big Box Retailer,

<sup>2</sup> KCC 3.08.010(c).

<sup>3</sup> KCC 3.08.040(o).

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Inc., over the internet, the sale will be subject to City sales tax, even though the internet order is fulfilled from a location outside the City, and the goods are delivered directly from that location to the customer.

However, care must be taken to identify the internet seller correctly, because the internet seller, although affiliated with the owner of the "bricks-and-mortar" store in the City, may be a separate corporate entity. In that case, the simple presence of the "bricks and mortar" store in the City may not be sufficient to justify applying the City's sales tax to sales by the affiliated internet seller. The presence of the store will justify applying the City's sales tax to the affiliated internet seller's transactions only if the entity that owns the store is shown to be acting as the "agent" of the internet seller. This agency relationship could be established by showing that the store accepts returns of merchandise ordered over the internet, or provides installation or maintenance services for merchandise ordered over the internet, or otherwise acts as a local presence for the internet seller.

Your specific question concerned a business located in the City that receives orders over the internet for goods to be delivered in the City. These sales transactions clearly are taxable under KCC 3.08.010(c)(1).

**B. Solicitation inside of the City.**

Under the City Code, a sale is made within the City if there is a delivery in the City and "the sale is made by a business located outside of the city as a result of solicitation inside of the city."<sup>4</sup> As thus stated, this rule would apply regardless of whether a seller has any physical presence in the State of Alaska, such as a place of business, or an agent or employee. However, case authority establishes clearly that the commerce clause of the United States Constitution does not permit taxation of an out-of-state seller that solicits orders in the taxing state through advertising, but that has no physical presence in the taxing state. In contrast, the solicitation of orders within a taxing jurisdiction does supply the nexus between the seller and the taxing jurisdiction that is required for taxation under the less demanding standard of due process. Meeting the latter standard is sufficient to tax sales within the City by a seller with a physical presence in the State of Alaska that satisfies the commerce clause, even though the seller has no physical presence in the City. "The commerce clause of the United States Constitution poses no bar to local taxation of purely intrastate transactions which are not components of interstate commerce."<sup>5</sup> Thus, a seller's promotion of sales in the City by such means as advertising, promotional events or solicitation of sales, provides a basis for taxing sales by that seller if, and only if, the seller has a physical presence in the State of Alaska.

<sup>4</sup> KCC 3.08.010(c)(3).

<sup>5</sup> *Douglas v. Glacier State Telephone Co.*, 615 P.2d 580, 583 (Alaska 1980).

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**3. Federal Moratorium on Taxation of Internet Access.**

Another issue that may arise when the City attempts to tax sales that are made over the internet is whether those sales are exempt from City sales tax under federal law. You may encounter a misconception among some members of the public that there is such an exemption, but that is not the case. The federal Internet Tax Freedom Act of 1998<sup>6</sup> placed a three-year moratorium on the imposition of "taxes on internet access" services as well as any "multiple or discriminatory taxes on electronic commerce" by state or local governments. The moratorium originally was set to expire on October 21, 2001, but later was extended to November 1, 2014. The moratorium only prohibits state and local taxes on internet access (e.g., a sales tax on the monthly fee charged a customer by an internet service provider), and taxes that apply only to electronic commerce, or make electronic commerce subject to a different tax rate than transactions conducted through other media. It does not provide any blanket tax exemption for transactions over the internet.

Please let me know if I may be of further assistance in this matter.

Yours truly,

BIRCH HORTON BITTNER & CHEROT

  
Thomas F. Klinkner

TFK:cmm

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<sup>6</sup> Public L. No. 105-277, 112 Stat. 2681-2719, §§1100, *et seq.*

JUDITH KIDDER

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Account Number

1819931

Invoice Date

August 5, 2013



**Payment Detail**

|                          |                  |
|--------------------------|------------------|
| Payment on July 21, 2013 | 166.59 CR        |
| <b>Total Payments</b>    | <b>166.59 CR</b> |

**ACS Bundled Services**

(907) 487-2421

**Local Services**

|  |                     |        |       |
|--|---------------------|--------|-------|
| Call Forwarding Pkg Feature                | 8/5/2013 - 9/4/2013 | 1 Unit | 0.00  |
| Caller ID N/C                              | 8/5/2013 - 9/4/2013 | 1 Unit | 0.00  |
| Continuous Redial N/C                      | 8/5/2013 - 9/4/2013 | 1 Unit | 0.00  |
| Caller ID on Call Waiting N/C              | 8/5/2013 - 9/4/2013 | 1 Unit | 0.00  |
| Call Waiting Pkg                           | 8/5/2013 - 9/4/2013 | 1 Unit | 0.00  |
| Last Call Return N/C                       | 8/5/2013 - 9/4/2013 | 1 Unit | 0.00  |
| * Residential Line <i>Service located</i>  | 8/5/2013 - 9/4/2013 | 1 Unit | 14.50 |
| * Custom Calling Feature Pkg <i>in KIB</i> | 8/5/2013 - 9/4/2013 | 1 Unit | 7.95  |
| Three Way Calling N/C                      | 8/5/2013 - 9/4/2013 | 1 Unit | 0.00  |
| Voicemail (Inactive)                       | 8/5/2013 - 9/4/2013 | 1 Unit | 0.00  |

**Long Distance Services**

|                              |  |  |      |
|------------------------------|--|--|------|
| ACS Instate Long Distance    |  |  | 0.00 |
| Easy Choices-100 Minute Plan |  |  | 5.95 |

**Internet Services**

|                             |                     |        |          |
|-----------------------------|---------------------|--------|----------|
| Special Offer Bundle Credit | 8/5/2013 - 9/4/2013 | 1 Unit | 28.40 CR |
| Home Internet 1.0M          | 8/5/2013 - 9/4/2013 | 1 Unit | 79.00    |

**Total ACS Bundled Services** *Federal Moratorium.* **79.00**

By choosing an ACS Bundle, you saved \$ 28.40 CR over the cost of the same service sold separately.

**Additional Monthly Services**

(907) 487-2421

**Local Services**

|  |                     |        |                |
|--|---------------------|--------|----------------|
| RTB Refund                               | 8/5/2013 - 9/4/2013 | 1 Unit | 0.13 CR        |
| <b>Total Additional Monthly Services</b> |                     |        | <b>0.13 CR</b> |

**Surcharges**

|                                |                     |        |              |
|--------------------------------|---------------------|--------|--------------|
| * Access Recovery Charge       | 8/5/2013 - 9/4/2013 | 1 Unit | 0.53         |
| * Federal Subscriber Line Chrg | 8/5/2013 - 9/4/2013 | 1 Unit | 6.50         |
| Federal Universal Service Fund |                     |        | 1.96         |
| Alaska Universal Service Fund  |                     |        | 2.90         |
| <b>Total Surcharges</b>        |                     |        | <b>11.89</b> |

**Taxes and Other User Fees**

|  |                     |        |              |
|--|---------------------|--------|--------------|
| * Alaska Network Access Fee            | 8/5/2013 - 9/4/2013 | 1 Unit | 4.75         |
| Federal Excise Tax (Local)             |                     |        | 1.17         |
| E911 Surcharge Kodiak/FtGreely         | 8/5/2013 - 9/4/2013 | 1 Unit | 0.75         |
| AK Regulatory Cost Chg - Local         |                     |        | 0.30         |
| AK Regulatory Cost Chg-ACS LD          |                     |        | 0.18         |
| Alaska Telcom Relay Service            | 8/5/2013 - 9/4/2013 | 1 Unit | 0.01         |
| Sales Tax                              |                     |        | 5.67         |
| <b>Total Taxes and Other User Fees</b> |                     |        | <b>12.83</b> |



**Past, Present, Interim and Future Solutions for Kodiak Island Biosolids Management**

Item 4

This chart summarizes the past, present and desired future City and Borough actions to manage biosolids from Kodiak Island, including City-piped sewage; KIB-piped sewage; USCG WWTP’s biosolids; septic tank haulers. All residents and visitors to Kodiak on the City, Borough, and State road system contribute to the biosolids processed by the City’s treatment facility.

| <b>Timing</b>   | <b>Biosolids Management Activities: City of Kodiak and Kodiak Island Borough</b>  |
|---|---|
| <b>1987-2013<br/>PAST</b>                                 | <p><b>1987</b> Regulations require that biosolids be hauled to landfill, and not released into the ocean. The City has delivered almost 2000 tons of biosolids annually to the Borough’s landfill since 1987.</p> <p><b>1998</b> CH2M HILL study sludge management due to concerns expressed by KIB for both City and USCG biosolids being too wet going to landfill.</p> <p><b>2001</b> Upgrade of the City's Wastewater Treatment Plant (WWTP) to add primary clarifier and other improvement to produce drier biosolids for co- disposal with solid waste.</p>   |
| <b>2007-2013<br/>PRESENT -<br/>STUDY AND<br/>TEST</b>     | <p><b>2007</b> Borough advised City of insufficient landfill capacity and need for new solutions for biosolids management.</p> <p><b>2008</b> City approved study with CH2M HILL. City approved Pilot Composting Test Study.</p> <p><b>2010</b> Compost A was successfully achieved in Biosolids Composting Pilot Test.</p> <p><b>2010-2012</b> Meetings continue between City and Borough.</p> <p><b>2012</b> City signs 5-year agreement with Quayanna Corp (QDC) to develop public private partnership for composting. QDC submits permit application to ADEC.</p> <p><b>June 2012</b> Borough notified City that biosolids could not be accepted at landfill after 15 December 2012.</p> <p><b>December 2012</b> USCG provides land for interim biosolids stockpiling. Borough and City agree to process biosolids at landfill to Class B compost. Borough approved license agreement with expiration of 15 August 2013. DEC authorized KIB for temporary Class B composting of biosolids at the landfill.</p>  |
| <b>2013-2015<br/>INTERIM<br/>SOLUTION</b>                 | <p><b>January 2013</b> QDC begins composting (Class B) at the landfill. Public concerns with any proposed composting operations at Middle Bay result in examination of long term land lease for composting operations at the landfill.</p> <p><b>February 2013</b> City meets with CH2M HILL to review management options, operations and construction costs, costs to ratepayers,</p> <p><b>May 2013</b> QDC withdrew DEC permit application for composting at Middle Bay site.</p> <p><b>July 2013</b> KIB Planning and Zoning Commission supported recommendation that landfill area was available for longterm lease for future composting facility.</p> <p><b>July 2013</b> City and Borough meet to develop plan for interim license, draft of longterm lease at South Dump Site, DEC permit, site survey and design/construction of a composting facility, QDC contract, public outreach.</p> <p><b>August 2013</b> Borough administratively extends license for composting on landfill. City requests proposal from CH2M HILL for design of Class A composting facility. Received 14 August.</p> <p><b>August 2013</b> QDC moves compost from landfill to private property. DEC issues Notice of Violation to QDC that is supported by City and Borough.</p> <p><b>September 2013</b> Borough meetings to review extension of license agreement until 2015 when new site/facility is constructed: 12 September worksession, 19 September Assembly meeting.</p> <p><b>September 2013</b> City/Borough officials and community representative to tour comparable composting facilities in Washington state with CH2M HILL biosolids engineer.</p> <p><b>September/October 2013</b> City works with Kodiak community to define future solution for managing biosolids. This will include meetings with Monashka Bay Service Area Board, public meetings, ongoing worksessions and hearings with the Borough.</p> |
| <b>2015 forward<br/>FUTURE-<br/>LONGTERM<br/>SOLUTION</b> | <p><b>2015 forward</b></p> <ul style="list-style-type: none"> <li>• Class A Composting facility to be built and operating on landfill site.</li> <li>• Nearly 2000 tons of biosolids from Kodiak community to be processed annually.</li> <li>• DEC permit to be approved.</li> <li>• Borough to issue longterm land lease for operations on landfill site (South Dump Site).</li> <li>• City to contract with QDC for private operations of the Compost operations.</li> <li>• Life of KIB landfill to be extended due to processing and export of biosolids.</li> <li>• Class A compost to be produced and marketed.</li> <li>• City/Borough ratepayers to benefit with reasonable monthly rates.</li> </ul>  |



**Alternatives Evaluation for Management of Biosolids  
Or, “Why did the City of Kodiak choose Compost?”**

| <b>Alternative Technology</b>        | <b>Description</b>  | <b>Advantages</b>  | <b>Disadvantages</b>   | <b>Estimated Costs (as of studies by CH2MHill)</b>   |
|--------------------------------------|---|--|--|--|
| <b>Cannibal Process</b>              | Modify existing WWTP process to optimize metabolism of microbes digesting sludge.   | Integrated process<br>Less frequent solids processing than existing<br>Eliminates primary clarifier and sludge<br>May increase WW nutrient removal   | Only 42% reduction in biosolids – not enough<br>Inert solids volume increases<br>Requires additional WWTP volume<br><b>Does not work in cold climates</b><br>USCG still requires processing                                      | Installation/capital: \$17M<br>Annual O&M: \$10k<br>Not recommended  |
| <b>Dry/Incinerate</b>                | Dry and incinerate existing sludge from WWTP.   | Max solids reduction compared to others<br>Energy recovery possible<br>Pathogens eliminated<br>Stable, odorless ash or granules<br>Ash can be used as mineral aggregate for building/landfill  | <b>High O&amp;M costs</b><br><b>High capital costs</b><br>High maintenance and replacement costs<br>Ash may be hazardous<br>Costly air emissions control<br>2-5 year expensive EPA permit for new sewer sludge incinerator (SSI) | Installation/capital: \$25M<br>Annual O&M: \$50k<br>Annual sewer rate increase per equivalent residential unit: \$420-500              |
| <b>Ship biosolids Off-Island</b>     | Ship and dispose of biosolids off-island in special containers.   | Removes biosolids from the island  | <b>High cost</b><br>Specialized shipping and containers required<br>Transfers biosolids to someone else to process/dispose<br>Not a longterm solution<br>Multiple contracts for shipping and for handling required               | Installation/capital: \$300k<br>Annual O&M: \$650k<br>Annual sewer rate increase per equivalent residential unit: \$150-180+           |
| <b>Deliver biosolids to Landfill</b> | Continue to truck biosolids to existing landfill.   | No new facility and equipment needed<br>More cost-effective than incineration or shipping.   | <b>Landfill space not available for at least 2 years</b><br><b>Borough operating costs/rates estimated to increase 3% per year.</b><br>Landfill will fill up again   | Installation/capital: \$10k<br>Annual O&M: \$500k after 2015<br>Annual sewer rate increase per equivalent residential unit: \$80-\$100 |
| <b>Compost</b>                       | Treat biosolids with aeration, amendments (wood chips) and curing to create biological decomposition resulting in stable organic and nutrient-rich product. | Compost may be marketable<br>Works in cold climates<br>Landfill site should be available for composting<br>Compost useful for landfill cover<br>Can eliminate cardboard and yard waste from landfill waste stream<br>Extends life of landfill<br>Sustainable solution<br>Economic development<br>Successful pilot project with DEC approval<br>Operating in 44 states and other AK communities | May need to import organic substrate<br><b>Kodiak compost market not developed</b><br>Requires odor control<br><b>Labor-intensive</b><br>Larger footprint  | Installation/capital: \$2.5M<br>Annual O&M: \$150k<br>Annual sewer rate increase per equivalent residential unit: \$70-90+             |

This matrix summarizes disposal alternatives for nearly 2000 tons annually of biosolids produced on Kodiak Island. The information was developed by the City of Kodiak and its consultants. The Council evaluated the pros and cons, and the capital and operating costs to determine that compost was the best solution. The bottom line is that composting provides an environmentally sound, sustainable solution that could promote economic development and will minimize the impact on residential sewer rates.

The next steps are to look at the details of operations, location, permitting, licensing, leasing and City/Borough agreements, community outreach and feedback.

**DEPARTMENT OF ENVIRONMENTAL CONSERVATION  
STATE OF ALASKA**

**NOTICE OF VIOLATION**

Failure to meet the conditions of ADEC approval, dated December 18, 2012, for Composting  
Sewage Sludge at the Kodiak Island Borough Landfill  
Violation of 18 AAC 60.505(c) requirement for a permit for landspreading of Biosolids

**To: Mr. Peter Olsen  
Quayanna Development Corporation  
11801 Middle Bay Drive  
Kodiak, Alaska 99615**

**Enforcement Tracking No. 13-0974-40-0001**

The Alaska Department of Environmental Conservation (ADEC) alleges that on or about August 15, 2013, in Kodiak, Alaska, Peter Olsen did unlawfully landspread composted sewage sludge (biosolids), from the project at the Kodiak Island Borough Landfill, on his personal property at 11801 Middle Bay Drive. Such actions are in violation of ADEC approval, dated December 18, 2012 for Composting Sewage Sludge at the Kodiak Island Borough Landfill and 18 AAC 60.505(c), which requires a permit for the activity.

Mr. Olsen self-reported, on August 15, 2013, that he had landspread several cubic yards of the Class B Biosolids on his personal property. In addition, on August 16, 2013, ADEC received an anonymous complaint regarding the situation. Landspreading of Class B Biosolids requires a permit under 18 AAC 60.505(c), and the original authorization for the composting project at the landfill approved the use of the biosolids only at the landfill. In a letter, dated August 18, 2013, Mr. Olsen argues that it is likely that the biosolids would meet Class A Exceptional Quality standards, which would not require a permit; however, he has not produced data to demonstrate this. He contends that the use of the biosolids at his home poses no risk to health or the environment at his property or surrounding properties.

To address the violation(s) described above, ADEC requires that Mr. Olsen do the following:

- Collect five independent random samples of the landspread biosolids and have them tested for Salmonella, and metals listed below.
- Compare the results to the following requirements:
  - Salmonella <3MPN/4 gm
  - Arsenic 41 mg/kg
  - Cadmium 39 mg/kg
  - Chromium 1,200 mg/kg
  - Copper 1,500 mg/kg
  - Lead 300 mg/kg
  - Mercury 17 mg/kg
  - Nickel 420 mg/kg
  - Selenium 36 mg/kg
  - Zinc 2,800 mg/kg

If these requirements cannot be met, further corrective action will be required.

- In the creek adjacent to the property, collect one sample upgradient of the biosolids and one sample downgradient and have them tested for Salmonella.
- Compare the results of the upgradient and downgradient sample. If the downgradient sample is more than 20% higher than the upgradient sample for Salmonella content, further corrective action may be required.
- Submit all these sample results and temperature and metals testing data from ALL the composted material from the landfill to ADEC no later than September 13, 2013.
- All remaining stockpiles of biosolids removed from the landfill must be returned to the landfill.

Penalties for violation of state statutes and regulations can be quite serious. In a civil action, a person who violates, or causes violation of a provision of regulation, a permit, or an ADEC approval may be liable to the state for substantial monetary damages under AS 46.03.760. Depending on the nature of the violation, you may also be liable for the state's response costs under AS 46.03.822, for spill penalties under AS 46.03.758-759, for administrative penalties under AS 46.03.761, or for other kinds of damages or penalties under other statutes.

In a criminal violation, a person who acts with criminal negligence may be guilty of a Class A misdemeanor - AS 46.03.790. Upon conviction, a defendant who is not an organization may be sentenced to pay a fine not exceeding \$10,000.00 and/or sentenced to a definite term of imprisonment of not more than one year. Upon conviction, a defendant that is an organization may be sentenced to pay a fine not exceeding the greater of \$200,000.00 or an amount which is three times the pecuniary damage, loss caused by the defendant to another or property of another - AS 12.55.035. Each day of violation may be considered a separate violation. Alaska laws allow the State to pursue both civil and criminal actions concurrently.

Nothing in this notice shall be construed as a waiver of the state's authority or as an agreement on the part of the state to forego judicial or administrative enforcement of the above-described violation(s) or to seek recovery of damages, cost, and penalties as prescribed by law. In addition, nothing herein shall be construed as a waiver of enforcement for past, present, or future violations not specifically set forth herein.

Lori Aldrich

\_\_\_\_\_  
**Enforcement Officer**  
**Credential No. R-0292, Issued 8/30/2012**

**Personally Served**  
 **Sent by Certified Mail**

**# 7012 1010 0003 0389 9903**

on the 22nd day of August, 2013.



## Quayanna Development Corporation

11801 Middle Bay Drive

Kodiak, Alaska 99615

TEL : (907) 487-2291

CELL : (907) 317-0083

e-mail : [plarc@alaska.net](mailto:plarc@alaska.net)

August 18, 2013

Lori Aldrich  
Solid Waste Program Coordinator  
Department of Environmental Conservation  
555 Cordova Street  
Anchorage, AK 99501

RE: Class B Compost Used at My Home

Dear Lori:

As I mentioned to you over the telephone, approximately 8 weeks ago I had transported about 20 cubic yards of Class B compost processed at our composting site at the Kodiak Island Borough landfill to my residence in Bells Flats. Approximately 10 yards of this compost has been mixed with screened topsoil and utilized in my yard and in some flower pots. The remaining compost is in two small piles on my property. This project was my effort to create a demonstration project that shows the beneficial uses of compost that will be possible when we can offer a Class A compost product for sale to the general public.

It is my understanding that Class B compost can be utilized in applications where there is little likelihood for it to come into contact with the public according to EPA regulations and it was under this understanding that I have used it at my home.

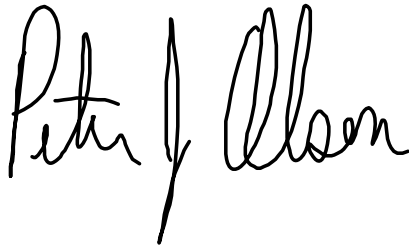
Like all compost created at our site, this compost has experienced temperatures above 131° F in excess of 45 days, far above the minimum of temperature requirements for Class B compost. Our typical treatment is to create a pile each week with approximately 50 yards of biosolids with approximately 200 yards of wood chips and processed compost mixture. Within 4 to 5 days that pile is above 131°. That pile will then be remixed and allowed to process another two weeks before it is considered "processed". It then is placed into a "processed" pile and further allowed to cure until the "processed" pile is screened to remove the larger wood chips for reuse in a new batch. Our observations are that the screened pile remains above 131° F for at least another two weeks after that. In most cases the compost has experienced consistent temperatures above 131° F for over 6 weeks. Testing of the compost has shown it to meet Class A standards.

Consequently, it is reasonable to believe the use of the compost at my home poses no risk to my family or anyone else. I have come to understand that this incident may be in violation of some portion of either State or EPA regulations. Please review the applicable regulations and let me know what needs to be done to properly address this situation.

Quayanna Development Corporation is committed to seeing the proper processing of Kodiak's biosolids via composting and are optimistic about its future use in our community. If we have unintentionally misused our compost by bringing it to my home we want to correct the situation as soon as possible.

I look forward to addressing this situation with you.

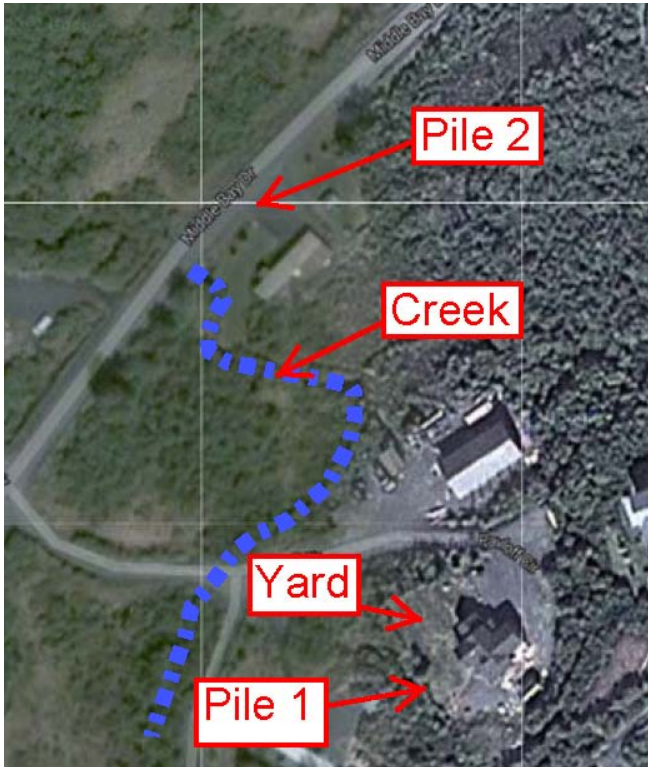
Sincerely,

A handwritten signature in black ink that reads "Peter J. Olsen". The signature is written in a cursive, flowing style.

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Peter J. Olsen, Executive Director  
Quayanna Development Corporation

### Compost Located at Peter J. Olsen Properties in Bells Flats, Kodiak, Alaska



Peter J. Olsen property at Bells Flats includes two lots. One is my primary residence and the other a rental currently occupied by my eldest son Aaron and his family.

The compost has been used in the new yard at my house and in flower beds as well as Sitka spruce seedlings transplanted into coffee cups.



The yard at my house has been redone using a mixture of screened soil and compost. This yard was reseeded approximately 4 weeks ago.

The household septic field is located beneath the lawn.

Pile 1 is directly behind this position as shown in the map.



Pile 1 includes approximately 5 yards of screened topsoil and 5 yards of compost



Closeup of Pile 1. Compost on left and screened soil on right.



Our driveway separates the yard and Pile 1 from the small creek on our property



Photo of hillside with lawn at the top of the hill. Creek is across driveway to the right





Small creek that runs through our rental property acreage



Picture of Pile 2- approximately 2 cubic yards on rental property