



## Memorandum

January 28, 2013

To: Assembly, City & Borough of Sitka  
Jim Dinley, Municipal Administrator  
Via: Jay Sweeney, Finance Director  
From: Christopher Brewton, Utility Director  
Subject: **Funds Transfer – EPA NESHAP Diesel Compliance – CIP No. 90730**

Capital Project No. 90730 was approved in the FY2013 budget to fund new emission control equipment for the Jarvis Diesel Plant as required by proposed regulations from the Environmental Protection Agency. These regulations are very restrictive, expensive, would provide little benefit for our community, and were strongly opposed by southeast utilities.

The CBS in conjunction with our Congressional Delegation, trade organizations<sup>1</sup>, and other impacted Alaska utilities, submitted comments to EPA requesting an Alaska Exemption for the NESHAP rules. On January 15, 2013, EPA issued final NESHAP rules that exempted Southeast Utilities from the majority of the NESHAP requirements. We must follow revised best management practices but this is a significant cost savings compared to full compliance.

During development of the FY2013 department budget, the department strategy was to fund CIP No. 90730 to prepare for the worst case of meeting NESHAP but plan for a funds transfer to the critical Jarvis Diesel Expansion should we prevail in changing the proposed regulations.

In light of these positive changes I request the EPA NESHAP Diesel Compliance CIP No. 90730 be closed and all allocated project funds transferred to the Jarvis Street Diesel Capacity Increase CIP No. 90646.

On January 22, 2013 the Assembly was notified of the successful resolution of this proposed rule but was not notified of our planned reassignment of these funds. Therefore, I request this fund transfer be submitted for Assembly approval for the next Assembly Quarterly Budget Review.

Cc: Janet Schwartz, Budget Officer  
Tori Fleming, Grant Accountant

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<sup>1</sup> Northwest Public Power Association, American Public Power Association, Alaska Power Association