

SOUTHEAST REGION

★ Advisory Committee Locations



COOK INLET AQUACULTURE ASSOCIATION

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BOARDS

January 12, 2009

Mr. John Jensen, Chair, Alaska Board of Fisheries
Alaska Department of Fish and Game
Boards Support Section
P.O. Box 115526
Juneau, AK 99811-5526

Re: A Petition to Repeal the Bear Lake Management Plan (5 AAC 21.375) and adopt a Trail Lakes Hatchery Sockeye Salmon Management Plan.

Chairman Jensen,

As per the Joint Board Petition Policy (5 AAC 96.625), the Cook Inlet Aquaculture Association (CIAA) petitions the Alaska Board of Fisheries (BOF) to repeal the Bear Lake Management Plan (5 AAC 21.375) and adopt a Trail Lakes Hatchery Sockeye Salmon Management Plan.

Nature of the Petition: To maintain the financial future of CIAA and the Trail Lakes Hatchery salmon enhancement programs and prevent the loss of commercial, sport, and personal use fisheries in Lower Cook Inlet, CIAA must secure a coordinated cost recovery harvest priority that provides a reasonable distribution of the harvest of sockeye salmon from enhancement projects among seine and set gillnet commercial fisheries and CIAA. The current Bear Lake Management Plan, which is limited to Resurrection Bay, must be amended and expanded to other areas in Lower Cook Inlet where Trail Lakes Hatchery cost recovery harvests are conducted.

CIAA requests the BOF recognize the eminent loss of commercial, sport, and personal use fisheries in Lower Cook Inlet as an emergency and adopt the attached Trail Lakes Hatchery Sockeye Salmon Management Plan which:

- Incorporates much of the Bear Lake Management Plan,
- Establishes a priority for hatchery cost recovery harvests and broodstock needs, and
- Expands the Special Harvests Areas in Kachemak and Kamishak Bays traditionally used by CIAA:

Why the Proposed Regulatory Changes are an Emergency: Failure of the BOF to act on CIAA's request this winter will result in the closure and return of two State hatcheries, the loss of six full-time and ten seasonal jobs, threaten the ability of the Association to meet its debt obligations to the State and eliminate eleven sockeye and coho stocking projects resulting

in a reduction of commercial, sport, and personal use fisheries worth more than \$2,500,000. Recent high energy costs, low interest rates, the loss of electrical power to the Tutka Bay Lagoon enhancement project, and lower than expected cost recovery harvests in 2008 has resulted in a significant and unforeseen financial crisis for CIAA.

Background: CIAA identified the need to secure a coordinated cost recovery harvest strategy in 1993 and initiated the development of a Resurrection Bay sockeye salmon return dedicated to cost recovery harvest. This initial effort, which focused on a late run timing sockeye stock, failed because CIAA harvest efforts were restricted to freshwater or near freshwater resulting in the harvest of poor quality fish.

In the late 1990's, CIAA modified the cost recovery enhancement project by utilizing an early run sockeye stock. However, this put CIAA's cost recovery harvest in conflict with the Resurrection Bay commercial sockeye fishery developed by CIAA through another stocking program. In 2001, CIAA asked the BOF to adopt a management plan that allocated 50% of the ex-vessel value of the sockeye salmon commercially harvested in Resurrection Bay to CIAA. The sockeye salmon returning to Resurrection Bay are the result of CIAA enhancement activities and half of the fish released to Resurrection Bay were reared to develop the return for cost recovery harvest. The BOF request for a management plan allocating 50% of the ex-vessel value to CIAA was denied.

In 2004, CIAA asked the BOF to adopt a management plan that allocates 50% of the sockeye salmon commercially harvested in Resurrection Bay to CIAA. This request was approved and is the current Bear Lake Management Plan under which CIAA has operated since 2005.

In 2004, CIAA also lost access to Tustumena Lake which provided the brood source for the sockeye stocking projects in Kachemak and Kamishak Bays. As a result, it was necessary for CIAA to modify several TLH stocking programs resulting in the release of larger fish. Doubling the biomass of fish produced at TLH (Table 1) has increased production costs and is expected to improve survival rates. These fish have not yet returned.

Contributing Issues: While the 2005 Bear Lake Management Plan appeared to provide the financial resources CIAA needed to continue its Trail Lakes Hatchery salmon enhancement programs, several issues beyond CIAA's control have conspired to make the Bear Lake Management Plan inadequate for the cost recovery needs of 2009 and beyond. Two key issues that have contributed to the need for a Trail Lakes Hatchery Sockeye Salmon Management Plan are:

1. Each year CIAA expects to receive income from five established cost recovery harvest locations in Lower Cook Inlet (Table 3). CIAA did not meet its cost recovery harvest expectations at any of these locations in 2008. During the harvests, CIAA was aware that the returns to four of the five locations were lower than expected; however, in November, when harvest numbers became available and CIAA was able to conduct a thorough review of the cost recovery harvests, it was apparent sufficient returns were available for meeting CIAA's financial goals and for providing a common property harvest (Table 2). This loss of income significantly hinders CIAA's ability to operate Trail Lakes Hatchery; and, if a

similar loss of income continues into 2009, CIAA will be unable to operate Trail Lakes Hatchery.

2. The November 2008 review (Table 3) also revealed that the 2005 Bear Lake Management Plan is not meeting the cost recovery harvest needs of CIAA. The Bear Lake Management Plan allocates 50% of the harvest to CIAA. Since 2005, the average allocation to CIAA has varied from 32% to 63% and averaged 47%. The November 2008 review revealed that, while CIAA harvested an average of 47% of the resource, the value of the harvested resource averaged only 36% of the value of the resource harvested by the commercial fishery. Because CIAA's allocation is taken from the end of the return when quality and prices are low, CIAA's annual income has been inconsistent and lower than projected. CIAA has historically been forced to use its financial reserves and currently has no reserve funds available. Until an adequate reserve fund becomes available, CIAA cannot risk not meeting its cost recovery harvest goals.

In addition to the above key issues, the following also contributed to the need for a Trail Lakes Hatchery Sockeye Salmon Management Plan.

1. Hatchery operations require a significant investment in electrical and fuel energy resources to continuously pump large volumes of water for rearing and to heat water for the thermal (otolith) marking required by the State. Not only did CIAA's energy costs increase dramatically due to the unstable world markets in 2008; but, the fuel used by Trail Lakes Hatchery to thermally mark fish has doubled. In addition, other Alaskan and international hatchery programs are thermally marking fish and the thermal marks CIAA must now use are much more complex requiring more fuel.
2. Recently, the U.S. Supreme Court ruled on the Exxon Valdez Oil Spill punitive damages question. This ruling substantially reduced the settlement payment CIAA will receive from the oil spill. While CIAA does not wish to rely on the Exxon settlement payment for operations, the Association had considered using any funds received as an interest earning reserve fund. Given the world's current financial crisis, earning interest will likely be very difficult over the next two to three years; and, with the smaller settlement payment, interest earnings are likely to be negligible.
3. In the past, CIAA received some of the financial resources needed to operate Trail Lake Hatchery and its sockeye salmon enhancement programs through federal grants. Given the state of the country's economy, it is questionable and unlikely that these financial resources will be available in the future.
4. CIAA has taken steps to improve future cost recovery harvests through the development of a sockeye salmon return to Tutka Bay Lagoon. To develop this return, CIAA has been temporarily rearing, imprinting, and sexually maturing sockeye salmon with freshwater pumped from the Tutka Bay Lagoon Hatchery. In December 2008, CIAA was informed by the Homer Electric Association (HEA) that the line supplying electrical power to the hatchery facility was failing and would be "retired" in February 2009 unless CIAA agrees to pay the cost of replacing the line. CIAA currently does not have the \$200,000 in funds required to replace the failing line. The lack of electrical power at the Tutka Bay Lagoon Hatchery will limit future harvests from this project.

Other Options Considered: To address the inconsistent and lower than projected income from cost recovery harvests, CIAA's considered a variable Salmon Enhancement Tax (SET)

option. For this option, CIAA could request the SET for Lower Cook Inlet be adjusted annually to secure the funds needed to operate Trail Lakes Hatchery. CIAA rejected this option because it was not possible to implement in a short time period, the process has not been previously used, implementation of a variable tax would require development of emergency regulations by the Department of Revenue, it would not provide financial resources the first year because of the delay in allocating tax revenues to the Association and considerable risk remains that the Association would not secure its minimum financial need.

Conclusion: Based on the information that became available in the fall and early winter of 2008, CIAA is asking the BOF to recognize CIAA's inconsistent and lost cost recovery harvest income as unworkable and the eminent loss of future commercial, sport, and personal use fisheries in Lower Cook Inlet as an emergency. Recent high energy costs, low interest rates and the potential loss of electrical power to the Tutka Bay Lagoon enhancement project without a substantial financial commitment by the Association has resulted in a significant and unforeseen financial crisis for CIAA. These issues can be mitigated by adopting a hatchery management plan, as the BOF has done in other areas of the State, which provides a priority for CIAA's cost recovery harvest needs. Without a Trail Lakes Hatchery Sockeye Salmon Management Plan in place for 2009, CIAA will not be able to operate Trail Lakes Hatchery's salmon enhancement projects. Cost recovery, commercial, sport, and personal use harvest opportunities will be lost and the future viability of CIAA threatened.

CIAA believes this petition meets the Joint Board Petition Policy (5 AAC 96.625) and asks the BOF to consider the petition at its January 21 to 27 meeting in Petersburg, Alaska meeting. If accepted, the proposed regulatory changes could then be published for the 30 day comment period and a public hearing held at the BOF's March 16 to 20 meeting in Anchorage. Prior to the March meeting CIAA will inform all Cook Inlet permit holders of the proposed regulatory changes and request a Regional Planning Team meeting for additional public review.

Sincerely,



Brent Johnson, President
Cook Inlet Aquaculture Association



Gary Fandrei, Executive Director
Cook Inlet Aquaculture Association

Xcopy: Jim Marcotte, Executive Director, Board of Fisheries
Denby Lloyd, Commissioner, Alaska Department of Fish and Game
Lee Hammarstrom, Area Management Biologist, Alaska Department of Fish and Game
Andy Macaulay, Loan Officer, Alaska Department of Commerce, Community and Economic Development
Senator Gary Stevens
Senator Tom Wagoner
Representative Mike Chenault
Representative Kurt Olson
Representative Paul Seaton

Table 1. TLH stocking from 1999 through 2008.

Year	Number	Biomass (Kg)
1999	11,080,500	5,865.80
2000	13,564,000	8,084.60
2001	4,132,000	2,144.39
2002	19,436,000	13,882.03
2003	16,889,000	14,582.65
2004	18,268,000	16,943.90
2005	11,150,000	18,927.00
2006	7,430,000	29,659.05
2007	13,625,000	25,030.95
2008	13,895,000	37,754.55

Fish released after 2005 are still at sea and have not yet returned.

Table 2. The value of all CIAA (TLH) sockeye salmon enhancement projects from 2005 through 2008.

	Total Return	Enhanced Return	Sport Harvest	Personal Use Harvest	Unharvested & Escapement	Commercial Harvest	Cost Recovery Harvest	% the Cost Recovery Harvest is of the Total Commercial Harvest
2008	\$ 2,451,100	\$ 2,271,100	\$ 100,600	\$ 51,800	\$ 319,800	\$ 1,229,300	\$ 437,500	26%
2007	\$ 1,272,100	\$ 1,095,600	\$ 53,400	\$ 37,300	\$ 233,600	\$ 520,200	\$ 147,600	22%
2006	\$ 1,633,100	\$ 1,359,800	\$ 44,100	\$ 37,900	\$ 265,700	\$ 572,100	\$ 253,300	31%
2005	\$ 995,000	\$ 853,900	\$ 34,900	\$ 30,700	\$ 97,100	\$ 403,600	\$ 202,000	33%

This table is based on ADF&G and CIAA return, weight, price and survival data.

Table 3. The value of CIAA (TLH) sockeye salmon enhancement projects with cost recovery harvests from 2005 through 2008.

	Total Return	Enhanced Return	Sport Harvest	Estimated Poaching	Escapement	Commercial Harvest	Cost Recovery Harvest
2008	110,300	104,800	5,400	900	12,800	54,200	31,300
2007	41,900	39,800	4,000	900	12,200	14,600	6,900
2006	80,200	76,200	4,200	900	11,800	26,400	32,900
2005	76,000	72,200	4,700	900	12,700	18,100	30,600

	Total Return	Enhanced Return	Sport Harvest	Estimated Poaching	Escapement	Commercial Harvest	Cost Recovery Harvest
2008	\$ 1,601,300	\$ 1,521,500	\$ 78,400	\$ 13,100	\$ 185,800	\$ 786,900	\$ 343,500
2007	\$ 326,400	\$ 310,100	\$ 31,200	\$ 7,000	\$ 95,100	\$ 113,700	\$ 28,800
2006	\$ 587,200	\$ 557,900	\$ 30,800	\$ 6,600	\$ 86,400	\$ 193,300	\$ 112,500
2005	\$ 286,300	\$ 271,900	\$ 17,700	\$ 3,400	\$ 47,800	\$ 68,200	\$ 87,900

	Total Return	Enhanced Return	Sport Harvest	Personal Use Harvest	Unharvested	Commercial Harvest	Cost Recovery Harvest
2008	70,300	70,300	600	4,900	100	62,800	1,900
2007	89,900	89,900	600	4,900	500	61,200	22,600
2006	81,700	81,700	600	4,900	800	52,000	23,300
2005	100,600	100,600	600	4,900	-	64,900	29,700

	Total Return	Enhanced Return	Sport Harvest	Personal Use Harvest	Unharvested	Commercial Harvest	Cost Recovery Harvest
2008	\$ 392,100	\$ 392,100	\$ 3,300	\$ 27,300	\$ 600	\$ 350,200	\$ 9,400
2007	\$ 357,400	\$ 357,400	\$ 2,400	\$ 19,500	\$ 2,000	\$ 243,300	\$ 76,600
2006	\$ 361,400	\$ 361,400	\$ 2,700	\$ 21,700	\$ 3,500	\$ 230,000	\$ 90,000
2005	\$ 367,700	\$ 367,700	\$ 2,200	\$ 17,900	\$ -	\$ 237,200	\$ 92,000

	Total Return	Enhanced Return	Unharvested	Commercial Harvest	Cost Recovery Harvest
2008	14,800	14,800	2,000	1,200	11,600
2007	37,400	37,400	2,000	7,700	27,700
2006	50,400	50,400	-	24,100	26,300
2005	16,500	16,500	1,500	-	14,800

	Total Return	Enhanced Return	Unharvested	Commercial Harvest	Cost Recovery Harvest
2008	\$ 59,500	\$ 59,500	\$ 8,000	\$ 4,800	\$ 30,200
2007	\$ 142,400	\$ 142,400	\$ 7,600	\$ 29,300	\$ 42,200
2006	\$ 184,200	\$ 184,200	\$ -	\$ 88,100	\$ 50,800
2005	\$ 52,000	\$ 52,000	\$ 4,700	\$ -	\$ 22,100

	Total Return	Enhanced Return	Unharvested	Commercial Harvest	Cost Recovery Harvest
2008	20,100	20,100	5,500	-	14,600

	Total Return	Enhanced Return	Unharvested	Commercial Harvest	Cost Recovery Harvest
2008	\$ 86,700	\$ 86,700	\$ 23,700	\$ -	\$ 54,400

This table is based on ADF&G and CIAA return, weight, price and survival data.

Proposed Trail Lakes
Hatchery Sockeye Salmon
Management Plan

Repeal 5 AAC 21.375. Bear Lake Management Plan and replace with a Trail Lakes Hatchery Sockeye Salmon Management Plan that incorporates elements of the Bear Lake Management Plan.

5AAC xxx.xxxx Trail Lakes Hatchery Sockeye Salmon Management Plan

(a) The purpose of the Trail Lakes Hatchery Sockeye Salmon Management Plan is to provide a reasonable distribution of the harvest of salmon from enhancement projects among seine and set gillnet commercial fisheries and the hatchery operator. The department, in consultation with the hatchery operator, shall primarily manage the Lower Cook Inlet Southern District Special Harvest Areas (China Poot Section 241-09, Neptune Bay Section 241-10, and Tutka Bay Subdistrict 241-16), the Kamishak Bay District Special Harvest Area (Kirschner Lake Section 249-75), and Eastern District Special Harvest Area (Resurrection Bay North Subdistrict 231-30) salmon fisheries to achieve the Cook Inlet Aquaculture Association cost recovery harvest goal and the broodstock escapement goals for Trail Lake Hatchery.

(b) Except as otherwise provided by emergency order, a corporation holding a permit under AS 16.10.400 for the Trail Lake Hatchery, and an agent, contractor, or employee of that corporation who is authorized under 5 AAC xxxx , may harvest salmon within the China Poot, Hazel Lake, Tutka Bay, and Kirschner Lake Special Harvest Areas opened by Emergency Order on or after the third Monday in June, using purse seines, hand purse seines, and beach seines; and, within the Bear Lake Special Harvest Area opened by Emergency Order on or after the third Monday in May, using purse seines, hand purse seines, beach seines and weirs. The China Poot, Hazel Lake, Tutka Bay, Kirschner Lake and Bear Lake Special Harvest Areas will remain closed to commercial fishing until the cost recovery goal and the broodstock escapement goals for Trail Lakes Hatchery are achieved.

(c) Any restrictions, in board policies dated before the effective date of this section, on the maximum number of indigenous Bear Lake sockeye salmon spawners are rescinded. The department shall establish a biological escapement goal for Bear Lake sockeye salmon stocks and shall manage all contributing fisheries to meet this goal.

(d) Enhancement activities related to either indigenous Bear Lake sockeye salmon stocks or transplanted sockeye salmon stocks must consider the impact on continuing enhancement of Bear Lake coho salmon. It is the intent of the Board of Fisheries that

(1) any enhancement of sockeye salmon must not cause a net loss of coho salmon smolt production from Bear Lake;

(2) any enhancement of sockeye salmon in Bear Lake must maintain the early run timing of the indigenous stocks;

(3) the prime objective of any Bear Lake sockeye salmon enhancement must be to provide the opportunity for a commercial sockeye salmon fishery prosecuted with minimal conflict with the recreational fishery.

~~(e) In Resurrection Bay, the department shall manage the commercial harvest of the enhanced Bear Lake sockeye salmon harvestable surplus to achieve an allocation of 50 percent to the commercial seine fleet and 50 percent to the Trail Lakes Hatchery for east recovery in Resurrection Bay. For the purposes of this subsection, Resurrection Bay consists of those waters in the Eastern District enclosed by a line from Aialik Cape at 59° 42.33' N. lat., 149° 31.50' W. long. to a point approximately one mile south of Aialik Cape at 59° 41.33' N. lat., 149° 31.50' W. long., then northeast to a point approximately one mile south of Cape Resurrection at 59° 51.03' N. lat., 149° 17' W. long., then north to a point on Cape Resurrection at 59° 52.03' N. lat., 149° 17' W. long.~~

(e) The China Poot and Hazel Lake Special Harvest Area consists of all marine waters of the China Poot Bay Subdistrict in the Southern District shoreward and within the lines connecting 59°34.68' N Lat., 151°19.23' W Long. and 59°35.08' N Lat., 151°19.77' W Long. and 59°33.09' N Lat., 151°25.22' W Long. and 59°32.84' N Lat., 151°24.90' W Long.

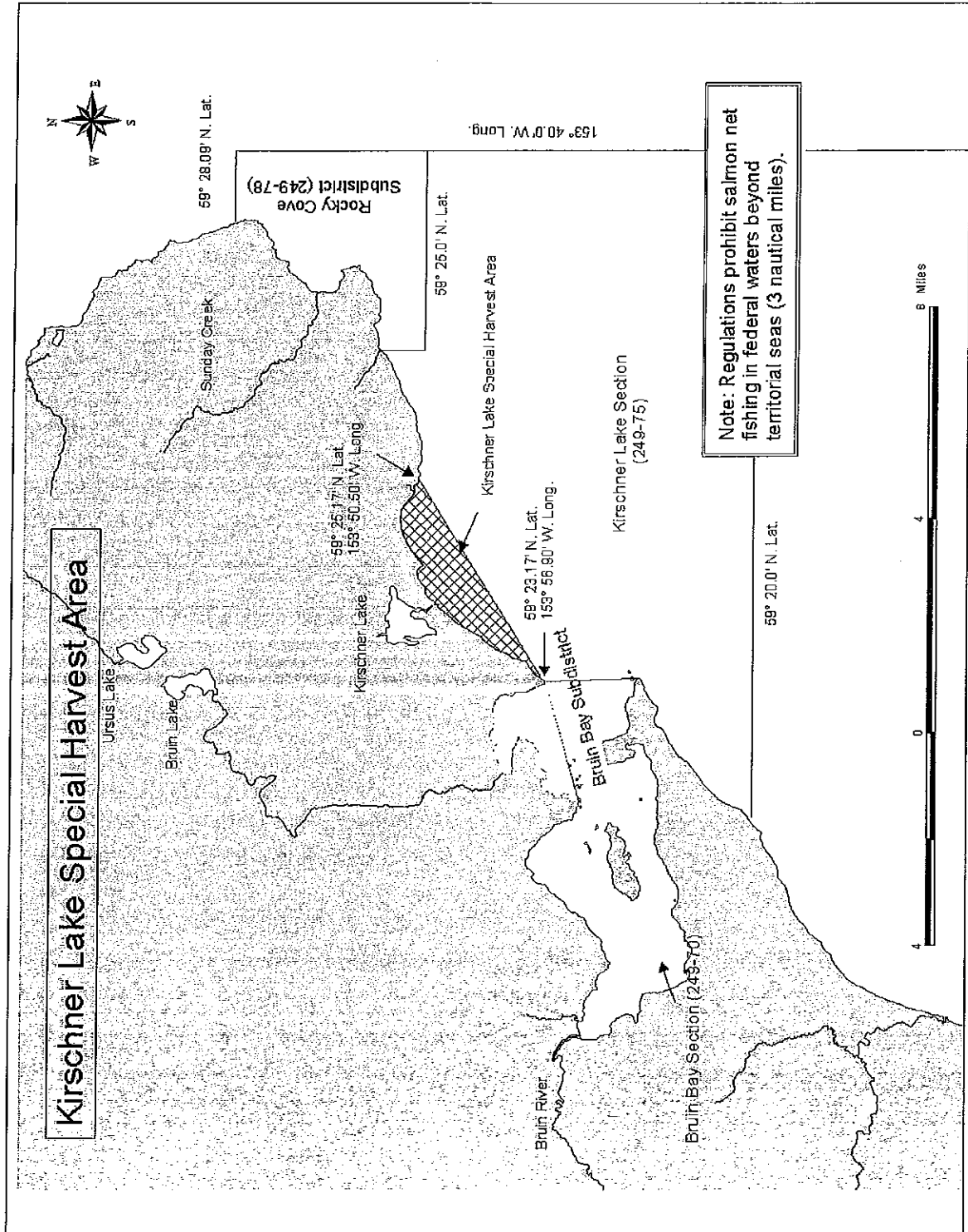
(f) The Tutka Bay Special Harvest Area consists of all marine waters of the Tutka Bay Subdistrict in the Southern District southeast of a line connecting 59°30.23' N Lat., 151°28.23' W Long. And 59°28.63' N Lat., 151°30.37' W Long. including Tutka Bay Lagoon.

(g) The Kirschner Lake Special Harvest Area consists of all marine waters of the Bruin Bay Subdistrict in the Kamishak Bay District northwest of a line connecting 59°25.17' N Lat., 153°50.50' W Long. and 59°23.17' N Lat., 153°56.90' W Long.

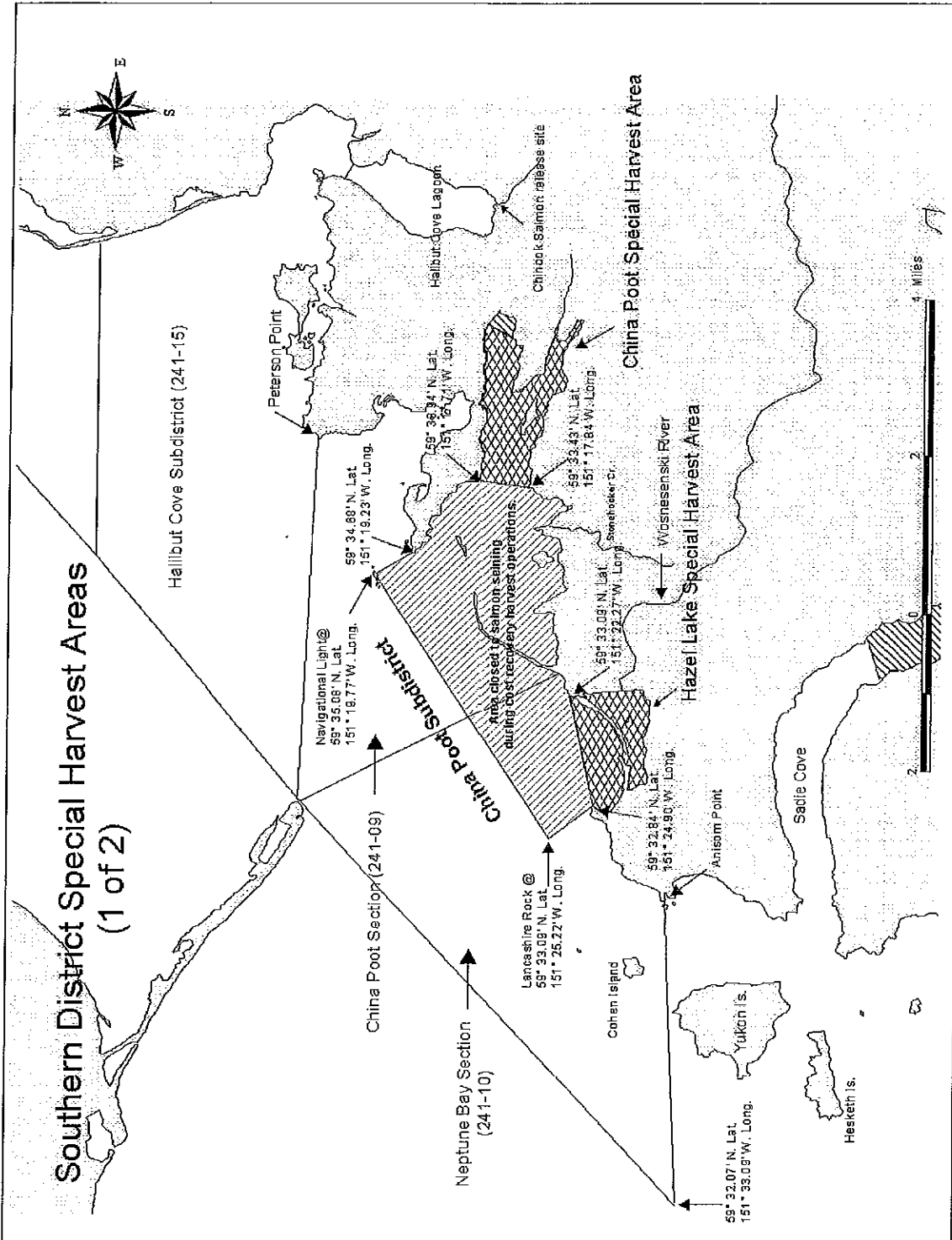
(h) The Bear Lake Special Harvests Area consists of those marine waters of Resurrection Bay in the Eastern District north of the latitude of Caines Head, as well as all freshwaters of Bear Creek, Salmon Creek, and Resurrection River downstream from, and including, the Bear Creek weir.

The following Figures are from the Trail Lakes Hatchery Annual Management Plan and are not part of the proposed Trail lakes Hatchery Sockeye Salmon Management Plan. They are attached for reference purposes only.

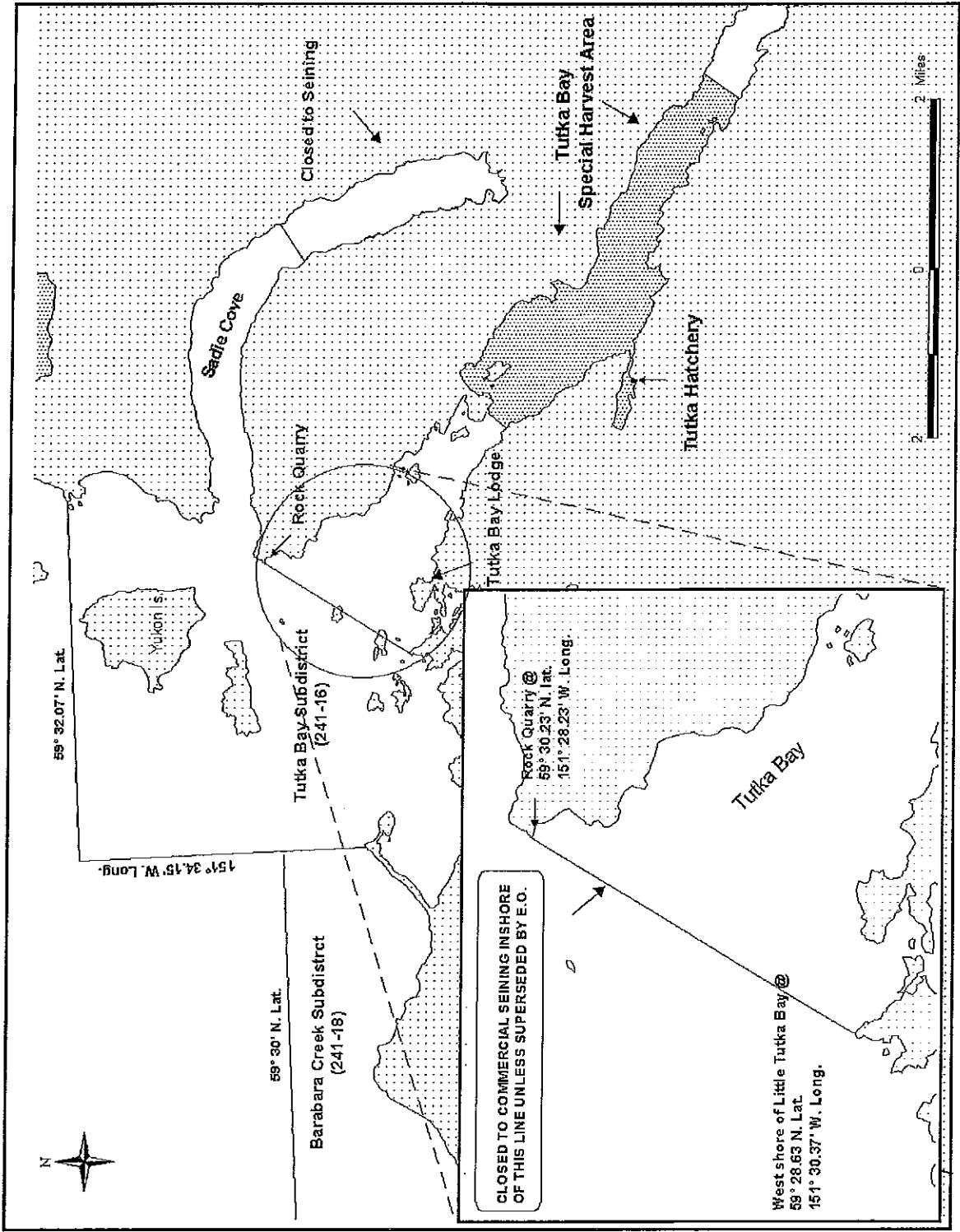
11.3 Figure 1 – Kamishak Bay District SHA's

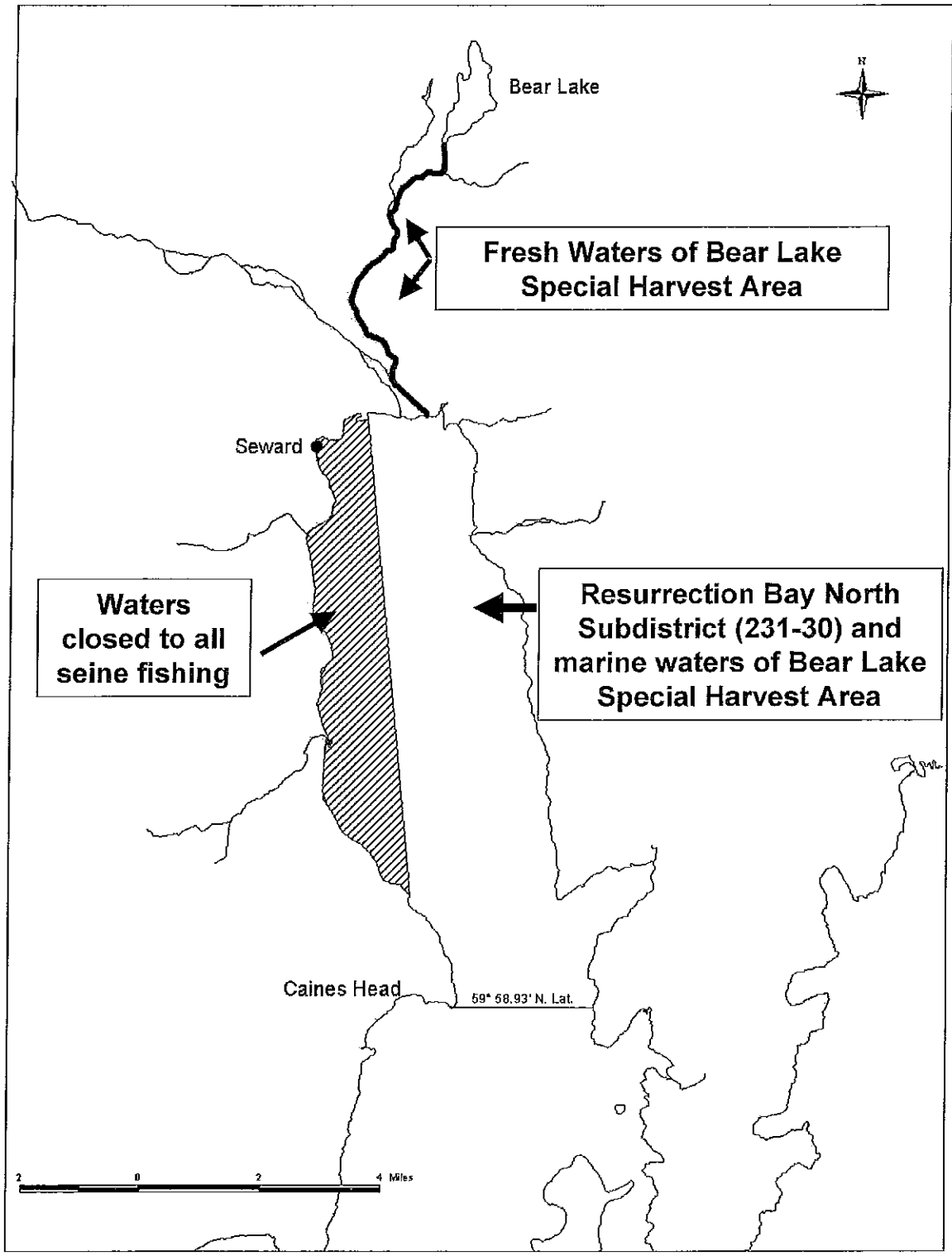


11.4 Figure 2 - Southern District SHA's



11.5 Figure 3 – Tutka Bay SHA.





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11.6 Figure 4 – Bear Lake Special Harvest Area