

Agency: Commerce, Community and Economic Development**Grants to Named Recipients (AS 37.05.316)****Grant Recipient: PSWAC****Federal Tax ID: 92-0047772****Project Title:****Project Type: Equipment and Materials**

Prince William Sound Aquaculture Corporation - Nets Pens and Hatchery Deferred Maintenance

State Funding Requested: \$426,000**House District: 5 / C**

Future Funding May Be Requested

Brief Project Description:

Replace net pens that 20 to 30 years old

Funding Plan:

Total Project Cost:	\$426,000
Funding Already Secured:	(\$0)
FY2012 State Funding Request:	<u>(\$426,000)</u>
Project Deficit:	\$0

Detailed Project Description and Justification:

 Pink, Chum, Sockeye, and Coho Salmon Enhancement Project Summary

Background:

The Prince William Sound Aquaculture Corporation (PWSAC) is a private non-profit regional aquaculture association formed in 1974 by a local area fishermen's group to optimize salmon production in Prince William Sound (PWS) for the long term well-being of all user groups.

PWSAC relies on a two percent tax on the regional commercial salmon harvest and cost recovery revenues (selling a portion of the returning salmon to the hatchery) to fund its salmon enhancement activities.

PWSAC operates four remote hatcheries in PWS and one inland on the Gulkana River. Four species of salmon are currently produced: pink, chum, coho and sockeye. The returning salmon benefit the commercial, sport, personal use and subsistence fishers in the PWS area and throughout the State. Three of the hatcheries are State-owned facilities (Cannery Creek, Main Bay, and Gulkana). Armin F. Koernig and Wally Noerenberg Hatcheries are PWSAC owned facilities.

Armin F. Koernig Hatchery (AFK) is the first PWSAC owned hatchery located at Port San Juan on Evans Island in Prince William Sound, approximately 90 air miles west of Cordova. The original hatchery was converted from an existing salmon cannery located on the site in 1974 and designed as a pink and chum salmon hatchery. AFK was the only PWSAC hatchery in the direct flow of oil spilled from the Exxon Valdez in March 1989. Sawmill Bay was protected with floating oil spill boom as the young fry from the hatchery were outmigrating. The effects of the EVOS around AFK and in Prince William Sound are still being investigated. In 1991, the hatchery building was rebuilt with design changes to make water usage more efficient with monies borrowed from the State of Alaska's Fisheries Enhancement Revolving Loan Fund. The

lake above AFK is extremely small which forces the hatchery at times to use water twice and, in extremes, recycle 95% of the water through a complex recycle system. AFK currently produces 147 million and 30 million, pink salmon and chum salmon respectively, which generate annual average returns of approximately 6.6 million pink and 1.0 million chum salmon. Six on-site year-round staff and 12 seasonal staff operate the facility.

Wally Noerenberg Hatchery is the other PWSAC owned hatchery located in Lake Bay on the southern end of Esther Island in Prince William Sound, approximately 20 miles east of Whittier. The hatchery was built in 1985 with monies also borrowed from the State of Alaska's Fisheries Enhancement Revolving Loan Fund. WNH currently produces four species of Pacific salmon; 134 million pink, 115 million chum, 3.5 million coho and 44,000 Chinook salmon. These generate annual average returns of approximately 6.0 million pink, 3.4 million chum, 354,000 coho and 700 Chinook salmon. Eight on-site year-round staff and 20 seasonal staff operate the facility.

In total, parties that benefit from PWSAC enhanced salmon include harvesters, the processing sector, which employs people to process the fish, and other portions of the economy that are indirectly affected by the fish harvesting and processing activity. The impact ripples through a range of seafood industry support businesses, retailers, local utilities, and other parts of the general regional economy.

In a recent study conducted by the McDowell Group, they concluded that PWSAC's modest \$6.4 million budget produces exponential economic returns to the regional and Alaska economies. In 2010, commercial harvesters (employing nearly 1,500 skippers and crew) earned \$90 million by catching 188 million pounds of PWSAC salmon. Formulating estimates for the 2010 first wholesale value was not yet possible based on available information. However, they surmised that the record ex-vessel value of the 2010 harvest suggests that processors will see first wholesale values well in excess of those seen in 2008, when processors sold PWSAC salmon for \$193 million.

Purpose:

PWSAC currently utilizes a total of 101 saltwater net pens for short-term rearing of its pink, chum, and coho salmon smolt at AFK and WNH. The smolt are typically held from four to 12 weeks depending on the species until the environmental conditions are optimal for their release into the ocean.

Most of these net pens are 20 to 30 years old and PWSAC has initiated a 5-year phased replacement schedule to address this need. Below is a funding request that will support the replacement of 52 of these net pens (~50%) and effectively reduce the cost recovery burden on the common property fisheries. In other words, leave more of the returning enhanced adult salmon in the water for the fishermen and their families to harvest. This will have a significant economic impact and multiplier effect as ripples through the local, regional, and statewide seafood industry.

Major Components:

- Priority 1: AFK Saltwater Smolt Rearing Equipment – Pink Salmon \$ 163,200
- Priority 2: AFK Saltwater Smolt Rearing Equipment – Chum Salmon \$ 163,200
- Priority 3: WNH Saltwater Smolt Rearing Equipment – Chum Salmon \$ 249,800
- Priority 4: WNH Saltwater Smolt Rearing Equipment – Pink Salmon \$ 155,200
- Priority 5: WNH Saltwater Smolt Rearing Equipment – Chum Salmon \$ 122,000

Total \$ 853,400

The budgets developed for these projects are based on the PWSAC's operational experience and with recent quotations from vendors.

 

Project Timeline:

Expenditures will occur in Summer 2011 and be completed by the end of 2012

Entity Responsible for the Ongoing Operation and Maintenance of this Project:

PSWAC

Grant Recipient Contact Information:

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Has this project been through a public review process at the local level and is it a community priority? Yes No