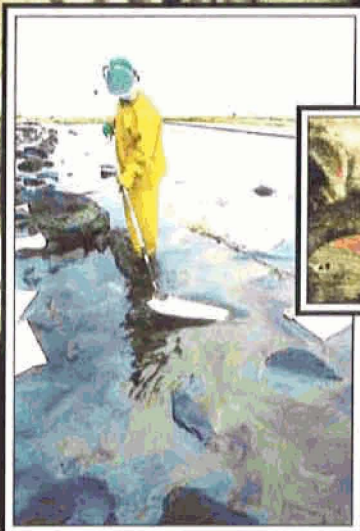
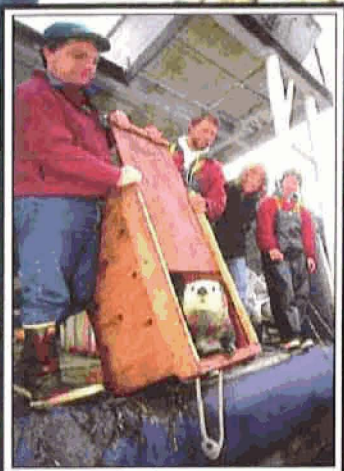
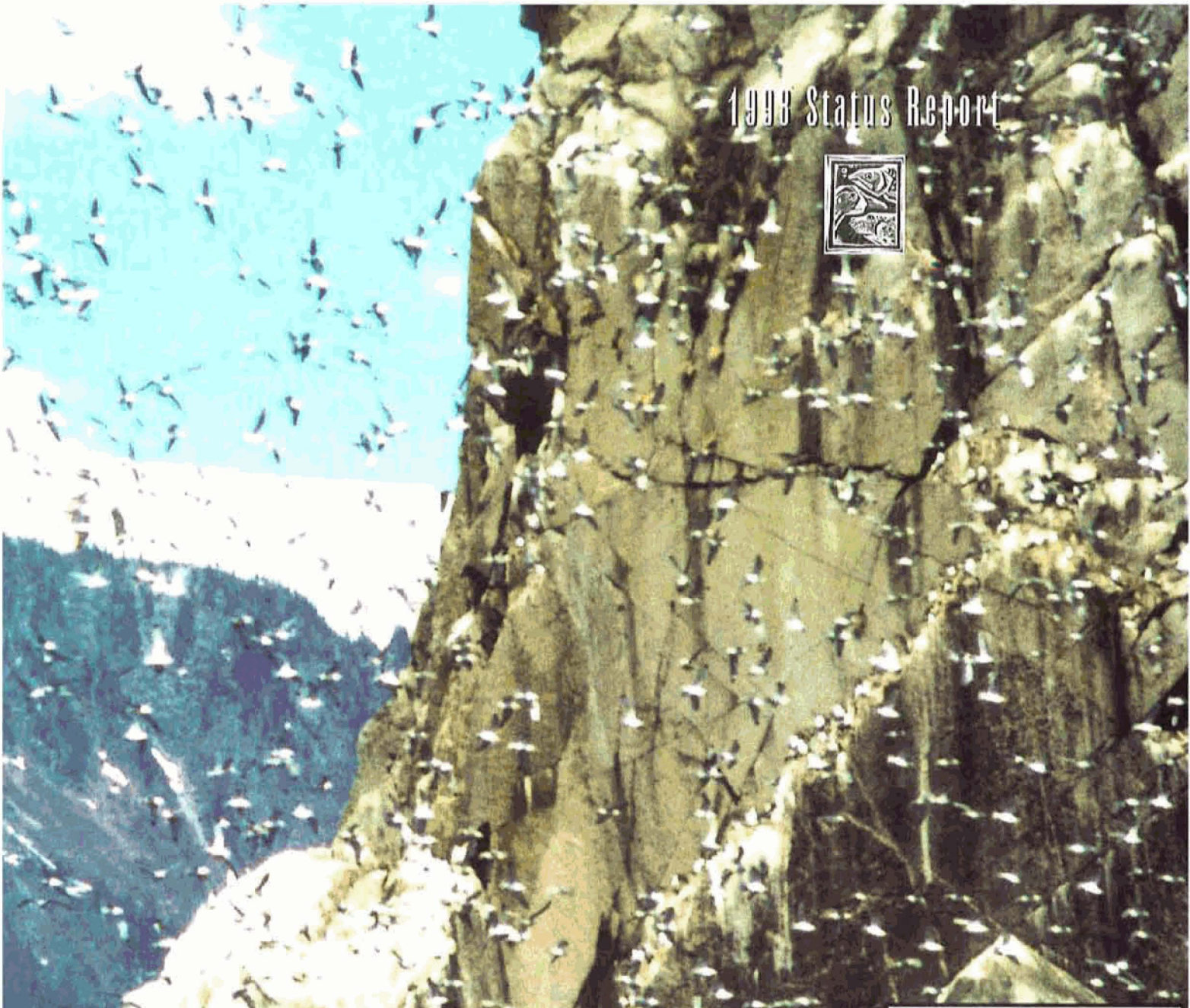


1998 Status Report



*Exxon Valdez Oil Spill Trustee Council*

## Mission Statement

The mission of the Trustee Council and all participants in Council efforts is to efficiently restore the environment injured by the Exxon Valdez oil spill to a healthy, productive, world-renowned ecosystem, while taking into account the importance of quality of life and the need for viable opportunities to establish and sustain a reasonable standard of living.

The restoration will be accomplished through the development and implementation of a comprehensive interdisciplinary recovery and rehabilitation program that includes:

- Natural Recovery
- Monitoring and Research
- Resource and Service Restoration
- Habitat Acquisition and Protection
- Resource and Service Enhancement
- Replacement
- Meaningful Public Participation
- Project Evaluation
- Fiscal Accountability
- Efficient Administration

Adopted November 30, 1993

### Trustee Council

#### Executive Director

Molly McCammon

#### Writing, Editing

#### & Design

Joe Hunt

#### Printing Professional Colorgraphics

This publication was released by the Exxon Valdez Oil Spill Trustee Council through the Alaska Department of Fish and Game and produced at a cost of \$1,49 per copy to provide a 1998 status report on restoration of the Exxon Valdez oil spill. It was printed in Anchorage, Alaska.

Cover photos: kittiwake colony looking toward Kenai Fjords National Park by Bud Rice; woman holding three harlequin ducks by Roy Corral; killer whales by Craig Mathin; sleeping river otter by Robert Angell; cleanup worker mopping up oil by Roy Corral; researchers releasing sea otter by Roy Corral; placing a transmitter on harbor seal by Roy Corral; harbor seal by Robert Angell; measuring kittiwake chick by Roy Corral; marbled murrelet by Gus van Vleet.

# 1998 STATUS REPORT CONTENTS

## 2

FROM THE EXECUTIVE DIRECTOR

## 3

TRUSTEE COUNCIL  
AND  
PUBLIC ADVISORY GROUP

## 4

RESEARCH, MONITORING & RESTORATION

## 12

RECOVERY STATUS

## 18

HABITAT PROTECTION

## 24

PUBLIC PARTICIPATION

## 28

PAST USES & FUTURE ESTIMATED USES  
OF CIVIL SETTLEMENT

## 29

FISCAL YEAR 1997 AUDIT

## *Civil and Criminal Settlements*

On October 9, 1991, the U.S. District Court approved a plea agreement that resolved various criminal charges against Exxon as well as a civil settlement for recovery of natural resource damages resulting from the oil spill.

**The Criminal Plea Agreement.** Exxon received a fine of \$150 million — the largest fine ever imposed for an environmental crime. The courts remitted \$125 million in recognition of Exxon's cooperation in cleaning up the spill and paying private claims. Of the remaining \$25 million, \$12 million went to the North American Wetlands Conservation Fund and \$13 million went to the Victims of Crime Fund. In addition, Exxon agreed to pay restitution of \$50 million to the United States and \$50 million to the State of Alaska.

**Civil Settlement and Restoration Fund.** Exxon agreed to pay \$900 million with annual payments stretched over a 10-year period. The agreement requires that the funds be used first to reimburse the federal and state governments for the costs of cleanup, damage assessment and litigation. The remaining funds are to be used for restoration. The settlement also has a provision allowing the governments to claim up to an additional \$100 million to restore resources that suffered a substantial loss, the scope of which could not have been anticipated from data available at the time of the settlement.

The Exxon Valdez Oil Spill Trustee Council was formed to oversee restoration and consists of three state and three federal trustees (or their designees).

For additional copies of this document or more information about activities of the Exxon Valdez Oil Spill Trustee Council, contact:

The Restoration Office  
645 G Street, Suite 401  
Anchorage, AK 99501-3451  
907/278-8012

Toll free within Alaska 800/478-7745  
Toll-free outside Alaska 800/283-7745  
<http://www.oilspill.state.ak.us>  
e-mail: [jeffl@oilspill.state.ak.us](mailto:jeffl@oilspill.state.ak.us)

The Exxon Valdez Oil Spill Trustee Council conducts all programs and activities free from discrimination on the basis of sex, color, race, religion, national origin, age, marital status, pregnancy, parenthood, or disability. This publication is available in alternative communication formats upon request. Please contact the Restoration Office to make any necessary arrangements. Any person who believes she or he has been discriminated against should write to: EVOS Trustee Council, 645 G St., Suite 401, Anchorage, AK 99501; or O.E.O., U.S. Department of the Interior, Washington, D.C. 20240.



## Letter from the Executive Director

**Molly McCammon**

*Executive Director  
Exxon Valdez Oil Spill  
Trustee Council*

*We are now entering the 10th year since the Exxon Valdez oil spill occurred in March 1989. Restoration is well underway and many of the fish and wildlife species injured by the spill are now recovering. For others, the future is still uncertain.*

*The Trustee Council now has one of the largest scientific research programs in the nation, viewed by many as a model of inter-disciplinary coordination and synthesis. We have also undertaken one of the most significant habitat protection efforts in the nation.*

*When the Trustee Council adopted its Restoration Plan in 1994, the public insisted that a portion of the settlement funds be set aside for restoration activities after the last payment from Exxon in 2001. As we approach the 10th anniversary of the spill in March 1999, the Trustee Council is looking for guidance in order to make a decision on how best to spend the remaining settlement funds.*

*Public meetings to discuss the future of restoration will be held this spring throughout the spill-affected area and in the major cities of Alaska. You can help shape the legacy of the Exxon Valdez oil spill by participating in that decision-making.*

*Molly McCammon*

*Exxon  
Valdez  
Oil Spill  
Trustee  
Council*



**Bruce Botelho**  
*Attorney General  
State of Alaska*



**Michele Brown**  
*Commissioner  
Alaska Dept. of  
Environmental Conservation*



**Phil Janik**  
*Regional Forester  
Alaska Region  
US Dept. of Agriculture*



**Steve Pennoyer**  
*Director, Alaska Region  
National Marine  
Fisheries Service*



**Frank Rue**  
*Commissioner  
Alaska Dept. of Fish & Game*



**Deborah L. Williams**  
*Assistant to the Secretary  
for Alaska  
US Dept. of the Interior*

*Public  
Advisory  
Group*



Photo by Joe Hunt

PAG members go over habitat protection maps with National Park Service liaison Bud Rice. From left are Howard Valley, Rice, Eleanor Huffines, Chuck Meacham, and Stacy Studebaker.

Rupert Andrews (chair)	Juneau	Sport Hunting & Fishing
Torie Baker	Cordova	Commercial Fishing
Chris Beck	Anchorage	Public at Large
Pamela Brodie	Homer	Environmental
Sheri Buretta	Anchorage	Public at Large
Dave Cobb	Valdez	Local Government
Chip Dennerlein	Anchorage	Conservation
Eleanor Huffines	Palmer	Commercial Tourism
James King	Juneau	Public at Large
Mary McBurney	Anchorage	Aquaculture
Charles Meacham	Juneau	Science/Academic
Brenda Schwantes	Kodiak	Public at Large
Stacy Studebaker	Kodiak	Recreational Users
Charles Totemoff	Anchorage	Native Landowners
Howard Valley	Kodiak	Forest Products
Nancy Yeaton	Nanwalek	Subsistence

Ex-Officio Members

Sen. Loren Leman

Rep. Mark Hodgins

# RESEARCH ♦ MONITORING RESTORATION



Photo by Roy Corral

## Investing in our future

The Exxon Valdez Oil Spill Trustee Council's scientific program is a long-term investment in our understanding of the natural world that supports us. Scientific research funded by the Trustee Council has focused on specific restoration goals, but the knowledge gained through these efforts has wide-spread applications, providing new insights about the northern Gulf of Alaska. Our understanding of salmon, herring, harbor seals, seabirds and the ecosystem we share has taken a giant leap forward in the years since the 1989 oil spill.

The *Exxon Valdez* disaster forced us to recognize how little we knew about the gulf ecosystem. Research conducted immediately after the spill focused on injury to the resources. After the settlement, however, the nature of the science began to focus on restoration. Studies were designed to provide information or develop new techniques that would assist recovery and provide better fish and wildlife management. These themes are still central to the Council's scientific program.

During 1997, research and monitoring efforts entered into a new phase, providing depth to those earlier studies. Information that provided a rough sketch of our marine ecosystem is now being transformed into a more focused picture, designed to show the inter-relationships among marine animals, plants, habitats and the physical forces affecting the ocean. Scientists refer to it as synthesis, but it is more like puzzle-making, not with neat interlocking pieces, but with many overlapping pieces and many others still missing.

"Spill-related research has provided an astonishing amount of information on the ecology of the region," said Chief Scientist Bob Spies. "The goal now is to bring all this information together in a way that will allow us to assess the health of the north gulf ecosystem, provide new and better management tools, and show what areas need further research so we can continue to improve our understanding of this region and its resources."

Not all research is done in the laboratory or in the field. Some of it is in archives to be rediscovered

and interpreted. Thirty years of shrimp trawl surveys, for example, helped illustrate the changing makeup of life within the northern gulf. By reviewing historic data, researchers have been able to see the rapid decline of some species and the corresponding increase of others. Harbor seal bones archived in the University of Alaska Fairbanks Museum also became a source of information, providing evidence of a dramatic change in harbor seal diets over the last few decades, coinciding with an 80 percent population drop in the Gulf of Alaska.

At the same time, efforts continue to draw on the local and traditional knowledge of the region. Traditional Ecological Knowledge, gained from thousands of years of subsistence living, is a valuable source of information about the sea and its inhabitants. Researchers have met with village elders and hunters in Tatitlek and Port Graham to share information both ancient and new about sea ducks such as scoters and harlequins.

In one component of the Sound Ecosystem Assessment program, researchers compile traditional and local knowledge about herring in Prince William Sound by interviewing elders of Tatitlek, Chenega and Eyak, as well as experi-

**Opposite Page: Art Kettle, Alaska Maritime National Wildlife Refuge biologist, weighs and measures kittiwake chicks at the Barren Islands to determine growth rates.**



Photos by Ray Corral



After blood samples and measurements were taken, a tagged harbor seal is released as Brian Fadely, UAF graduate student, watches.

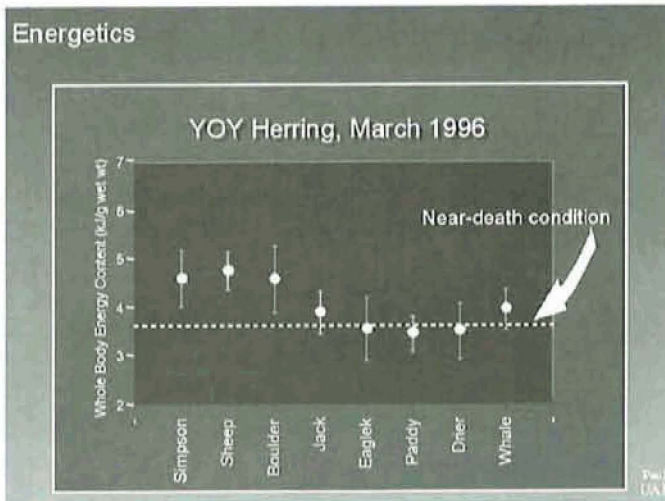
enced commercial fishers and spotter pilots from Homer and Cordova. Seasonally, key areas of herring concentrations have been identified in this manner:

How does research help restore the spill region? Without it we won't know where we stand within our world. We may notice the decline in harbor seals, but we will not know the severity of the decline, the potential reasons behind it or what steps we can take, if any, to reverse it. Without research, resource managers cannot make informed decisions to safeguard the health of individual species or the ecosystem overall.

Without research, we cannot gauge the consequences of increasing human activity in Prince William Sound, in lower Cook Inlet and throughout the Kodiak Archipelago, and therefore, we cannot make adjustments to mitigate the impacts. Without research, we cannot understand the long-term effects of spilled oil in the environment. In short, without research we place at risk the natural resources that sustain us.

This annual report is dedicated to the hundreds of Alaskans and scientists from throughout the country who are making a difference in restoring Alaska's spill-damaged environment.

## Wintering habitat could be one key to herring survival



It pays for juvenile herring to be picky about their wintering habitat, especially during the first two winters of their lives. Dr. A.J. Paul, of the University of Alaska's Seward Marine Center, has shown that the energy reserves of young herring are not always sufficient to get them through the winter months. He's trying to learn whether starvation is a major limiting factor to successful recruitment. Part of the answer may be that it

depends on where the young herring spend the winter.

During 1997, researchers with the Sound Ecosystem Assessment project sampled herring from different bays throughout Prince William Sound. The results showed that juvenile herring teetered perilously close to death in Eaglek, Paddy and Drier bays as their energy levels were nearly depleted. During a particularly tough winter, herring in those bays could be lost to the next recruitment class. In 1997, at least, Simpson, Sheep and Boulder

bays appeared to provide the best protection, allowing herring to sustain adequate energy reserves for the winter.

Other researchers with SEA have mapped habitats and identified biological and physical variables in different bays. These data are helping unravel the mysteries about the early years in the herring life cycle, from the time they hatch until they first return to spawn four years later.



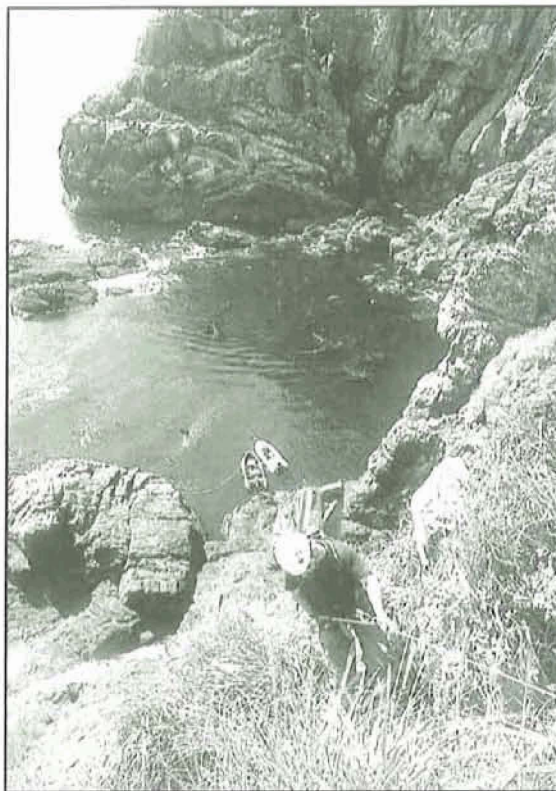
## Ecosystem-scale research and monitoring

Altogether, Council-sponsored research programs are providing more information on fish, coastal and marine birds and mammals than ever thought possible. The Trustee Council provided \$14.1 million to fund more than 60 research, monitoring and general restoration projects when it approved the Fiscal Year 1998 Work Plan. Over the last seven years, hundreds of projects benefiting commercial and sport fisheries, aquaculture, subsistence, recreation and tourism, have been funded at a cost of more than \$100 million.

Prominent among them are three multi-year ecosystem-based projects, known primarily by their acronyms: SEA, NVP, and APEX.

The **Sound Ecosystem Assessment (SEA)** project, funded at \$2.4 million for FY98, was initiated by commercial fishers and scientists in Cordova concerned about the long-term health of Prince William Sound fisheries. SEA focuses on the factors that influence the production of adult pink salmon and Pacific herring, both of which were injured by the 1989 oil spill. This project, now in its fifth year, has made vital discoveries about herring survival during the first year of life and unraveled mysteries showing the effects of wind and ocean currents on plankton, the very base of the food chain. This project is providing new insights into ocean currents, nutrients, mixing, salinity and temperatures and how these physical factors influence plant and animal plankton, prey, and predators in the food web.

The **Nearshore Vertebrate Predator (NVP)** project, in its fourth year, was provided \$1.7 million for FY98. This project focuses on factors influencing populations of four predators commonly found along marine shorelines: river



Going to extremes for seabird research at the Barren Islands, researchers climb cliffs daily to take measurements of chicks on their nests.

otters, pigeon guillemots, harlequin ducks and sea otters. Of these four species, only the river otter and possibly the harlequin duck appear to be recovering from the effects of the spill. Biologists continue to look specifically at oil as a potential factor in the lack of recovery, but also at such natural factors as food availability.

The **Alaska Predator Ecosystem Experiment (APEX)** concentrates on recovery of seabirds based on the availability of forage fish as a food source. It is through APEX that natural changes in populations of prey fishes have been documented, with ecosystem-wide implications that also are relevant to the Bering Sea and elsewhere. This ecological change is considered to be the key hypothesis about why some species, such as pigeon guillemots, marbled murrelets, and harbor seals, have not recovered or continue to decline. APEX is in its fifth year and received \$2 million in funding for FY98.

## People of the spill region

The primary strategy for helping the people of the spill area is to restore the resources that were injured by the spill. In other words, everyone benefits from a healthy ecosystem. The Trustee Council fosters this through research, monitoring and restoration as well as through its habitat protection programs.

## Commercial fisheries:

### More knowledge, better management tools

During the last several years, research sponsored by the Trustee Council has advanced our fisheries knowledge in Prince William Sound by 50 to 100 years, according to Dr. Phil Mundy, principal scientist with Fisheries and Aquatic Sciences, Lake Oswego, Oregon. Mundy is a member of the Council's Scientific Peer Review group that independently reviews research projects both in the planning and reporting stages. He said he based his opinion on two criteria: the funding pumped into fisheries research and the usefulness of the results.

Many projects seek to improve the health of commercial fish species and provide the tools for better fisheries management. The excavation of Port Dick Creek, featured on Page 15, is one example of how restoration projects replace lost fishing opportunities. Improvements to the fish bypass on Little Waterfall Creek on Afognak Island, which tripled pink salmon spawning above the falls, is another example. In other projects, lakes have been fertilized for better salmon production and a new understanding has emerged concerning the impacts of overescapement.

The entire six-year, \$22 million SEA project is dedicated to commercial fisheries-related

Lew Haldorson, UAF  
Juneau, and Jill  
Mooney, NOAA,  
conduct herring  
surveys in Ewan Bay  
in Prince William  
Sound as part of the  
APEX project.



Photo by Roy Corral

## Nutrition key to growth, survival of some seabirds

Sophisticated sonar equipment and net sampling have shown a decrease in the availability of fat-rich prey fish, such as sand lance, capelin and herring, and an increase in nutritionally poor fish, such as cod and pollock.

How does this change in the food supply affect wildlife in the spill region? Dan Roby, of Oregon State University, tested 32 species of forage fish and more than 1,300 individual fish to determine their nutritional value and discovered that fat content varies from 2 to 61 percent. To marine life, fat translates into energy, which is important for survival, growth and reproduction. Of the main forage fishes consumed by seabirds, those providing the most energy are juvenile herring, sand lance and capelin, while pollock and cod provide the least amount of fat or energy.

To test the impact of this nutritional change on seabirds, Roby and colleagues Marc Romano and John Piatt raised black-legged kittiwakes and tufted puffins in captivity and fed them either high-energy diets of herring, sand lance and capelin, or low-energy diets of the now dominant cod and pollock. The nestlings fed high-energy fish had much higher growth rates, leading the researchers to conclude that a diet of pollock and cod can have a strongly detrimental impact on growth rates and could reduce first-year survival rates.

research, especially on pink salmon and herring. Another \$23 million has gone to other projects focused on pink salmon, sockeye salmon and Pacific herring restoration. For example, genetic identification of sockeye in the Kenai River and genetic mapping of wild pink salmon in Prince William Sound help protect these wild stocks. Since the collapse of the herring fishery in Prince William Sound in 1993, an intensive examination of that species has helped answer many unknowns about its survival needs.

In addition to benefits from research, the commercial fishing industry will greatly benefit over the long term from the habitat protection program. To date, offers have been made or acquisitions concluded to protect more than 280 anadromous rivers, streams and intertidal

spawning areas, ensuring that future uses of these lands do not have detrimental impacts on salmon production.

## Subsistence:

### Local knowledge, community involvement

Restoration of subsistence since the *Exxon Valdez* oil spill has taken many forms. During the last three years, the Trustee Council has provided funds for 42 subsistence-related projects, in addition to research involving such important subsistence resources as herring, salmon and harbor seals.

Many of those projects directly supplement community subsistence resources. For example, hatchery-produced king salmon are starting to return to Chenega Bay and similar enhancements are bringing or will bring coho to Tatitlek, Port Graham and Perryville and sockeye to Solf Lake in Prince William Sound.

To assist scientists in their efforts to learn why the harbor seal continues to decline following the oil spill, the Alaska Native Harbor Seal Commission and the Alaska Dept. of Fish and Game are training subsistence hunters in the proper procedures for taking and storing tissue samples for scientific analysis. This collaborative effort provides a wealth of information about harbor seal locations, diet, and overall health.

In February, 1997, a video premiered which chronicled the importance of harbor seals to the subsistence lifestyle within the community of Tatitlek. "Alutiiq Pride: A Story of Subsistence" takes the viewer on a harbor seal hunt, teaches how to prepare seal for food and other uses, and joins the village for a feast to celebrate the harvest. Trustees approved production of a second video to document subsistence traditions involving Pacific herring and other nearshore resources.



Photo by Roy Carroll

Our knowledge of fisheries in the spill region has advanced by 50 to 100 years since the spill, says Phil Mundy of Fisheries and Aquatic Sciences in Oregon.

The Chugach School District is now in its third year conducting the Youth Area Watch. This project places students into the field and laboratories to work side by side with scientists conducting oil-spill research. It gives students a greater appreciation of the importance of science in their daily lives and encourages stewardship of the resources they use and depend on.

The focus on Traditional Ecological Knowledge (see page 5) is an important way to incorporate the knowledge gained from countless generations of living off the sea into modern research.

### Recreation:

#### More to see, more to do

Knowledge of the marine environment and improved tools for resource managers benefit all users of the spill region. Kayakers, boaters, hunters, sport fishing enthusiasts, hikers, campers, tourism-based business owners, wildlife viewers and just about anyone who enjoys the outdoors have a stake in the overall health of the ecosystem.

The health of the Kenai River is as much an



Photo by Roy Corral

Jennifer DeGroot of the Alaska Biological Resources Center holds a young sea otter captured near Ingot Island in Prince William Sound.

## Lack of recovery means easier feeding for sea otters

Sea otters in the heavily oiled areas of Knight Island are expending considerably less energy to feed themselves than sea otters at unoiled Montague Island. One explanation: because the population at Knight Island has not yet recovered from the spill, fewer animals are competing for food.

Jim Bodkin and Brenda Ballachey, researchers with the Alaska Biological Resources Center, are heading up the sea otter component for the Nearshore Vertebrate Predator study. They have been able to show that sea otters at Knight Island require 11 hours to gather the day's needed calories, while sea otters at Montague Island must spend 14 hours to accomplish the same task. Clams, mussels, and urchins are larger at Knight Island, indicating less predation pressure, apparently due to the lower population of sea otters.

The recolonization of northern Knight Island by a group of bachelor males in 1996 was considered a hopeful sign of recovery but they did not remain there in 1997. Some tagged sea otters were spotted at the southern side of the island, however. The sea otter population at Knight Island remains below pre-spill numbers. Surveys in 1997 showed a range of 103 to 187 sea otters at northern Knight Island and Naked Island, compared to pre-spill estimates of 258 sea otters in 1973 and 216 sea otters in 1984. Overall, the estimated population in western Prince William Sound showed an increase from about 2,054 in 1993 to 2,379 in 1997.

The Trustee Council provided more than \$1.5 million for habitat improvements on the Kenai River, helping stabilize banks and provide gratewalks, floating docks, access stairs, and educational displays.

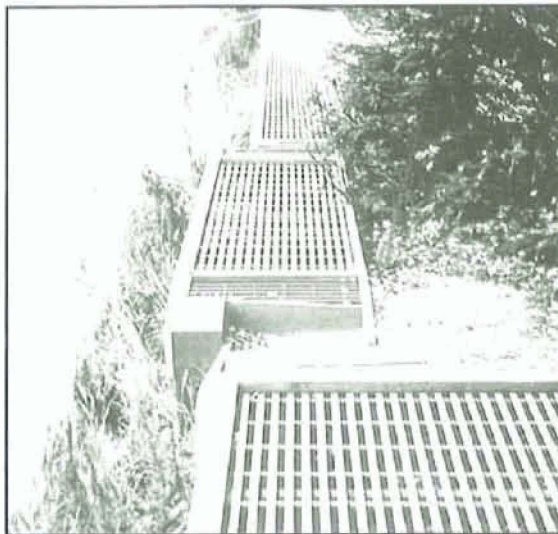


Photo by Roy Corral

economic goal as it is a conservation goal. Efforts to improve riverbank habitat, better understand the dynamics and consequences of over-escapement, and protect sockeye stocks on the Kenai River are three vital steps toward those twin goals. Kenai River salmon production is important for commercial and recreational fishing as well as all the businesses associated with the fishing industries.

There are other species of special interest to

hunters, fishers and trappers. Research on harlequin ducks, cutthroat trout, and river otters will help improve management and conservation of these species, all of which have harvest restrictions on their use in Prince William Sound.

Hunters, fishing enthusiasts and boaters are also primary beneficiaries of the Trustee Council's habitat protection program, which is opening more than 1,300 miles of shoreline and 280 salmon streams to public use. (See Page 18)

## Otolith marking helps protect wild salmon

During the summer of 1997, research supported by the Trustee Council was able to test the effectiveness of a new hatchery salmon identification process known as otolith mass marking. By slightly changing the water temperature while young salmon are in the incubator, distinctive patterns form on the earbone (or otolith) of young salmon fry, much like climate affects the rings of a tree. In this way, most pink salmon released from Prince William Sound hatcheries were marked in 1996. When the pinks returned last summer, technicians had a 97 percent success rate in rapidly identifying the fish in the field. This new method was used in 1997 to justify harvesting pink salmon that were concentrated in Hidden Bay, an area that otherwise would not have been fished because of the unknown stock composition. Otolith mass



ADF&G file photo

Distinctive rings mark the earbone or otolith of a hatchery-raised pink salmon, allowing easy identification and better protection of wild stocks.



ADF&G file photo

Young salmon bear the mark of coded wire tags, an inefficient process being replaced by otolith marking.

marking is proving to be easier and much more effective than the labor-intensive process of tagging one out of every 600 fry with tiny coded wire nose-tags.

The otolith marking process is expected to pay off in several new ways. Researchers are beginning to look at the impact of hatchery salmon mixing with wild stocks in the streams of Prince William Sound. They can now accurately determine how many hatchery salmon are in fact spawning beside wild pinks. Through cooperative efforts with other research programs, otolith mass marking also promises to shed more light on the movements of salmon as they wander through the north Pacific Ocean and Bering Sea. Hatchery salmon picked up as part of the bycatch in deep-sea fisheries can be readily identified, helping unravel some of the mysteries about the at-sea years in a salmon's life.



Photo by Roy Carroll

Common murre

### **Bald eagle**

The oil spill area provides year-round and seasonal habitat for many thousands of bald eagles. Although hundreds died during the spill, the population rebounded and the bald eagle was formally designated as recovered in 1996.

### **Black oystercatcher**

Black oystercatchers spend their entire lives in the intertidal area and are highly vulnerable to oil pollution. After the spill, oystercatchers had reduced hatching success and rates of growth. Recovery status is not known and further studies are underway.

### **Common murre**

The population of common murre in the spill region was reduced by as much as 40% following the spill. Reproduction was also disrupted, though changes in availability of prey species may complicate interpretation of

spill effects. Regardless of the cause, common murre now appear to be recovering.

### **Harbor seal**

The oil spill added to an already serious population decline among harbor seals in the Gulf of Alaska. The harbor seal, a vital subsistence resource for Alaska Natives, has lost 80 percent of its population in the Gulf of Alaska over the last 20 years.

One possible explanation for the decline is a system-wide change in the harbor seal's primary food source. Harbor seals prefer fat-rich forage fish such as herring and capelin. A change in abundance from fat-rich fish to energy-poor cod and pollock may be making it more difficult for young seals to survive.

Researchers and Native subsistence hunters, combining modern science and ancient knowledge, are working together to find the reasons behind the decline.

### **Harlequin duck**

Most of the spilled oil was stranded in intertidal and shallow subtidal areas where harlequin ducks feed. The small year-round population and a larger overwintering population were in Prince William Sound at the time of the spill. Although the population appears to be on the rise, there continues to be concern about poor winter survival of adult females in western versus eastern parts of the sound, and research on this problem is continuing.

### **Intertidal community**

Portions of 1,500 miles of coastline were oiled by the spill. The spilled oil and subsequent clean-up harmed flora and fauna in the area between low and high tides. Clean-up crews returned to five Chenega-area beaches in 1997 to remove entrenched oil. Overall, intertidal communities appear to be recovering.

## Resources and Services Injured by the Spill

### Recovered

Photo by Daniel Zetz



*Bald eagle*

### Recovering

Photo by John Hyde



*Archaeological resources*

*Common murrelets*

*Intertidal communities<sup>1</sup>*

*Mussels*

*Pink salmon*

*Sediments*

*Sockeye salmon*

*Subtidal communities*

### Injured Services

Photo by Roy Carroll



*Commercial fishing*

*Passive uses*

*Recreation and Tourism*

*Subsistence*

### Not Recovering

Photo by Robert Angel



*Cormorants (3 species)*

*Harbor seal*

*Harlequin duck*

*Killer whale (AB pod)*

*Marbled murrelet*

*Pacific herring*

*Pigeon guillemot*

*Sea otter (western PWS)*

### Recovery Unknown

Photo by Robert Angel



*Black oystercatcher*

*Clams*

*Common loon*

*Cutthroat trout*

*Designated wilderness areas*

*Dolly Varden*

*Kittlitz's murrelet*

*River otter*

*Rockfish*

<sup>1</sup> Status of intertidal communities based largely on monitoring in sheltered rocky habitats in Prince William Sound; status of other intertidal habitats is less certain or unknown, though some recovery can be anticipated.

### Killer whale

The well-studied AB pod lost 13 of its 36 members within two years of the oil spill, a rate higher than normal. The pod has yet to recover and is showing continued signs of stress. Overall, however, the resident killer whale population in the Gulf of Alaska has increased since 1988 from 102 to 110 animals.

### Marbled murrelet

The marbled murrelet is listed as threatened in the Pacific Northwest, but is still relatively abundant in Alaska waters. Its popula-

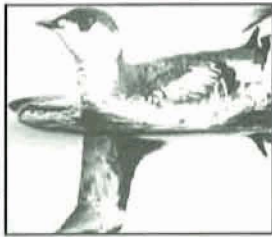


Photo by Gus van Vliet

Marbled Murrelet

tion, however, had already declined before the spill, which killed an estimated 7 percent of the spill-area population. There is no evidence of recovery.

### Mussels

Mussels, an important prey species, are doing well at most locations. Because they were left alone during cleanup operations, some oiled mussel beds were treated experimentally to see if the removal of oil could be hastened. The long-term results of this test are still pending, but, overall, mussels appear to be recovering.



Photo by Roy Carroll

Pacific herring

### Pacific herring

Pacific herring spawned within the spill region while oil was still fresh on the beaches. Four years later, when herring hatched during the spill were supposed to return and spawn, the herring population collapsed. The commercial herring fishery in Prince William Sound remained closed from 1993 through 1996. An intermittent opening was held in April 1997.

With Trustee Council funding, a viral infection and a fungus were identified as possible causes of the crash. Research continues into the reasons behind the outbreak. Stress brought on by spilled oil could have been one of the triggers. Herring research has revealed a wealth of new information about the life cycle of this important fish resource, but much remains unknown.

River otters in the spill region spend much of their time in saltwater, such as this group in Kenai Fjords National Park.



Photo by Roy Carroll



### Pigeon guillemot

Because guillemots feed in shallow, nearshore waters, they are vulnerable to oil pollution. The pigeon guillemot population decline likely began before the spill and its lack of recovery may be linked to the reduced availability of forage fish, especially of sand lance.

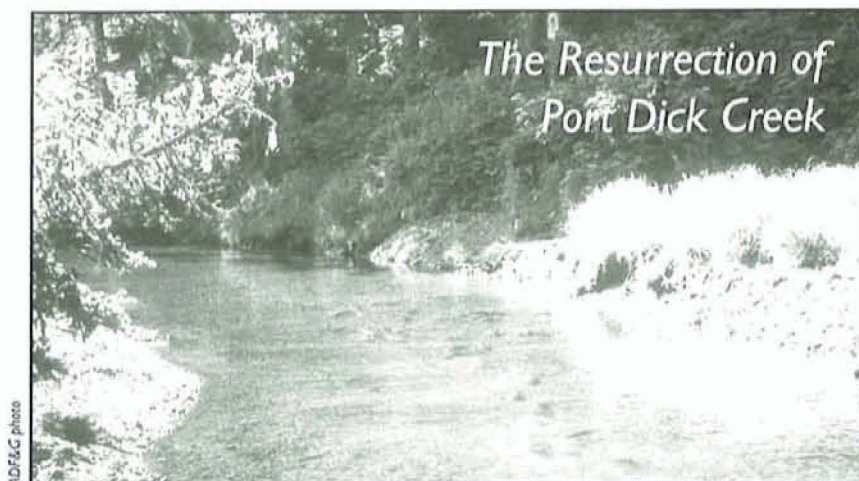
### Pink salmon

About 75 percent of pink salmon in Prince William Sound spawn in the intertidal portions of streams. In 1989, many pink salmon spawned in intertidal areas hit by oil. Higher-than-normal

egg mortality occurred in oiled streams during the first four years after the spill. Egg mortality levels returned to normal from 1994 through 1996, but an increase in mortality in 1997 is still being evaluated.

### River otter

Some of the spill's initial impacts on river otters, including reduced body size, seem to be diminishing. There still are recent indications of exposure to hydrocarbons or other sources of stress, and research is now underway to help interpret these data.



ADF&G photo

A surplus of 15,000 chum salmon is predicted for Port Dick Creek by 2006, 10 years after habitat improvements took place. This helps replace fisheries resources lost during the 1989 oil spill.

Port Dick Creek, on the southern coast of the Kenai Peninsula, once provided a healthy surplus of chum and pink salmon for the commercial fishing fleet. But five minutes of shaking during the 1964 earthquake filled the spawning areas with debris and severely diminished its capacity to produce salmon.

Biologist Nick Dudiak, recently retired from the Department of Fish and Game in Homer, talked for nearly 20 years about the potential to return the creek to full productivity. In 1996, with funding from the Trustee Council, he got his chance. Port Dick was oiled during the spill and Dudiak saw improvements to the creek's spawning bed as an effective way to replace salmon resources injured by the spill. Dudiak and ADF&G Biologist Mark Dickson barged heavy equipment to the site, excavated the old creek beds and returned them, as

close as possible, to their pre-earthquake condition. During that first summer, salmon returned to the reconstructed spawning area as if they came out of their egg sacs there.

Spawning results in 1996 were promising. That first year, 572 pinks and 300 chum salmon deposited about 775,000 eggs in the newly excavated stream beds. The following spring, net sampling provided an estimate of 291,000 fry, a solid egg-to-fry survival rate of 37.5 percent.

During July and August of 1997, surveys showed an increase in spawning activity over the previous year, although final results are not yet available.

The Alaska Department of Fish and Game projects a harvestable surplus of 15,000 chums available for commercial harvest within 10 years.

### Sea otter

Sea otters, which became the symbol of oil's destruction during the early days of the spill, are recovering well, although their numbers in the hard-hit portions of western Prince William Sound remain below normal. An estimated 100,000 sea otters now populate the western coastline of North America; 13,000 are in Prince William Sound.

### Sockeye salmon

Commercial salmon fishing was closed throughout the spill region in 1989, allowing too many sockeye to enter some rivers. High escapements may have produced too many juvenile sockeye that then overgrazed the

zooplankton, thus altering the food webs in the nursery lakes. The return of adults per spawning sockeye has improved to normal levels in recent years. As a result of Trustee Council-sponsored studies, researchers have developed a new understanding about carrying capacities in spawning areas.

### Archaeology

During the oil spill, when thousands of cleanup personnel were on the beaches, several archaeological sites were vandalized and looted. Other sites were damaged by oil or the subsequent cleanup effort. Monitoring of those sites during 1997 showed no new signs of vandalism.

## Cleanup reduces oil on Chenega-area beaches

Eight years after the oil spill, villagers from Chenega Bay returned to nearby beaches last June to clean oil stubbornly entrenched behind boulders and beneath sand. Under the guidance of the Alaska Department of Environmental Conservation, the crew of mostly-local residents applied a chemical agent to the weathered oil on five beaches on LaTouche and Evans Islands. They used PES-51, a citrus-based product from the oil of oranges and lemons. PES-51 binds to the oil and floats, allowing both the chemical agent and the oil to be collected through the use of oil-absorbent pads.

Though tests conducted in 1993 did not show any evidence that PES-51 harmed the environment, the safeguards put in place were rigorous. At Shelter Bay, workers used air knives to inject a small amount of PES-51 and water into the ground, under asphalt and boulders. The chemical and the oil floated down to the water's edge where it was trapped by multiple layers of boom surrounding the shore. There was a "pad patrol" on the beach to collect the oil and the chemical before hitting the water:

Analysis of sample sites showed a lot of oil, be-

tween 1 and 20 pounds of mousse per square meter; remained in the environment prior to treatment. After the cleanup, reduction in the amount of oil averaged about 50 percent. The monitoring plan calls for a return to the beaches in May 1998 to measure residual oil remaining after one year and to monitor any affects on biota. Preliminary reports look good with little or no biological injury resulting from the cleanup.



Photo by Roy Carroll

Cleanup crews, mostly from Chenega Bay, returned to five western Prince William Sound beaches in 1997.

The Trustee Council decided to seek proposals in 1998 for development of a regional archaeological repository and several local community-based display facilities in the Prince William Sound and lower Kenai Peninsula regions. The Council allocated \$2.8 million to create archaeological facilities to serve eight communities: Valdez, Cordova/ Eyak, Chenega Bay, Tatitlek, Seward, Seldovia, Port Graham and Nanwalek.

The Alutiiq Museum in Kodiak was built in 1995 with \$1.5 million in funding from the Trustee Council to create a repository for proper care and preservation of cultural artifacts.

## Alaska SeaLife Center

The Alaska SeaLife Center is scheduled to open as a research facility in March 1998 and to the general public in May. The research side of the SeaLife Center, funded with \$25.5 million from the Trustee Council, will provide much needed marine research facilities to support restoration work in the spill region. The Trustee Council approved an additional \$724,000 in 1997 to purchase equipment and other durable goods to support research at the center. The SeaLife Center will include public education components, marine life interpretive programs, and large enclosures for captive marine mammals and seabirds. It is projected to be self-sustaining from revenue from 250,000 visitors annually and bench fees from research projects.

## Restoration Workshop

More than 250 researchers, scientists and members of the public attended the 1998 Restoration Workshop held at the Hotel Captain Cook in Anchorage from January 29-30, 1998. The Restoration Workshop is the annual seminar at which scientists present and review



Photo by Joe Hunt

the prior year's restoration work and help shape future restoration goals and objectives. The workshop is always free and open to the public.

The keynote speaker for the 1998 event was Dr. Donald Boesch, president and professor at the University of Maryland Center for Environmental and Estuarine Studies. Boesch discussed the benefits of large, integrated environmental monitoring programs.

## 10th Anniversary Symposium

A scientific symposium to be held on the 10th anniversary of the *Exxon Valdez* oil spill will highlight research related to the spill, its impacts, and the status of recovery in the spill area. Legacy of an Oil Spill: 10 Years After Exxon Valdez will be held March 23-27, 1999, in Anchorage. A day-long public-oriented event will kick off the symposium, to be followed by four days of more technical, scientific presentations. The entire event will be open to the public.

For further information, contact Brenda Baxter, Coordinator, Alaska Sea Grant College Program, University of Alaska Fairbanks, P.O. Box 755040, Fairbanks, AK 99775 or via e-mail at FNBRB@uaf.edu.

**Science Coordinator Stan Senner leads a small group session on the future of restoration efforts at the annual workshop in January 1998.**

# HABITAT PROTECTION



Photo by Roy Cornell

**Protection of essential habitat also means more public access**

**H**abitat protection and scientific research are strong complementary programs for the restoration of injured species. Habitat protection is an effective way to protect injured species that depend on upland habitat during critical parts of their life cycles. It has broad support among residents of the spill area, other Alaskans, scientists and individuals across the nation.

Restoration efforts in the Pacific Northwest have taught us that habitat protection is essential to the health of salmon species. Researchers have concluded that "depleted salmon populations cannot rebuild if any habitat that is critical during any of their life stages is seriously compromised." This lesson extends as well to other fish, birds, and mammals injured by the Exxon Valdez oil spill.

Using settlement funds, the Trustee Council is working to protect about 650,000 acres important for restoration. This will include at least 1,300 miles of shoreline and 280 streams valuable for salmon spawning and rearing.

The Trustee Council has two habitat protection programs, both of which work only with willing sellers. The Large Parcel Program protects blocks of land in excess of 1,000 acres. Negotiations with landowners have resulted in creative habitat protection measures that include fee simple purchases, conservation easements, timber easements and, in one case, establishment of a privately-run 65,000 acre refuge.

The Small Parcel Program recognizes the special qualities and strategic value of smaller tracts of land. Small parcels are usually located on small coves, along important stretches of river; at the mouths of rivers, or adjacent to valuable tidelands, often close to spill-area communities. These properties are acquired for their habitat qualities as well as for their recreational significance.

The year 1997 was a hallmark year for both the Large Parcel and Small Parcel programs.

**Western Prince William Sound:** In February, an agreement to transfer 59,520 acres of land in western Prince William Sound was formally signed by Agriculture Secretary Dan Glickman, Governor Tony Knowles and Chenega Corporation President Chuck Totemoff. Most of the land will be managed as part of the Chugach National Forest, with the state receiving about 16,000 acres. The corporation received \$34

million for the land, \$10 million of which came from Exxon's criminal settlement with the federal government.

The Chenega parcels include two of the highest ranked parcels in Prince William Sound, Jackpot Bay and Eshamy Bay. The uplands around these bays contain 22 anadromous streams and are responsible for most of the wild pink salmon and sockeye salmon production in the western portions of the sound. "This exchange gives Chenega shareholders a chance to invest in our future without having to develop our land or cut our timber to do it," Totemoff said during signing ceremonies. "Shareholders benefit economically and our traditions and subsistence lifestyle are protected."

**Kenai Fjords:** The culmination of three years of evaluation and negotiation was reached February 14 when the Trustee Council voted to acquire 32,537 acres of private inholdings within the Kenai Fjords National Park and the adjacent Alaska Maritime National Wildlife Refuge. Just three months later, Interior Secretary Bruce Babbitt and English Bay Corporation President Don Emmal finalized the agreement during signing ceremonies in Washington, D.C. The \$14.1 million package includes some of the most valuable coastal habitat within the park. In November, the majority of these lands were transferred to the National Park Service within the Department of the Interior:

**Afognak Island:** In May, the Trustee Council renewed its offer to protect 46,300 acres of prime old-growth forest, estuaries and salmon streams on Afognak Island. The Council's action modified a \$70



Photo by Robert Angell

Protection of several miles of the Kenai River helps maintain king and sockeye salmon rearing habitat along its banks. Some Kenai River sites have been acquired to provide increased opportunities for fishing.

Opposite page: More than 280 salmon streams, such as this one in the Canoe Passage area of Prince William Sound, are being protected through the Trustee Council's habitat programs.

I. Williams, R. L. Galvin, C. Coutant, M. Erbe, J. Lichatawicz, W. Liss, W. McComaha, P. Mundy, J. Stanford, R. Wintney. 1996. Return to the River: Restoration of Salmonid Fishes in the Columbia River Ecosystems. Pre-publication draft. Northwest Power Planning Council. Oregon. 522 pp., 4 appendices.

## Habitat Protection Large Parcel Program

Parcel Description	Acreage	Coastal Miles <sup>4</sup>	Salmon Rivers <sup>5</sup>	Total Price	Trustee Council's Share
<b>Acquisitions Complete</b>					
Akhiok-Kaguyak	118,674	202	39	\$46,000,000	\$36,000,000
Chenega	59,520	190	45	\$34,000,000	\$24,000,000
English Bay <sup>1</sup>	32,537	123	31	\$15,371,420	\$14,128,074
Kachemak Bay State Park inholdings	23,800	37	3	\$22,000,000	\$7,500,000
Koniag (fee title)	59,689	41	11	\$26,500,000	\$19,500,000
Koniag (limited easement)	57,082			\$2,000,000	\$2,000,000
Old Harbor <sup>2</sup>	31,609	183	13	\$14,500,000	\$11,250,000
Orca Narrows (timber rights)	2,052		2	\$3,450,000	\$3,450,000
Seal Bay/Tonki Cape	41,549	112	5	\$39,549,333	\$39,549,333
Shuyak Island	<u>26,665</u>	<u>31</u>	<u>8</u>	<u>\$42,000,000</u>	<u>\$42,000,000</u>
<b>Subtotal:</b>	<b>453,177</b>	<b>919</b>	<b>157</b>	<b>\$245,370,753</b>	<b>\$199,377,407</b>
<b>Offers Pending</b>					
Eyak	75,425	189	80	\$45,000,000	\$45,000,000
Tatitlek	69,814	212	50	\$34,550,000	\$24,550,000
<b>TOTAL:</b>	<b>598,416</b>	<b>1,320</b>	<b>287</b>	<b>\$324,920,753</b>	<b>\$268,927,407</b>
<b>Negotiations Continuing</b>					
Afognak Joint Venture	46,300			\$70,000,000	\$70,000,000
Koniag (fee title) <sup>3</sup>					
<b>Total Acreage to be Protected: 644,716</b>					

1. Offer still pending on 2,901 acres of English Bay package.
2. As part of the protection package, the Old Harbor Native Corporation agreed to protect an additional 65,000 acres on Sitkalidak Island as a private refuge.
3. Negotiations with Koniag concern fee title to the 57,082 acres that are currently protected under a limited conservation easement.
4. Approximate miles of coastline.
5. Approximate number of anadromous rivers, streams and spawning areas.

million offer made in 1994 to reflect higher-than-expected appraisals for the Afognak Joint Venture land. Lands included in the new offer are adjacent to Afognak State Park and the Afognak portion of the Kodiak National Wildlife Refuge and are across the strait from Shuyak Island State Park. Although the Council's offer was rejected, negotiations are continuing on a revised package.

**Eastern Prince William Sound:** At its July meeting, the Trustee Council authorized \$45 million over a five-year period to acquire more than 75,000 acres of habitat from Eyak Corporation. The habitat to be protected includes ap-

proximately 80 anadromous streams, numerous lakes and lagoons, about 50 miles of freshwater shoreline and 150 miles of saltwater shoreline. If approved through a shareholder vote, the package will protect habitat in the wooded shoreline areas of Nelson Bay, Eyak Lake and Hawkins Island, much of it visible from the City of Cordova. Port Gravina, Windy Bay and Sheep Bay, which provide some of the most valuable habitat in the sound, are also included in the package.

"What we are accomplishing here is historic," said Eyak Corporation President Nancy Barnes. "In addition to providing substantial benefits to



Photo by Dennis Zoriz

the public, if approved by our shareholders, this agreement will go a long way toward some of the underlying goals and promises of the Alaska Native Claims Settlement Act, including to protect and commemorate our rich and diverse cultural heritage and to provide a lasting legacy from these lands of sustainable economic and educational opportunity for our children and for generations to come."

**Small Parcel Program:** Habitat acquired under the Small Parcel Program stretches from the southern tip of Kodiak Island to the Valdez Arm. The Trustee Council has completed acquisition or has offers pending on 45 parcels totaling 7,319 acres, with a total outlay of \$20.6 million. Several other parcels are under consideration.

The Kenai River is a primary focus of the Small Parcel Program. Altogether, the Trustee Council has protected or made offers to

Old growth forests, such as this one on Afognak Island, provide unique habitat essential for species such as the marbled murrelet.

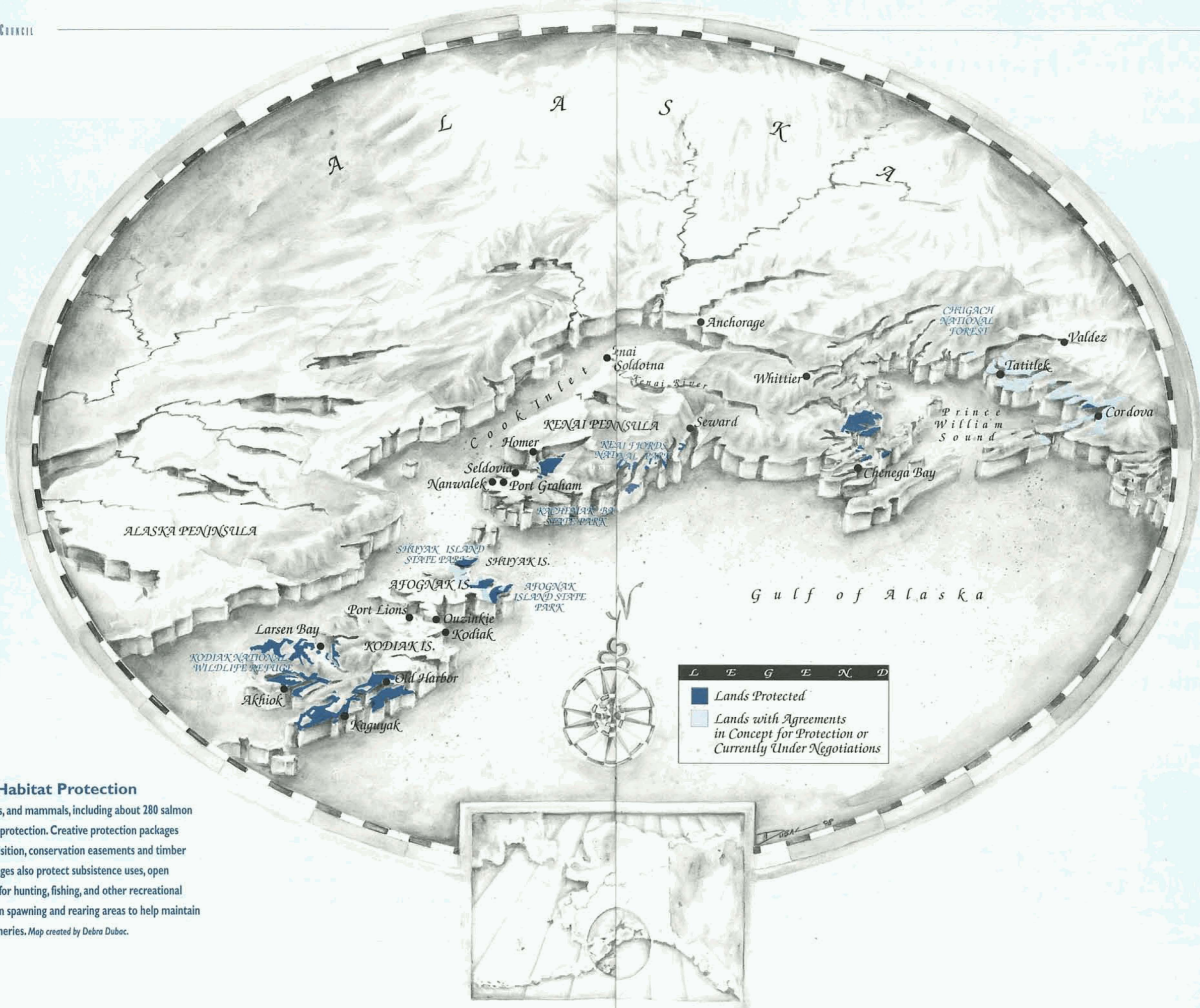
protect 1,758 acres along the Kenai River and its watershed, including several miles of shoreline. Some parcels will be developed to provide access to the river, including parking, sanitation, and light-penetrating "gratewalks" to

protect riverbank vegetation from getting trampled during fishing season.

Other prominent acquisitions during 1997 include a package to protect key tidal and wetland habitats at the base of the Homer Spit and on nearby Beluga Slough. The Council provided nearly \$1 million for the land, which will be managed by the City of Homer as part of a conservation zone protecting intertidal flats. This acquisition received strong support from a wide spectrum of interests who saw it as a way to protect habitat for shorebirds and other species, as well as boost tourism.

Purchase of two small parcels along major salmon streams on southern Kodiak Island was another highlight in 1997. Protection of 16 acres along the Karluk River and another 5.4 acres along the Ayakulik River will provide the Department of Fish and Game alternative access to weir sites to help ensure effective management of the multi-million dollar commercial and sport fisheries these rivers support.

The Trustee Council also made offers on two complementary parcels on the bluffs overlooking Kachemak Bay and the Homer Spit. The first, known as Overlook Park, is 97 acres and includes viewing areas and access to a popular tidal pool. Acquisition of this parcel is complete. The second, known as Baycrest, is 90 acres that offers access to the Overlook Park land. This parcel is pending legislative approval. The Trustee Council offered nearly \$780,000 for the two parcels.



**Large Parcel Habitat Protection**

Habitat for fish, seabirds, and mammals, including about 280 salmon streams, is targeted for protection. Creative protection packages include fee simple acquisition, conservation easements and timber easements. These packages also protect subsistence uses, open previously closed areas for hunting, fishing, and other recreational uses, and protect salmon spawning and rearing areas to help maintain healthy commercial fisheries. Map created by Debra Dubac.



# PUBLIC PARTICIPATION



Photo by Roy Corral

## **Two-way communication**

*Council seeks public input, works to get the message of restoration out*

When the Trustee Council makes a decision about a major project or program, such as the development of archaeological facilities or development of its Annual Work Plan, it comes only after receiving input from all corners of the spill region and from affected interest groups.

A broad program of public participation has been developed as an important part of the restoration process. The Trustee Council recognizes that successful restoration requires a balance of views from those people with the closest ties to Prince William Sound, the Gulf of Alaska and lower Cook Inlet.

## The Public Advisory Group

Before decisions are made on major issues, the Trustee Council receives recommendations from its 17-member Public Advisory Group (PAG). This broad-based group brings representatives of different interests together, providing a direct link between the Trustee Council and user groups throughout the spill area. The PAG meets approximately four times each year, including one field trip to outlying communities. In September, 1997, the group toured Kodiak-area sites and held public meetings in Kodiak, Old Harbor, Port Lions and Larsen Bay.

The PAG provides input on key decisions related to planning, funding and carrying out restoration projects. Its members review specific issues as well as make recommendations concerning overall direction of the restoration effort. It includes five public-at-large members and one member each representing the following interests:

- Aquaculture
- Conservation
- Forest products
- Native landowners
- Science/academic
- Subsistence
- Commercial fishing
- Environment
- Local government
- Recreation users
- Sport hunting/fishing
- Tourism



The Public Advisory Group (below) met in November for two days to discuss the future of restoration and the potential uses of the Restoration Reserve. Clockwise, beginning at left are Chuck Meacham (science/academic), Nancy Yeaton (subsistence), Torie Baker (commercial fishing), Howard Valley (forest products), and Mary McBurney (aquaculture).

Photos by Joe Hunt

Opposite Page: During a PAG visit to Old Harbor, local resident Jeff Pedersen discussed restoration issues with Community Involvement Coordinator Hugh Short, PAG member Eleanor Huffines, and Alaska Coastal Currents producer Jody Seitz.



## Community Involvement

In a special effort to listen to the concerns of smaller communities in the spill area and closely involve them in the restoration process, the Trustee Council created the Community Involvement Project in 1995. This project brings together residents from the communities of Valdez, Cordova, Tatitlek, Chenega Bay, Seward, Port Graham, Nanwalek, and Seldovia as well as representatives from the Kodiak and Chignik Lake regions to serve as liaisons between their communities and the Trustee Council, including the Restoration Office staff and the scientists in the field.

The Chugach Regional Resources Commission administers the Community Involvement Project. In August of 1997, Hugh Short was named as coordinator for the program. He works out of the Restoration Office in Anchorage and helps maintain communications between all involved groups.

Objectives for this project are to: increase local involvement in restoration efforts, including the development of more community-based projects; better communicate the findings and results of ongoing research to community residents; and facilitate the communication of traditional ecological knowledge (TEK) from local residents to scientists, which can significantly enhance the value of Trustee Council restoration efforts.

Now in its fourth year, the Community Involvement Project has been successful in many areas. In addition to all the other research involving subsistence resources, such as herring, salmon and harbor seals, the Trustee Council funded 14 subsistence projects in FY98.

## The Restoration Reserve

The Restoration Reserve is a savings account, set aside as part of the long-term restoration plan established by the Trustee Council in 1994.

That plan calls for the Trustee Council to place up to \$12 million into a reserve account each year for nine successive years. The idea is to have a fund set aside to finance a long-term restoration program that extends beyond the last payment from Exxon in 2001. By the time the Restoration Reserve is needed in the year 2002, it is expected to be worth approximately \$140 million.

During the fall of 1997, the Trustee Council sought preliminary input from the Public Advisory Group, community leaders and the general public on how this fund should be used. This resulted in a set of potential elements for creating a long-term restoration program. Public meetings about the Restoration Reserve have been scheduled for March and April 1998 in 22 spill-area communities as well as in Anchorage, Fairbanks and Juneau. A summary of both written and oral comments will be compiled and presented to the Trustee Council. The Council is expected to decide on the future use of the Restoration Reserve by fall 1998.

## Public Outreach

The Trustee Council also seeks input from the general public. The Council advertises its meetings throughout the spill region and always sets aside meeting time for public comment. It will teleconference the meeting to any site where even a single person wants to participate. In this way, Alaska Natives, commercial fishers, business owners, recreational users, private landowners, scientists, land managers and many others have the opportunity to

comment on issues before the Council.

The radio series "Alaska Coastal Currents" continues to air throughout the state with new episodes available weekly. This two-minute radio program is produced by the Alaska Public Radio Network and reported by Jody Seitz. The series is an insightful way to communicate the often difficult-to-explain news of Alaska marine science and other restoration activities. In June, a weekly newspaper column was introduced as a companion series to the radio program and is published throughout the spill area.

The Trustee Council introduced a new web site (<http://www.oilspill.state.ak.us>) in 1997 which offers detailed information about restoration, habitat protection and research projects. The web site allows users to click their way to a wealth of restoration information.

The first species accounts in the Restoration Notebook series are now available. This series tells the natural history of select species, as well as the story of injury and recovery from the spill. The series is written by the biologists who work in the field and is produced by the Restoration Office. It is the ideal tool for high school and college students reporting on the oil spill and Alaska's natural resources. Issues on harbor seals, marbled murrelets, killer whales and sea otters are now available to the public. The series is expected to expand to include more than a dozen species on the injured resources list, as well as some human services. Free copies can be obtained by contacting the Restoration Office.

A visual exhibit on the restoration program was produced for travel to spill area communities to provide direct information on restoration activities. Another exhibit will be located at the Alaska SeaLife Center, where it will be viewed by an estimated 200,000 visitors. The exhibit will move to Anchorage for the 10th anniversary of the spill in March 1999.



Photo by Joe Hunt

## Alaska Resources Library and Information Services

The Oil Spill Public Information Center has moved and joined seven other libraries focusing on the natural resources of Alaska, creating a one-stop research facility for fish, wildlife, and land-use issues in Alaska. The Alaska Resources Library and Information Services (ARLIS) brings together libraries of state and federal agencies as well as the University of Alaska Anchorage to create one integrated system dedicated to natural resource information.

Faced with tightening budgets that resulted in loss of staff and possible closure, the librarians crossed agency lines and came up with the idea of joining and consolidating in order to economize on staff and operations. Their idea and follow-through earned them Vice President Al Gore's Hammer Award for innovation in re-inventing government.

ARLIS houses the libraries of the U.S. Fish and Wildlife Service, the U.S. Geological Survey, the National Park Service, the Minerals Management Service, the Bureau of Land Management, the Alaska Dept. of Fish and Game, UAA's Arctic Environmental Information and Data Center, and the Oil Spill Public Information Center.

Carrie Holba, head librarian for OSPIC, shows off the new facilities for the Alaska Resources Library and Information Center (ARLIS).

## Past Uses and Estimated Future Uses of Civil Settlement

(in millions \$)

<b>REIMBURSEMENTS FOR DAMAGE ASSESSMENT AND RESPONSE</b>	<b>213.1</b>
Governments (includes litigation and cleanup)	173.2 (a)
Exxon (for cleanup after 1/1/92)	39.9
<b>RESEARCH, MONITORING AND GENERAL RESTORATION</b>	<b>180.0</b>
Actual expenditures:	
• FY 1992 Work Plan	11.7
• FY 1993 Work Plan	7.4 (b)
• FY 1994 Work Plan	14.2
• FY 1995 Work Plan	17.0
• FY 1996 Work Plan	18.0
• FY 1997 Work Plan	15.8
• FY 1998 Work Plan (authorized)	14.1
FY 1999 - FY 2002 Work Plans (estimate)	50.8
Alutiiq Museum	1.5
Alaska SeaLife Center	26.2
Reduction of Marine Pollution	3.3
<b>HABITAT PROTECTION</b>	<b>392.3</b>
Large Parcel and Small Parcel habitat protection programs (past expenditures, outstanding offers, estimated future commitments and parcel evaluation costs)	
<b>RESTORATION RESERVE</b>	<b>108.0</b>
• FY 1994 — FY 1998	60.0
• FY 1999 — FY 2002 (anticipated)	48.0
<b>SCIENCE MANAGEMENT, PUBLIC INFORMATION &amp; ADMINISTRATION</b>	<b>30.9</b>
Actual expenditures:	
• FY 1992	4.3
• FY 1993	2.7 (b)
• FY 1994	4.1
• FY 1995	3.2
• FY 1996	3.0
• FY 1997	2.7
• FY 1998 (authorized)	2.8
FY 1999 - FY 2002 (estimate)	8.1
<b>TOTAL</b>	<b>924.3</b>
Exxon Payments	900.0
Interest on Court Registry Investment System (minus fees)	18.1
Interest on federal and state accounts	6.2

(a) Reimbursement to governments reduced by \$2.7 million included in the FY 1992 Work Plan.

(b) 1993 Work Plan was funded for only 7 months during transition to the federal fiscal year (October 1 - September 30).

As of 3/1/98



# ELGEE, REHFELD & FUNK

Certified Public Accountants

9309 Glacier Highway, Suite B 200 - Juneau, Alaska 99801  
 Phone 907-789-3178 FAX 907-789-7125

## INDEPENDENT AUDITORS' REPORT

Members, *Exxon Valdez* Oil Spill Trustee Council,  
 Anchorage, Alaska:

We have audited the financial statements of the *Exxon Valdez* Oil Spill Trustee Council, Trust Funds as of and for the year ended September 30, 1997, as listed in the accompanying table of contents. These financial statements are the responsibility of the *Exxon Valdez* Oil Spill Trustee Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2, the financial presentation for the Court Registry Investment System (CRIS), *Exxon Valdez* Oil Spill Settlement Account (Joint Trust Account - CRIS) is of this account only and is not intended to present the financial position of CRIS or the United States District Court for the Southern District of Texas and the results of their operations, in conformity with generally accepted accounting principles.

As discussed in Note 2, the financial presentation for the U.S. Department of the Interior, Fish and Wildlife Service, Natural Resources Damage Assessment and Restoration Fund (NRDA&R) is of the amounts related to the *Exxon Valdez* Oil Spill Trustee Council only and is not intended to present the financial position of NRDA&R or the U.S. Department of Interior Fish and Wildlife Service and the results of their operations, in conformity with generally accepted accounting principles.

As discussed in Note 2, the financial presentation for the State of Alaska, *Exxon Valdez* Oil Spill Settlement Trust (Settlement Trust) is of the Settlement Trust only and is not intended to present the financial position of the State of Alaska or any of its component units and the results of their operations.

As discussed in Note 2, the financial statements for the Joint Trust Account - CRIS and NRDA&R are prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Joint Trust Account - CRIS and NRDA&R and the financial position of the Settlement Trust as of and for the year ended September 30, 1997, and the results of their operations for the year then ended on the basis of accounting described in Note 2 for the Joint Trust Account - CRIS and NRDA&R, and in conformity with generally accepted accounting principles for the Settlement Trust.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 29, 1998, on our consideration of the *Exxon Valdez* Oil Spill Trustee Council, Trust Funds' internal control over financial reporting and our tests of their compliance with certain provisions of laws, regulations and contracts.

*Elgee, Rehfeld & Funk*  
 January 29, 1998

*EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL*  
 UNITED STATE DISTRICT COURT - FIFTH CIRCUIT  
 COURT REGISTRY INVESTMENT SYSTEM  
*EXXON VALDEZ OIL SPILL SETTLEMENT ACCOUNT*  
 STATEMENT OF ASSETS, LIABILITIES AND JOINT TRUST ACCOUNT  
 BALANCE ARISING FROM CASH TRANSACTIONS  
 September 30, 1997

ASSETS:	
Cash and Investments	\$ 102,673,335
Total Assets	<u>\$ 102,673,335</u>
LIABILITIES AND JOINT TRUST ACCOUNT BALANCE:	
Liabilities	\$ -
Joint Trust Account Balance - Liquidity Account	54,227,672
Joint Trust Account Balance - Reserve Account	48,445,663
Total Liabilities and Joint Trust Account Balance	<u>\$ 102,673,335</u>

STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN JOINT TRUST ACCOUNT BALANCE  
 For the Fiscal Year Ended September 30, 1997

Receipts:	
Receipts	\$ 65,000,000
Investment Income - Liquidity Account	2,993,473
Investment Income - Reserve Account	-
Total Receipts	<u>67,993,473</u>
Disbursements:	
State of Alaska, <i>Exxon Valdez</i> Settlement Trust:	
Fiscal 1997 Natural Resource Damage Assessment and Restoration Projects	(1,332,733)
Fiscal 1998 Natural Resource Damage Assessment and Restoration Projects	(4,975,772)
Land Acquisition Disbursements	(10,813,625)
Research Infrastructure Improvement Disbursements	(724,000)
Total Disbursements to State of Alaska	<u>(17,846,130)</u>
U.S. Department of Interior, Natural Resources Damage Assessment and Restoration Fund:	
Fiscal 1997 Natural Resource Damage Assessment and Restoration Projects	(606,559)
Fiscal 1998 Natural Resource Damage Assessment and Restoration Projects	(5,782,169)
Land Acquisition Disbursements	(53,713,074)
Total Disbursements to United States	<u>(60,101,802)</u>
Court Registry Fees	<u>(257,860)</u>
Total Disbursements	<u>(78,205,792)</u>
Deficiency of Receipts Over Disbursements	(10,212,319)
Joint Trust Account Balance, Beginning of Year	112,885,654
Joint Trust Account Balance, End of Year	<u>\$ 102,673,335</u>

The accompanying notes to trust fund financial statements are an integral part of this statement.

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL  
 UNITED STATE DEPARTMENT OF THE INTERIOR,  
 FISH AND WILDLIFE SERVICE  
 NATURAL RESOURCES DAMAGE ASSESSMENT  
 AND RESTORATION FUND  
 STATEMENT OF ASSETS, LIABILITIES AND TRUST FUND  
 BALANCE ARISING FROM CASH TRANSACTIONS  
 September 30, 1997

ASSETS:	
Cash and Investments	\$ 22,802,486
Total Assets	<u>\$ 22,802,486</u>
LIABILITIES AND FUND BALANCE:	
Liabilities	\$ -
Trust Fund Balance	22,802,486
Total Liabilities and Trust Fund Balance	<u>\$ 22,802,486</u>

STATEMENT OF RECEIPTS, DISBURSEMENTS AND  
 CHANGES IN TRUST FUND BALANCE  
 For the Fiscal Year Ended September 30, 1997

Receipts:	
Contributions - Court Registry Investment System, Joint Trust Account	<u>\$ 60,101,802</u>
Unobligated Balances Returned to NRDA&R:	
U.S. Department of Interior:	
Fish and Wildlife Service	601,997
United States Geological Survey	47,425
National Park Service	51,451
Minerals Management Service	7,576
U.S. Department of Agriculture, United States Forest Service	<u>1,442,287</u>
	2,150,736
Investment Income	<u>502,278</u>
Total Receipts	<u>62,754,816</u>
Disbursements:	
U.S. Department of Interior:	
Fish and Wildlife Service	(16,859,740)
United States Geological Survey	(1,604,100)
National Park Service	(86,700)
Office of the Secretary	(67,400)
Bureau of Indian Affairs	(15,800)
U.S. Department of Agriculture, United States Forest Service	<u>(25,137,900)</u>
U.S. Department of Commerce, National Oceanic and Atmospheric Administration	<u>(3,972,600)</u>
Total Disbursements	<u>(47,744,240)</u>
Excess of Receipts Over Disbursements	15,010,576
Trust Fund Balance, Beginning of Year	<u>7,791,910</u>
Trust Fund Balance, End of Year	<u>\$ 22,802,486</u>

The accompanying notes to trust fund financial statements are an integral part of this statement.



EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL  
 STATE OF ALASKA - EXXON VALDEZ OIL SPILL SETTLEMENT TRUST  
 BALANCE SHEET  
 September 30, 1997

ASSETS:	
Cash and Investments	\$ 20,461,532
Total Assets	<u>\$ 20,461,532</u>
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accounts Payable	\$ 3,928,921
Deferred Revenues	<u>5,699,772</u>
Total Liabilities	<u>9,628,693</u>
Fund Balances:	
Reserved for Encumbrances	4,942,648
Unreserved	<u>5,890,191</u>
Total Fund Balances	<u>10,832,839</u>
Total Liabilities and Fund Balances	<u>\$ 20,461,532</u>

STATEMENT OF REVENUES , EXPENDITURES AND  
 CHANGES IN FUND BALANCES  
 For the Fiscal Year Ended September 30, 1997

Revenues:	
Contributions - Court Registry Investment System, Joint Trust Account	\$ 22,342,377
Interest and Investment Income	<u>1,783,393</u>
Total Revenues	<u>24,125,770</u>
Expenditures:	
Current Operating:	
Natural Resources Damage Assessment and Restoration Projects	
Department of Fish and Game	(9,694,906)
Department of Environmental Conservation	(1,819,889)
Department of Natural Resources	<u>(1,522,667)</u>
Total Current Operating	<u>(13,037,462)</u>
Capital Outlay:	
Research Infrastructure Improvements - Alaska Department of Fish & Game	(17,178,804)
Land Acquisitions - Alaska Department of Natural Resources	<u>(11,073,625)</u>
Total Expenditures	<u>(41,289,891)</u>
Deficiency of Revenues Over Expenditures	(17,164,121)
Fund Balances, Beginning of Year	<u>27,996,960</u>
Fund Balances, End of Year	<u>\$ 10,832,839</u>

The accompanying notes to trust fund financial statements are an integral part of this statement.

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 1997

**1. EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL**

Formation of the Exxon Valdez Oil Spill Trustee Council

The United States of America (United States) and the State of Alaska (State) entered into a Memorandum of Agreement and Consent Decree (MOA) on August 28, 1991. The MOA was made to maximize the funds available for restoration of natural resources and to resolve the governments' claims against one another relating to the T/V *Exxon Valdez* Oil Spill (Oil Spill), which occurred on the night of March 23-24, 1989 in Prince William Sound, Alaska. Upon entering into the MOA, the United States and the State believed that the terms of the MOA were in the public interest and would best enable them to fulfill their duties as trustees to assess injuries and to restore, replace, rehabilitate, enhance, or acquire the equivalent of the natural resources injured, lost, or destroyed as a result of the Oil Spill.

Pursuant to the MOA and federal laws, the United States and State act as co-trustees in the collection and joint use of all natural resource damage recoveries for the benefit of natural resources injured, lost or destroyed as a result of the Oil Spill. To manage the co-trustee relationship, the *Exxon Valdez* Oil Spill Trustee Council (Council) was formed.

Exxon Valdez Oil Spill Trustee Council Structure

The Council consists of six trustees, three trustees represent the United States and three trustees represent the State. The United States' trustees are the Secretaries of the United States Departments of Interior and Agriculture and the Administrator of the National Oceanic and Atmospheric Administration (a bureau of the United States Department of Commerce). The State's trustees consist of the Commissioners of the State Departments of Environmental Conservation and Fish and Game, and the Attorney General of the State of Alaska. The MOA allows the President of the United States or the Governor of the State of Alaska to transfer trustee status from one official to another official of their respective governments.

All decisions of the Council must be made by the unanimous agreement of the trustees. The decisions of the United States' trustees must be made in consultation with the United States Environmental Protection Agency. If the trustees cannot reach unanimous consent, either the United States or the State may resort to litigation in the United States District Court for the District of Alaska (Court).

Restoration Office

The Council has established a Restoration Office which is responsible for the coordination and supervision of the activities of the Council. The Restoration Office is managed by an Executive Director who reports directly to the Council. Since the Council exists through the MOA, it and the Restoration Office operate within the framework of the Trustee Agencies. During fiscal 1997, all activities of the Restoration Office were conducted through the Alaska State Departments of Fish and Game and Natural Resources. In addition, the National Oceanic and Atmospheric Administration administered certain parts of the Restoration Office's activities.

The Restoration Office develops an annual budget which, upon approval by the Council, sets forth the anticipated expenditures of the Restoration Office. The Council makes an annual contribution to the State agencies equal to the budget for the Restoration Office. The contributions are made using the disbursements procedures discussed in Note 6.

Termination of the Exxon Valdez Oil Spill Trustee Council

The MOA shall terminate when the United States and the State certify to the Court, or when the Court determines on application by either government, that all activities contemplated under the MOA have been completed.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Joint Trust Account - CRIS - Court Registry Investment System

As further discussed in Note 5, amounts paid by Exxon Corporation are made directly to the United States and the State for reimbursement of certain costs incurred by them in connection with the Oil Spill. In accordance with the MOA and as ordered by the presiding Court and pending disbursements to the Federal and State trust funds, money that is not directly paid to the United States and the State is placed in an interest-bearing account in the Court Registry Investment System (CRIS) administered through the United States District Court for the Southern District of Texas. An account entitled "Exxon Valdez Oil Spill Settlement Account" (Liquidity Account) was established in CRIS specifically for the Exxon settlement proceeds. A second account (Reserve Account) was established in fiscal 1995 and is intended to be an investment mechanism for funds pertaining to the settlement with Exxon which are anticipated to be held for longer periods of time. Together, Liquidity and Reserve Accounts are referred to as the Joint Trust Account - CRIS.

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 1997

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

CRIS is a cash management system developed by the United States District Court for the Southern District of Texas. All amounts placed with the CRIS liquidity account are maintained in United States government treasury securities with maturities of 100 days or less, and are held in the name of Clerk, U.S. District Court, Southern District of Texas at the Federal Reserve Bank. Amounts placed with the CRIS reserve fund are maintained in United States government treasury securities with maturity dates ranging from fiscal 1997 through fiscal 2003, and are held in the name of Clerk, U.S. District Court, Southern District of Texas at the Federal Reserve Bank. The financial presentation for the Joint Trust Account - CRIS is of the Joint Trust Account - CRIS only and is not intended to present the financial position of CRIS or the United States District Court for the Southern District of Texas and the results of their operations.

Upon unanimous approval of the Trustee Council, funds are disbursed to the United States and the State to be expended by the Trustee Agencies in accordance with the Council's wishes. The accompanying financial statements for the Joint Trust Account - CRIS reflect the intent of the disbursements as to natural resource damage assessment and restoration, or the acquisition of land or research infrastructure improvements to further protect the natural resources. The financial statements also reflect the fiscal year which the disbursements are to be expended by the Trustee Agencies.

As allowed under 28 USC 1913, 1914 (b) and 1930(b), the Clerk of the Court for the United States Courts is allowed to charge a registry fee for administering investment holdings of funds held in their registry accounts. During the year ended September 30, 1997, the registry fee charged to the Joint Trust Account - CRIS was ten percent of investment income until December 13, 1996, at which time the fee was adjusted down to seven point five percent in accordance with registry fee assessment provisions. In addition, CRIS has entered into a contract with a Houston, Texas based financial institution to provide investment advisory information, securities trading services, and accounting services at a fee of .025 percent added to the cost of securities purchased by CRIS.

U.S. Department of the Interior, Natural Resources Damage Assessment and Restoration Fund

Disbursements which are made from the Joint Trust Account - CRIS to the United States are deposited in the U.S. Department of the Interior, Fish and Wildlife Service, Natural Resources Damage Assessment and Restoration Fund (NRDA&R). NRDA&R was established pursuant to Public Law 102-154, and is administered by the U.S. Department of Interior, Fish and Wildlife Service. It is a trust fund which was established to hold natural resources damage assessment and restoration settlement proceeds of the United States Government. Public Law 120-229 requires that federal proceeds from the Agreement and Consent Decree (see additional discussion in Note 4) be deposited in NRDA&R, and that all interest earned on these proceeds be available to the Federal Trustees for necessary expenses for assessment and restoration of areas affected by the Oil Spill. Public Law 120-229 also calls for amounts in NRDA&R to be invested by the U.S. Secretary of the Treasury in interest bearing obligations of the United States.

Disbursements from NRDA&R are made pursuant to the directions of the Council and as approved by the Court. At the beginning of each fiscal year, the Department of Interior, Fish and Wildlife Service communicates with each of the United States Trustee Agencies to determine the timing of disbursements from NRDA&R to each Federal Trustee Agency. Investments are purchased in order to earn interest on available balances within NRDA&R, and with scheduled maturity dates coincident with the scheduled date of disbursement.

The financial presentation for NRDA&R is of the amounts related to the Council only and is not intended to present the financial position of NRDA&R or the Department of Interior, Fish and Wildlife Service and the results of their operations.

State of Alaska, Exxon Valdez Oil Spill Settlement Trust

Disbursements which are made from the Joint Trust Account - CRIS to the State are deposited in the State of Alaska, Exxon Valdez Oil Spill Settlement Trust (Settlement Trust). The Settlement Trust is established pursuant to AS 37.14.400. Pursuant to State law a state agency may not expend money from the Settlement Trust unless the expenditure is in accordance with an appropriation made by law. Expenditures of funds are made upon properly approved requests for payment. The total of expenditures and encumbrances (obligations) may not exceed the appropriations to which they pertain.

The Settlement Trust is an expendable trust fund of the State. Expendable trust funds account for assets held by the State in a trustee capacity where the principal and income may be expended in the course of the fund's designated operations.

Upon approval by the Council, the Court, and the State of Alaska, Trustee Agencies make expenditures directly against the Settlement Trust.

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 1997

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The financial presentation for the Settlement Trust is of the Settlement Trust only and is not intended to present the financial position of the State of Alaska or any of its component units and the results of their operations.

Basis of Accounting

Basis of accounting refers to when revenues, expenditures and the related assets and liabilities are recorded in the accounts and financial statements. Specifically, it relates to the timing of the financial measurements made, regardless of the measurement focus applied.

The basis of accounting used by the Joint Trust Account - CRIS, NRDA&R and the Settlement Trust are as follows:

Joint Trust Account - CRIS - The financial statements of the Joint Trust Account - CRIS are prepared on a cash basis of accounting. As such, revenues are recognized when received, and disbursements are recognized when paid.

NRDA&R - The financial statements of NRDA&R are prepared on a cash basis of accounting. As such, revenues are recognized when received, and disbursements are recognized when paid.

Settlement Trust - The financial statements of the Settlement Fund are accounted for using a current financial resources measurement focus on the modified accrual basis. The Settlement Fund recognizes revenues when the source is measurable and available, and intended for the fiscal year. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Assets are recorded when measurable and due.

Expenditures are recorded when the related liability is incurred. Encumbrance accounting, under which purchase orders and contracts for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary integration of the Settlement Trust. Encumbrances outstanding at year-end are reported as reservations of fund balance since they do not constitute expenditures or liabilities.

Until June 30, 1997, interest and investment income was allocated to the Settlement Trust as agreed to under a Memorandum of Understanding (MOU) by and between the State Departments of Revenue and Administration effective July 1, 1993. Under the MOU, interest was credited daily to the Settlement Trust by determining the Settlement Trust's daily cash balance and applying the current weekly 180-day Treasury Bill Rates based on the Treasury Bill auctions. Effective July 1, 1997, a new MOU, dated November 26, 1997, superseded the original MOU and modified the method of determining interest income earned by the Settlement Trust. Under the new method, interest income is allocated daily based on actual earnings of the cash management pool of which the Settlement Trust is a part.

Statement Presentation

Separate balance sheets and statements of receipts and disbursements or revenues and expenditures are presented for each of the Joint Trust Account - CRIS, NRDA&R and the Settlement Trust. This is due to the fact that ownership of the Trust Funds rests separately with each of the U.S. District Court, U.S. Department of Interior, Fish and Wildlife Service and the State of Alaska, and the different bases of accounting used by the Trust Funds.

Accounts Payable and Deferred Revenue - Settlement Trust

Accounts payable in the Settlement Trust financial statements include disbursements made against the Settlement Trust subsequent to September 30, 1997, which relate to fiscal 1997 restoration activities.

Deferred Revenues in the Settlement Trust financial statements include amounts received or receivable at September 30, 1997, which are to be expended by the State in fiscal 1998.

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 1997

3. CASH AND INVESTMENTS

Cash and investments for the Joint Trust Account - CRIS, NRDA&R and the Settlement Trust are as follows:

Joint Trust Account - CRIS - All deposits and investments of the Joint Trust Account - CRIS are held in the name of Clerk, U.S. District Court, Southern District of Texas at the Federal Reserve Bank. At September 30, 1997, the balances held in the CRIS liquidity account are held in U.S. Treasury Bills with maturities less than 100 days, and the balances held in the CRIS reserve fund are held in U.S. Treasury Bills with maturity dates on November 15, in each year from 1997 through 2003. A nominal amount of cash is also included in the balance. There are no uninsured or unregistered deposits or investments. This places all of CRIS's investments and deposits in GASB credit risk category 1\*.

NRDA&R - All cash and investments of NRDA&R are held in the name of the U.S. Department of the Interior, Fish and Wildlife Service, Natural Resources Damage Assessment and Restoration Fund at the U.S. Department of the Treasury. At September 30, 1997, substantially all balances are held in U.S. Treasury Bills with maturities ranging from 30 to 300 days. A nominal amount of cash is also included in the balance. There are no uninsured or unregistered deposits or investments. This places all of NRDA&R's investments and deposits in GASB credit risk category 1\*.

Settlement Trust - Cash and Investments of the Settlement Trust represent cash on deposit in banks, and cash invested in various investments as a part of the State's short-term cash management pools. By law, all deposits and investments relating to the Settlement Trust are under the control of the Commissioner of the State Department of Revenue. The State's cash is invested pursuant to State laws which mandate that investments shall be made with the judgment and care exercised by an institutional investor of ordinary professional prudence, discretion and intelligence. All deposits are insured or collateralized with securities held by the State or by its custodian in its name. All investments are insured or registered in the State's name and are held by the State or its custodian. This places all of the State's General Investment Funds deposits and investments, of which the Settlement Trust cash and investments are a part, in GASB credit risk category 1\*.

- \* GASB Statement No. 3 requires deposits and investments to be categorized to indicate the level of risk assumed by an entity. For investments, category 1 consists of investments that are insured or registered for which the securities are held by the entity or its custodian in the entity's name, category 2 consists of uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the entity's name, and category 3 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent not in the entity's name.

4. CONTRIBUTIONS BY EXXON CORPORATION

Agreement and Consent Decree

On October 8, 1991, the United States, the State, Exxon Corporation (Exxon) and Exxon Shipping Company, and Exxon Pipeline Company entered into an Agreement and Consent Decree (Agreement). The Agreement principally stipulates that Exxon make certain payments, and that all parties release and covenant not to sue or to file any administrative claim against the other parties or specifically identified third parties. Pursuant to the Agreement Exxon is to pay the United States and the State a total of \$900 million as follows:

<u>Date Payment Due</u>	<u>Amount</u>
Ten days after the Agreement became effective	\$ 90,000,000
December 1, 1992	150,000,000
September 1, 1993	100,000,000
September 1, 1994	70,000,000
September 1, 1995	70,000,000
September 1, 1996	70,000,000
September 1, 1997	70,000,000
September 1, 1998	70,000,000
September 1, 1999	70,000,000
September 1, 2000	70,000,000
September 1, 2001	70,000,000
	<u>\$ 900,000,000</u>

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 1997

**4. CONTRIBUTIONS BY EXXON CORPORATION (Continued)**

During fiscal 1997, Exxon Corporation made the contribution to the Joint Trust Account - CRIS as required by the Agreement. As further discussed in Note 5, \$5,000,000 of the \$70,000,000 contribution was paid directly to the State of Alaska. The balance of \$65,000,000 was placed with the Joint Trust Account - CRIS.

Reopener for Unknown Injury

In addition to the payment terms discussed above, the Agreement also has a reopener provision that allows the governments to claim an additional \$100 million from Exxon between September 1, 2002, and September 1, 2006, as required for the performance of restoration projects in Prince William Sound and other areas affected by the Oil Spill to restore one or more populations, habitats, or species which, as a result of the Oil Spill, suffered substantial loss or substantial decline in the areas affected by the Oil Spill.

The cost of the restoration projects must not be grossly disproportionate to the magnitude of the benefits obtained, and the reopener is available only for any losses or declines that could not reasonably have been known or anticipated from information available at the time of the Agreement.

**5. REIMBURSEMENTS TO THE UNITED STATES AND THE STATE**

Under the terms of the Agreement, certain amounts paid by Exxon are to be made directly to the United States and the State. These payments are to be used solely to reimburse them for the following purposes:

1. Response and clean-up costs incurred by either of them on or before December 31, 1990 in connection with the Oil Spill;
2. Natural resource damages assessment costs incurred by either of them on or before March 12, 1991 in connection with the Oil Spill;
3. (State only) Attorneys fees, experts' fees, and other costs incurred by the State on or before March 12, 1991 in connection with litigation arising from the Oil Spill;
4. Response and clean-up costs incurred by either of them after December 31, 1990 in connection with the Oil Spill;
5. To assess injury resulting from the Oil Spill and to plan, implement, and monitor the restoration, rehabilitation, or replacement of natural resources, natural resource services, or archaeological sites and artifacts injured, lost or destroyed as a result of the Oil Spill, or the acquisition of equivalent resources or services after March 12, 1991; and
6. (State only) Reasonable litigation costs incurred by the State after March 12, 1991.

The agreement states that the amounts to be reimbursed to the United States for items one and two above are not to exceed \$67 million. The amounts to be reimbursed to the State for items one, two and three above are not to exceed \$75 million. The agreement does not place a cap on items four and five. The amounts paid to the State for item six above are not to exceed \$1 million per month.

During fiscal 1997, \$5,000,000 was paid to the State of Alaska as a reimbursement pursuant to the Agreement. There were no other reimbursements made to the United States or the State during fiscal 1997 under the Agreement.

**6. DISBURSEMENTS FROM JOINT TRUST ACCOUNT - CRIS**

Approved Payment Uses

Under the terms of the MOA, amounts paid by Exxon, excluding the reimbursements discussed in the preceding Note, are deposited into the Joint Trust Account - CRIS. These payments are to be used solely to assess injury resulting from the Oil Spill and to plan, implement, and monitor the restoration, rehabilitation, or replacement of natural resources, natural resource services, or archaeological sites and artifacts injured, lost or destroyed as a result of the Oil Spill, or the acquisition of equivalent resources or services.

Project Approval

The Council has developed a solicitation and review process for projects to address the purposes stated above. The outcome of the process is the development of a fiscal year Work Plan, which approves the funding for all projects to be conducted during the fiscal year. For the fiscal year ending September 30, 1997, the following project solicitation and review process was used by the Council:

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 1997

6. DISBURSEMENTS FROM JOINT TRUST ACCOUNT – CRIS (Continued)

1. In February 1996, the Council published an *Invitation to Submit Restoration Proposals for Fiscal Year 1997*. As part of the Invitation requirements, proposers developed and submitted detailed project descriptions and project budgets for review.
2. In May 1996, the Council's Chief Scientist and core reviewers coordinated a preliminary scientific and technical review of the projects. The projects were also discussed by the Council's Executive Director, agencies, and representatives of the Public Advisory Group (the Public Advisory Group consists of members of the public and concerned groups and was appointed by the Secretary of Interior based on the Council's recommendations in accordance with the MOA to help provide meaningful public participation in the injury assessment and restoration process).
3. In June 1996, all proposals and the results of the reviews were published in the *Draft Fiscal Year 1997 Work Plan*.
4. In August 1996, a public hearing was held on the *FY'97 Draft Work Plan* and the Public Advisory Group met to advise Trustee Council on the final work plan.
5. The majority of approved projects, received funding from the Council in August 1996. In addition to the public review many proposals underwent further technical, budget, policy, and legal review.
6. In December 1996, the Council approved six additional research monitoring, and general restoration projects for *FY'97 Final Work Plan*.

In addition to the process outlined above, the Council has also identified and acquired several tracts of land as permitted by the MOA. The land acquisition support costs are funded through the Work Plan. Land acquisitions are separately approved by the Council.

Interest Income Recovery - NRDA&R and the Settlement Trust

The governments are to report to the Council the amount of interest earned on net available balances in NRDA&R and the Settlement Trust. The Council then recovers the interest reported by reducing subsequent disbursements from the Joint Trust Fund for future projects. During fiscal 1997, disbursements to the United States and the State were reduced by \$493,030 and \$1,456,568 for such interest earnings, respectively.

Unobligated Balance Recovery - NRDA&R and the Settlement Trust

Actual project costs are frequently less than the original project budgets. When this occurs, the United States and the State retain the unspent or unobligated balances. The Council then recovers these balances by reducing subsequent disbursements for new projects. During fiscal 1997, the United States and the State reported total unobligated balances of \$4,652,369. Of this amount, the United States and the State reported \$1,102,442 and \$3,549,927 respectively. These unobligated funds were recovered through reduced project disbursements during the fiscal year ending September 30, 1997.

Disbursements from the Joint Trust Account - CRIS

During fiscal 1997, the Council disbursed \$77,947,932 for restoration projects and land acquisition pursuant to the MOA as follows:

Restoration Projects Authorized By the Council

For 1997 and 1998:

To be conducted by the United States	\$ 7,984,200
To be conducted by the State	11,315,000
Total	<u>19,299,200</u>

Land Acquisitions and Research Infrastructure

Improvements Authorized By The Council

For 1997 and 1998:

To be acquired by the United States	53,713,074
To be acquired by the State	11,537,625
Total	<u>65,250,699</u>
	84,549,899

Less:

Unobligated balances on prior years projects	(4,652,369)
Interest earnings on payments not yet disbursed by the United State and State	<u>(1,949,598)</u>

Disbursements from the Joint Trust Account - CRIS \$ 77,947,932

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 1997

## 7. DEFERRED REVENUE

On August 15, 1997, the Court approved the initial funding for restoration projects to be conducted by the Trustee Agencies in fiscal 1998. The disbursement relating to this action was made from the Joint Trust Account - CRIS on August 21, 1997, and the amount disbursed to the State Trustee Agencies' of \$4,975,772 has been recorded as deferred revenue.

As further discussed in Note 8, the Council approved and disbursed \$724,000 for the acquisition of research equipment for the Alaska Sea Life Center. These funds were received by the Settlement Trust prior to September 30, 1997. Expenditure of these funds will be made in fiscal 1998. Accordingly, this amount is included in deferred revenue.

NRDA&R received the United States' disbursement relating to the initial funding for restoration projects to be conducted by the Trustee Agencies in fiscal 1998 prior to September 30 1997. The amount received of \$5,782,169 has been recorded as Receipts - CRIS in the NRDA&R financial statements since NRDA&R is accounted for using the cash basis of accounting, and is part of the ending Trust Fund Balance. However, this money will be made available to the Federal Trustee Agencies in fiscal 1998.

## 8. REAL PROPERTY ACQUISITIONS

In order to protect the habitat of resources and services injured by the oil spill, the Council, directed its staff to establish a process for the evaluation and acquisition of real property that was imminently threatened by development, or had habitat value. This process was divided into two phases; large parcels, generally those over 1,000 acres, and small parcels, generally those smaller than 1,000 acres.

### Large Parcel Acquisitions

The large parcel phase of the land evaluation and acquisition process was initiated in 1992. This evaluation process lead to the consideration of numerous parcels for acquisition by Trustee Agencies. As of September 30, 1997, the Council funded the acquisition, through either the purchase of the property or the acquisition of a limited term conservation, for 420,640 acres, with a total purchase cost of \$229,350,000. Of the total purchase cost, \$184,600,000 is being provided from the Joint Trust Account - CRIS, and \$44,750,000 from other sources.

During fiscal 1997, large parcel acquisitions were completed on 59,520 acres with a total purchase cost of \$34,000,000. Of the total purchase cost, \$24,000,000 is being provided from the Joint Trust Account - CRIS, and \$10,000,000 from other sources.

Two of the acquisitions completed to date are to be paid on an installment basis through fiscal 2002. The following is a summary of the remaining commitments (excluding interest) due from the Joint Trust Account - CRIS as of September 30, 1997:

Fiscal Year Ending September 30:	
1998	\$ 8,500,000
1999	4,000,000
2000	4,000,000
2001	4,000,000
2002	11,805,734
	<u>\$ 32,305,734</u>

### Pending Large Parcel Acquisitions

The Council has authorized the acquisition of three additional large parcels totaling 176,850 acres with a total cost of \$95,176,440. Of the total purchase cost, \$83,933,094 is to be provided from the Joint Trust Account - CRIS, and \$11,243,346 from other sources. One of these acquisitions was substantially completed subsequent to year-end. This acquisition was for the purchase of 29,636 acres for a total cost of \$14,128,074. Approximately an additional 3,000 is to be acquired under the same purchase agreement during fiscal 1998, pending resolution of certain issues. However, the remaining land, which has an anticipated cost of approximately \$1,250,000, is to be acquired with funds from other sources. The other two acquisitions are also anticipated to be completed during fiscal 1998. In addition, negotiations continue on two other large parcel acquisitions. Currently, the area under negotiation includes approximately 169,909 acres.



NOTES TO TRUST FUNDS FINANCIAL STATEMENTS  
Fiscal Year Ended September 30, 1997**8. REAL PROPERTY ACQUISITIONS (Continued)**Small Parcel Acquisitions

The small parcel phase of the land evaluation and acquisition process was initiated in 1994. In response to a public solicitation, 327 parcels have been nominated for acquisition by the Trustees. The nomination period is open ended, and the Council continues to receive and evaluate nominations. The Council's staff evaluate, score, and rank the parcels, taking into account the resource value of the parcel, adverse impacts from human activity, and potential benefits to management of public lands. To date the Council has expressed interest in acquiring approximately 60 of the nominated parcels.

During fiscal 1996, the Council completed the acquisition on the first 14 parcels containing 805 acres with a total cost of \$5,294,700. During fiscal 1997 an additional 18 parcels consisting of 2,756 acres and costing \$7,583,000 were acquired. In addition, offers have been accepted by sellers on 5 parcels which are expected to close during fiscal 1998. These parcels contain 3,440 acres and have a total cost of \$4,464,300. All of the small parcels are purchased under fee simple title, and cash is paid on these parcels at closing. Most of these acquisitions are purchased through the Alaska Department of Natural Resources or the U.S. Department of the Interior, Fish and Wildlife Service, and all parcels acquired to date have been funded full from the Joint Trust Account - CRIS.

Alaska Sea Life Center

On November 2, 1994, the Council approved the disbursement of \$24,956,000 from the Joint Trust Account - CRIS with CRIS to fund the construction of the research infrastructure improvements for the Alaska Sea Life Center in Seward, Alaska which is affiliated with the University of Alaska, School of Fisheries and Ocean Sciences, Institute of Marine Science. The first of two withdrawals to fund the project in the amount of \$12,500,000 was made in September, 1995. The second withdrawal of \$12,456,000 was made in September, 1996. The funds are being expended by the Alaska Department of Fish and Game under a \$24,846,000 cooperative agreement with the City of Seward, Alaska. As of September 30, 1997, \$22,344,000 had been expended under the contract, and \$2,502,000 remained encumbered. The balance of the total disbursement is \$110,000 and is to be retained by the Alaska Department of Fish and Game for contract administration.

During fiscal 1997, the Council approved additional funding for the construction of the Alaska Sea Life Center totaling \$545,600. The additional funds are also being expended by the Alaska Department of Fish and Game. As of September 30, 1997, \$454,000 of the additional funds had been expended, and \$68,648 remained encumbered. The balance of the additional funds is \$22,952 and is to be retained by the Alaska Department of Fish and Game for contract administration.

Also during fiscal 1997, the Council approved funding for the acquisition of research equipment for the Alaska Sea Life Center totaling \$724,000. The additional funds are also being expended by the Alaska Department of Fish and Game. None of these funds had been expended as of September 30, 1997. It is anticipated that all of these additional funds will be expended during fiscal 1998.

**9. SUBSEQUENT EVENTS**

On January 12, 1998, the Council applied for a disbursement in the amount of \$1,089,000 related to its fiscal 1998 *Work Plan* for Restoration Projects to be conducted by the Trustee Agencies.

## Robert “Bobby” Kvasnikoff

Native leader, musician, husband and father  
1953-1997

Bobby Kvasnikoff could always be found center stage in his hometown of Nanwalek, ready with a smile and a song.

As a village leader and chairman of the English Bay Corporation, Bobby spoke eloquently about Native issues. His role in negotiating the sale of village holdings in Kenai Fjords National Park led to establishment of a permanent endowment for the people of Nanwalek, training and jobs for village youth, and long-term protection of Native heritage.

But it was through his electric guitar, golden voice and homegrown songs where Bobby’s passion took root in the heart of Alaska. He reached Alaskans through rock and roll, leading the English Bay Band to local fame at the Alaska State Fair and at statewide Native gatherings. When Bobby talked or sang, people listened. He routinely served as grand master for community events, with his band often providing the entertainment for dances and pageants. He was a central figure who brought smiles to his village, whether as a jolly Santa Claus for the village children, a band leader or as a steady voice promoting Native issues.

Bobby’s leadership, commitment, talents, and sense of community will be greatly missed by all.



Photo by Erik Hill, Anchorage Daily News



Photo by Roy Cornell

The Trustee Council adopted a memorial for Bobby Kvasnikoff, chairman of English Bay Corporation, who died January 9, 1997, at his home in Nanwalek. The Department of the Interior is in the process of requesting that the largest waterfall in Kenai Fjords National Park (above) be named Kvasnikoff Falls, a fitting legacy for this far-sighted Nanwalek leader.

