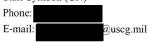
U.S. Department of Homeland Security

United States Coast Guard



Director National Pollution Funds Center U.S. Coast Guard Stop 7100 4200 Wilson Blvd, Suite 1000 Arlington, VA 20598-1804 Staff Symbol: (CN)



16480

May 23, 2014

CERTIFIED MAIL NUMBER: 7011 2000 0001 1246 5819

N. Gunter Guy Alabama Dept. of Conservation and Natural Resources 64 N. Union Street Montgomery, AL 36130

Re: Claim Number N10036-AL20 - Deepwater Horizon Oil Spill Perdido Bay Dolphin Assessment

Dear Mr. Guy:

The National Pollution Funds Center (NPFC) has reviewed the Alabama Department of Conservation and Natural Resources' (ADCNR) claim for costs to assess injury to dolphins in Perdido Bay resulting from the *Deepwater Horizon* oil spill (claim number N10036-AL20). We have determined that ADCNR has not met their burden of establishing that their proposed assessment is reasonable and appropriate under the Oil Pollution Act (OPA, 33 U.S.C. §2701 *et seq.*) and the OPA regulations (33 CFR. Part 136 and 15 CFR. §990 *et seq.*). Accordingly, the NPFC denies payment of your claim in the amount of \$1,739,199. The basis of our decision follows.

Summary of the Incident and Claim

On April 20, 2010, the *Deepwater Horizon* mobile offshore drilling unit exploded and sank, discharging an estimated 210¹ million gallons of oil into the Gulf of Mexico until the well was capped on July 15, 2010. Responders to the discharge dispensed approximately 1.84 million gallons of dispersants² to keep, or delay, the oil from reaching sensitive shorelines. The U.S. Coast Guard designated the source of the spill as an offshore facility located on an area leased by BP Exploration & Production, Inc. (BP). BP accepted the designation and advertised its claims process pursuant to the Oil Pollution Act (OPA).

¹ "Deepwater Horizon Oil Spill Early Restoration Plan." *Gulf Spill Restoration Publications*. National Oceanic Atmospheric Administration, December 1, 2011

² 1.07 million gallons on the surface and 771,000 gallons sub-sea, "The Ongoing Administration-Wide Response to the Deepwater BP Oil Spill," *Deepwater Horizon Incident Joint Information Center*, September 9, 2010

By the August-September 2010 period, the trustees observed over 950 miles of oiled shoreline habitat, 400 oiled sea turtles, and over 1,500 oiled birds³; and identified numerous other natural resources at risk to include fish, marine mammals, oysters, and associated habitats.

Upon notification of the spill, the State of Alabama, along with 4 other Gulf Coast states⁴, the National Oceanic and Atmospheric Administration (NOAA), and the Department of the Interior, Fish and Wildlife Service (FWS), acting as natural resource trustees designated under OPA and appropriate state laws, initiated a cooperative assessment of natural resource damages (NRDA) resulting from the discharges and response to discharges of oil. The federal and state trustees executed a Memorandum of Understanding relating to the NRDA dated June 22, 2011, and continue to work together to develop and implement assessment plans to determine the nature and extent of these injuries. Of particular note, the trustees, acting through NOAA, the lead federal trustee for dolphins, have conducted and are continuing to conduct activities to assess injury to dolphins throughout the northern Gulf of Mexico with funds provided or obligated by the Oil Spill Liability Trust Fund (OSLTF or the Fund) and BP⁵.

On February 3, 2014, the ADCNR, acting on behalf of the State of Alabama, presented the Fund with a claim to conduct field surveys for the assessment of injury to dolphins in Perdido Bay from 2014 through 2017. The claimed costs, \$1,739,199, are with respect to ADCNR's Proposed Data Collection Plan to Assess Injury to Estuarine Dolphin Stocks in Alabama (the Assessment Plan)⁶.

Jurisdictional Information

The NPFC first considered whether the claimed damages arose from an incident as defined by OPA. 33 U.S.C. §2701 *et seq*. To be covered, the incident must involve a discharge of oil or a substantial threat of discharge of oil from a vessel or facility into navigable waters of the United States after August 18, 1990. Based on the information provided by ADCNR in its claim, as summarized above, the NPFC finds that this claim is for natural resource damages resulting from an OPA incident.

³ Federal Register, Vol. 75, No. 190, Pgs. 60800-60802, October 1, 2010

⁴ Louisiana, Mississippi, Florida, and Texas

BP indicated that they have provided \$6,841,308 to fund cooperative workplans to assess dolphin injury, the NPFC has obligated \$498,483 via inter-agency agreement, and BP and the NPFC provided \$17,613,030 as payment for claims to implement dolphin assessment activities. The funded dolphin assessment activities include: Aerial surveys to document oil exposure; Capture-release health assessments; Photo identification and remote biopsy surveys; Support for the marine mammal stranding network; Developing a "multiplier" to estimate total dolphin injury; Inhalation exposure studies; and Integration of all estuarine dolphin assessment data and production of a final report. Enclosure 1 provides further detail of known estuarine dolphin assessment activities and costs funded to date.

ADCNR depicts this as the Fourth Addendum to Proposed Data Collection Plan to Assess Injury to Louisiana and Mississippi Estuarine Dolphin Stocks in an effort to evidence that this claim is in conjunction with the Trustees' claim. The Trustees, along with BP, have conducted and funded the Data Collection Plan to Assess Injury to Louisiana and Mississippi Estuarine Dolphin Stocks, along with four addenda since May 2010. The Trustee's Fourth Addendum is different from, and independent of, ADCNR's Fourth Addendum.

Claimant Eligibility

State natural resource trustees are designated pursuant to OPA by the Governor of each state and Governors shall notify the President of these designations. 33 U.S.C. §2706(b)(3). Designated trustees have authority to assess damages to natural resources under their trusteeship (33 U.S.C. §2706(c)(2)(A)) and may present claims to the OSLTF for uncompensated natural resource damages (33 CFR. §136.207), which include the reasonable cost of assessing those damages. 33 U.S.C. §2701(5); 33 U.S.C. §2706(d)(1)(A)-(C).

This claim for natural resource damage assessment costs was submitted by ADCNR with the Geological Survey of Alabama (GSA). In a letter dated September 14, 2011, the Governor of the State of Alabama confirmed that the lead trustee for Alabama's natural resources is the Commissioner of ADCNR, and the State Geologist for the GSA is designated a trustee for natural resources under jurisdiction of the Commissioner⁷.

General Claim Presentment Requirements

No claim may be presented to the Fund for recovery of damages unless the claim is presented within three years after the date on which the injury and its connection with the discharge in question were reasonably discoverable with the exercise of due care, or in the case of natural resource damages under section 2702(b)(2)(A), if later, the date of completion of the natural resource damage assessment under section 2706(e) of this title. 33 U.S.C. §2712(h)(2), 33 C.F.R. §136.101(a)(1)(ii). This requirement is more fully discussed below.

In accordance with OPA, the OSLTF is available to pay claims for uncompensated natural resource damages. 33 U.S.C. §2712(a)(4). Natural resource damages are defined as injury to, destruction of, loss of or loss of use of natural resources, including the reasonable costs of assessing those damages. 33 U.S.C. §2702(b)(2)(B). Costs are determined with respect to plans adopted under 33 U.S.C. §2706(d)(2) that are developed and implemented after adequate public notice, opportunity for a hearing, and consideration of all public comment. 33 U.S.C. §2706(c)(5). ADCNR states that the Assessment Plan that forms the basis of this claim was published on the Alabama Coastal Restoration website⁸ on December 26, 2013, thereby meeting this requirement⁹.

Claim Presentment to the Responsible Party

With certain exceptions, claims to the Fund for damages must be presented first to the responsible party (RP). 33 U.S.C. §2713(a). If a claim is presented in accordance with §2713(a) and is not settled by payment by any person within 90 days after the date upon

⁹ Claim Letter, page 3.

⁷ Letter from Governor Robert Bentley to President Barack Obama, dated September 14, 2011

⁸ http://www.alabamacoastalrestoration.org/pdfs/Amendment_AL_dolphin%20assessment%20May%2029%202013.pdf

which the claim was presented, the claimant may elect to commence an action in court or present the claim to the OSLTF. 33 U.S.C. §2713(c)(2).

ADCNR presented its Assessment Plan and claim for assessment costs to BP on May 29, 2013¹⁰. The Assessment Plan notes the potential injuries to dolphins resulting from the incident and described the general assessment approach, need for the assessment, survey designs, deliverables to be produced, principal investigator, timeline, level of effort, and cost estimates for contractors.

BP responded to ADCNR by letter on August 7, 2013, requesting that ADCNR provide additional information regarding baseline data for dolphins in Perdido Bay and results from any prior *Deepwater Horizon*-related assessment work for dolphins in Alabama, as well as inquiring about the potential overlap with dolphin assessment work conducted by NOAA¹¹. ADCNR indicates that it had subsequent phone conversations with BP about ADCNR's plan, but the claim for implementation costs has not been settled¹².

On February 3, 2014, more than 90 days after presenting its claim to BP for \$1,739,199 to implement its Assessment Plan, ADCNR presented its claim to the Fund¹³.

Based on the above facts, the NPFC finds that ADCNR's claim to the NPFC for costs to implement its Assessment Plan was presented to the RP in accordance with OPA.

Claimant's Burden of Proof and Adherence to OPA Claims and NRDA Regulations

Under OPA's claims regulations, a claimant bears the burden of providing all evidence, information, and documentation deemed necessary by the Director, NPFC, to support the claim. 33 C.F.R. §136.105(a). For natural resource damage claims, a claimant must identify all trustees who may be potential claimants for the same natural resources damaged. 33 C.F.R. §136.209(c). Further, in order to facilitate the processing of these claims with respect to a single incident where multiple trustees are involved and to prevent double recovery, the affected trustees should select a lead administrative trustee who will consolidate claims on behalf of the trustees. 33 C.F.R. §136.207(a).

The Natural Resource Damage Assessments regulations were promulgated by the Department of Commerce, NOAA, pursuant to 33 U.S.C. §2706(e)(1) and are found at 15 C.F.R. Part 990. These regulations provide that if an incident affects the interests of multiple trustees, the trustees shall act jointly under this part to ensure that full restoration is achieved without double recovery of damages. For joint assessments trustees must designate one or more Lead Administrative Trustees to act as coordinators. 15 C.F.R. §990.14(a). If there is a reasonable basis for dividing the natural resource damage assessment, trustees may act independently under this part, so long as there is no double recovery of damages. 15 C.F.R. §990.14(a)(2).

¹³ Letter from ADCNR to NPFC, dated January 27, 2014; (received by the NPFC on February 3, 2014)

¹⁰ Letter from ADCNR to BP transmitting their Assessment Plan, dated May 29, 2013

¹¹ Letter from BP to ADCNR, dated August, 7, 2013

¹² Claim Letter, page 3

NPFC Review and Analysis of Claimed Activity and Costs

NOAA-led dolphin assessment surveys began in May 2010, prior to the *Deepwater Horizon* oil reaching nearshore areas, in order to obtain baseline population data¹⁴, and continued in 2010¹⁵, 2011¹⁶, 2012¹⁷, 2013^{18,19}, and 2014²⁰ at four representative locations (Chandeleur Sound, LA and Barataria Bay, LA, Mississippi Sound, MS and St. Joseph Bay, FL)²¹. The federal and state trustees have conducted visual health assessments and aerial surveys that documented dolphins in heavily oiled waters of Perdido Bay, Alabama²². High numbers of dolphins have also been recovered along the Alabama coastline, which, like other Gulf Coast states, is under a declaration of an Unusual Mortality Event^{23,24}.

ADCNR claims \$1,739,199 to conduct photo identification and remote biopsy surveys of dolphins in Perdido Bay during the summers of 2014, 2015, and 2016 and winters of 2014/15, 2015/16, and 2016/17. By boat, personnel would take photos of the dorsal fin and flanks of each dolphin, which provide distinctive markings and allow for tracking of the dolphin in future surveys. After repeating the survey in successive years, these photos would be analyzed using a computer software program to track the survival of each dolphin over time to estimate abundance. While conducting the photo identification surveys, personnel would also record other environmental data²⁵ to gain more information about the behavior and condition of the dolphin population in Perdido Bay. Remote biopsy surveys would be conducted using biopsy darts fired from a crossbow or rifle to collect skin and blubber samples from below the dorsal fin of each dolphin subject. The tissue samples obtained from the biopsies would be analyzed for genetic stock structure, sex determination, species identification, diet assessment, body condition, and contaminants.

¹⁴ Proposed Data Collection Plan to Assess Injury to Louisiana and Mississippi Estuarine Dolphin Stocks, page 2

Proposed Data Collection Plan to Assess Injury to Louisiana and Mississippi Estuarine Dolphin Stocks,
 page 6

¹⁸ NOAA's Second Interim, Partial Claim for Assessment and Restoration Planning Costs

²⁰ NOAA's Third Interim, Partial Claim for Assessment and Restoration Planning Costs

²² Assessment Plan, page 4

24 "2010-2014 Cetacean Unusual Mortality Event in Northern Gulf of Mexico." National Marine Fisheries Services March 6, 2014

Second Addendum Proposed Data Collection Plan to Assess Injury to Estuarine Dolphin Stocks
 Proposed Data Collection Plan to Assess Injury to Louisiana and Mississippi Estuarine Dolphin Stocks: Third Addendum

¹⁹ Proposed Data Collection Plan to Assess Injury to Louisiana and Mississippi Estuarine Dolphin Stocks: Fourth Addendum

²¹ Proposed Data Collection Plan to Assess Injury to Louisiana and Mississippi Estuarine Dolphin Stocks, page 3

²³ An Unusual Mortality Event is defined by the Marine Mammal Protection Act as "a stranding that is unexpected; involves a significant die-off of any marine mammal population; and demands immediate response."

²⁵ Environmental conditions, locations, group size, number of adults and juveniles in group, movement patterns, and evidence of foraging

The photo identification and remote biopsy survey assessment procedures described by ADCNR are similar to those used by NOAA as part of the Gulf-wide assessment of dolphin injuries that they are conducting as the lead federal trustee for dolphin assessment activities for this incident.

After reviewing the claim, the NPFC finds that ADCNR has established that injuries to dolphins in Perdido Bay may have resulted from the incident. However, while Perdido Bay is a location not specifically being sampled using photo-identification and remote biopsy surveys under NOAA's Gulf-wide dolphin assessment, ADCNR has not established that the claim for \$1,739,199 is a reasonable and appropriate assessment cost. Specifically, ADCNR has not explained how, or if, the data it collects will be integrated into NOAA's assessment conducted on behalf of the trustees²⁶. A failure to integrate the data into NOAA's assessment could lead to double recovery, which is prohibited by OPA (33 U.S.C. §2706(d)(3), the natural resource damage regulations (15 C.F.R. §990.22) and the OPA claims regulations (33 C.F.R. §136.209(f).

ADCNR has not explained how the data to be collected will be integrated into NOAA's plan and aid in quantification of dolphin injury because its data collection and analysis will not be complete until after NOAA and the trustees have quantified injuries to estuarine dolphins under its plan, expected to be completed in 2014.²⁷ ADCNR plans to conduct surveys through the winter of 2016/17, with data analyses and reporting continuing through the end of 2017.

Also, ADCNR proposes to initiate these surveys in Perdido Bay almost four years after the *Deepwater Horizon* incident. ADCNR has not established that there is valid baseline data for dolphins in Perdido Bay to which its proposed surveys could be compared in order to determine injury caused by the incident. ADCNR seems to rely on the existence of some photographs taken of dolphins in Wolf Bay in 2006 and 2007 and visual health assessments and coast wide aerial surveys conducted in 2010²⁸. Conversely, NOAA collected data in early May 2010 in the northern Gulf of Mexico estuarine areas impacted by the oil (Louisiana to Florida) in order to establish a baseline from which later surveys would be used to quantify injury²⁹. Thus, without valid baseline date for the Perdido Bay dolphins it is not clear how the dolphin injuries could be quantified, how it would affect restoration planning or preclude double recovery.

This claim is denied.

²⁶ The NPFC has provided funds to NOAA to carry out a Gulf-wide assessment of dolphin injury resulting from this incident (see enclosure 1).

Proposed Data Collection Plan to Assess Injury to Estuarine Dolphin Stocks in Alabama: Fourth Addendum to Proposed Data Collection Plan to Assess Injury to Louisiana and Mississippi Estuarine Dolphin Stocks, page 4

²⁹ Proposed Data Collection Plan to Assess Injury to Louisiana and Mississippi Estuarine Dolphin Stocks, page 2

NOAA's Third Interim, Partial Claim for Assessment and Restoration Planning Costs, page 88. The description of estuarine dolphin assessment activity within NOAA's 2014 plan states that "laboratory analyses, data analysis, and initial injury quantification are expected to be completed by the end of 2014" and that the trustees will develop a final report that integrates the information from all estuarine dolphin assessment activities through 2014.

Request for Reconsideration

Under OPA, you may seek reconsideration of this determination. The request must be in writing and received by the NPFC in writing within 60 days of the date of this letter. It must include the factual and legal grounds for the relief requested, providing any additional support for the claim. 33 C.F.R. 136.115(d).

A claim may be reconsidered only once, and written disposition of a reconsideration request constitutes final agency action. If the NPFC fails to issue a written decision within 90 days after receipt of a request for reconsideration, this determination, at the option of the claimant, shall be deemed final agency action.

If you seek reconsiderataion you must address the following issues:

- 1. Demonstrate how the costs associated with your assessment plan are reasonable and appropriate as required under the NOAA regulations (15 C.F.R. §990.27). In other words, please explain how the data ADCNR proposes to collect will be integrated into NOAA's dolphin assessment conducted on behalf of the state and federal trustees and will aid in the quantification of damages in the NOAA assessment process. Alternatively, provide a reasonable basis for dividing the natural resource damage assessment and provide assurance there will be no double recovery of damages. 15 C.F.R. §990.27(a)(1) and (2).
- 2. OPA provides that "No claim of a person against the Fund may be approved or certified during the pendency of an action by the person in court to recover costs which are the subject of the claim." 33 U.S.C. §2713(b)(2). A "person" means "an individual, corporation, partnership, association, State, municipality, commission, or political subdivision of a State, or any interstate body." 33 U.S.C. §2701(27). We understand that the State of Alabama has commenced an action against the responsible party, which is currently pending in the U.S. District Court for the Eastern District of Louisiana. This would preclude payment from the Fund during the pendency of the action. If you disagree, please explain why this action in the Eastern District of Louisiana would not preclude payment from the Fund.
- 3. The NPFC understands that BP has provided funding to the State of Alabama arising from the incident. The Claims Regulations provide that a claimant must include an accounting, including the source and value, of all other compensation received, applied for, or potentially available as a consequence of the incident out of which the claim arises, including, but not limited to, monetary payments, goods or services, or other benefits. 33 C.F.R.. §136.113. Please provide an accounting, including the source and value, of all other compensation received, applied for, or potentially available, as a consequence of the *Deepwater Horizon* incident.
- 4. The period of limitations for presenting a claim for damages to the Fund is within three years after the date on which the injury and its connection with the discharge in question were reasonably discoverable with the exercise of due care **or**, in the case of natural resource damages under section 2702(b)(2)(B), if later, the date of completion of the natural resource damage assessment under section 2706(e). 33

U.S.C. § 2712(h)(2). Your claim does not establish whether and how your assessment data will be integrated with NOAA assessment data under the damage assessment regulations pursuant to 33 U.S.C. § 2706(e). If you request reconsideration you should address how your assessment claim complies with the NOAA regulations or, in the alternative, explain when the injuries to dolphins were reasonably discoverable with due care.

Should you choose to request NPFC reconsideration of this determination, please mail the request and additional claim information with the appropriate claim number (N10036-AL20) to:

Chief (Cn)
National Pollution Funds Center
U.S. Coast Guard, Stop 7100
4200 Wilson Boulevard, Suite 1000
Arlington, VA 20598-7100

RICHARD NANCE Claims Manager Natural Resource Damage Claims Division

Assessment Activities that Involve Estuarine Dolphins

Cooperative Workplans Between BP and the Trustees			
Workplan Title	Description of Work	Amount	
Post-release monitoring/tracking of injured, stranded, or entrapped and released cetaceans in the oil spill impact area	Post-release montioring of injured dolphins	\$229,390	
Nearshore Cetacean & Sea Turtle Prey Item Sampling Plan (and addendum)	Dolphin and sea turtle prey contamination study	\$458,469	
Aerial Surveys for assessing marine mammals and sea turtles in the region of the Mississippi Canyon 252 incident	Aerial surveys to document oil exposure to marine mammals and sea turtles	\$654,200	
Assessing population size and spatial distribution of marine mammals and sea turtles in the Northern Gulf of Mexico (and addendum)	Aerial surveys to document oil exposure to estuarine dolphins	\$2,658,500	
Assessing Potential Subletal and Chronic Health Impacts from the Mississippi Canyon 252 Oil Spill on Coastal and Estuarine Bottlenose Dolphins (and addendum)		\$1,157,999	
Proposed Data Collection Plan to Assess Injury to Louisiana and Mississippi Estuarine Dolphine Stocks	Photo identification and remote biopsy surveys of estuarine dolphins	\$1,682,750	
Total		\$6,841,308	

Funds Obligated Via Inter-agency Agreement Between NPFC and Trustees (IAG# N10036-OC07)			
Activity Title	Description of Work	Amount	
Collection of Ephemeral Data from Marine Mammals and Sea	Support marine mammal and sea turtle stranding networks to		
Turtles	respond to and investigate cause of death for strandings	\$498,483	

Interim Partial Claim for Assessment and Restoration Planning Costs (NPFC Claim# N10036:OC08)			
Activity Title	Description of Work	Amount	
	Analysis of tissue samples from dead, remote biopsied, and		
Analysis of dead, remote biopsies, and stranded mammals	stranded marine mammals	\$662,667	
Esturaine dolphin population distribution and health	Analysis of information from capture-release health studies and		
assessment	photo identification and remote biopsy surveys	\$409,000	
	Analysis of information from the marine mammals prey		
Marine mammal prey availability and quality	contamination study	\$319,250	
Inhalation/Near-water exposure modeling for marine			
mammals	Modeling of oil exposure to marine mammals from inhalation	\$122,250	
Total		\$1,513,167	

Second Interim Partial Clain	n for Assessment and Restoration Planning Costs (Paid by BP)	
Activity Title	Description of Work	Amount
Estuarine Dolphins	Continued use of capture-release health assessments	\$4,576,441
	Cell line study to measure the effect of oil on adrenal function	
	Continued use of phote identification and remote biopys surveys	
	Genetic analysis of tisuue samples obtained from capture-release health assessments, remote biopsy survey, and strandings	
	Analysis of oil exposure data gathered from prey samples and strandings	
	Integration of data from all dolphin assessments	
Coastal and Estuarine Cetacean Strandings	Continued support of the marine mammal stranding network	\$1,379,816
	Development of a multiplier to predict the actual number of injured dolphins	
Inhalation Risk Assessment	Continued analysis of injury to marine mammals from inhalation	\$289,000
Total		\$6,245,257

Activity Title	Description of Work	Amount
Estuarine Dolphins	Continued use of capture-release health assessments	
	Photographic study of pregnant dolphins from previous health assessments to document reproductive outcomes	
	Continued use of phote identification survey	\$5,337,134
	Continued genetic analysis of tissue samples	
	Integration of all estuarine dolphin assessment data and production of a final report	1
Coastal and Estuarine Cetacean Strandings	Continued support of the marine mammal stranding network Continued development of a multiplier to predict the number of injured dolphins	\$3,677,874
Inhalation	Continued analysis of injury to marine mammals from inhalation	\$587,798
Strandings: Necropsies, and Management, Transport and	Freezer storage of tissues samples from stranded marine	
Storage of Sea Turtles and Marine Mammals	mammals and sea turtles	\$251,800
Total		\$9,854,606