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# Testimony

Before the Subcommittee on Water Resources and Environment, Committee on Transportation and Infrastructure, House of Representatives

Hearing Held at 10:00 a.m. EDT July 11, 1995 Statement Submitted July 11, 1995

# SUPERFUND

# Number and Value of Natural Resource Damage Claims

Statement for the record by Peter F. Guerrero, Director, Environmental Protection Issues, Resources, Community, and Economic Development Division



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Mr. Chairman and Members of the Subcommittee:

As the Subcommittee considers reauthorizing the Superfund program, we are pleased to provide this statement on settlements for damages to natural resources under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Known generally as the Superfund statute, CERCLA authorizes the Environmental Protection Agency (EPA) to clean up hazardous waste sites and to compel responsible parties to perform or pay for the cleanups. CERCLA also authorizes certain federal, state, and tribal authorities to seek monetary damages for injuries to natural resources (such as wetlands, fish, and wildlife habitat) resulting from releases of hazardous substances. Concerns have arisen that such damages could add billions of dollars to the costs of Superfund cleanups and impose heavy burdens on industry and the federal budget. 1 070

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Our statement presents information on the number and value of claims for natural resource damages and is based on recently completed work. In particular, we will focus on claims filed and settled. We also present the views of officials from the Departments of Justice, Commerce, and the Interior on the likely extent of future damage claims, including those faced by federal agencies, such as the Departments of Defense and Energy.

In summary, relatively few natural resource damage settlements have been reached, and their value is small compared to that of Superfund cleanup agreements. However, some cases now outstanding may involve substantial sums--up to hundreds of millions of dollars. Moreover, an uncertain number of the government's facilities may be subject to large damage claims, which could have potentially significant implications for the federal budget.

As of April 1995, federal agencies had settled 98 natural resource damage cases<sup>1</sup> for an estimated total of \$106 million:<sup>2</sup>

- -- 48 were settled with no payments,
- -- 36 were settled for less than \$500,000 each,
- -- 9 were settled for between \$0.5 million and \$5 million

<sup>1</sup>This number is based on the Department of Justice's classification, which sometimes groups more than one settlement in a "case."

<sup>2</sup>We are reporting actual dollar amounts that have not been adjusted for inflation. These dollar amounts reflect either cash settlements or the estimated value of damage assessments or restoration work that responsible parties have agreed to perform. each, and

-- 5 were settled for \$12 million or more each. (See app. I.

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These five largest settlements accounted for \$84.4 million, or 80 percent, of the \$106 million recovered. In comparison, through fiscal year 1994, responsible parties had settled Superfund cleanup agreements valued at an estimated \$10.2 billion--nearly 100 times the total value of the natural resource damage claims.

To learn about damage claims that states may have filed on their own, we contacted nine states. These nine states were chosen in part because they were known to have pending or future claims that involved large natural resource damages.<sup>3</sup> Five states had not yet settled any claims without federal trustees. But four had settled 17 other claims on their own for a total of approximately \$23.4 million--bringing the total value of claims identified in our review to about \$129.4 million.

Federal and state officials could not predict the number and value of future natural resource damage settlements. However, we asked them if they could identify any geographic areas where pending or future damage claims could exceed \$50 million. This amount is what some are suggesting should be the statutory limit for such claims. Because such pending or future cases can be sensitive, these officials were generally reluctant to identify such areas. However, they did identify three different instances where the extent and nature of damages have been publicly discussed and where pending or future claims are or may be valued at about \$500 million or more.

Although private parties have been involved in most of the natural resource damage settlements to date, the federal government could become liable for such damages at hazardous waste sites on its facilities. These damages could add significantly to the government's cleanup costs, which, for one agency alone, the Department of Energy, are expected to be about \$300 billion.

#### NATURAL RESOURCE DAMAGES

With the passage of CERCLA in 1980, the Congress authorized EPA to remedy contamination resulting from the release of hazardous substances and to compel the parties responsible for generating or disposing of the hazardous waste to help conduct or

<sup>&</sup>lt;sup>3</sup>The nine states are California, Colorado, Idaho, Minnesota, Montana, New Jersey, New York, Utah, and Wyoming.

pay for its cleanup.<sup>4</sup> CERCLA also established a trust fund (the Superfund), whose authorization now totals \$15.2 billion and which is financed primarily by taxes on corporate income, crude oil, and certain chemicals. EPA uses the trust fund to implement the cleanup program and to pay for cleanup activities.

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In addition, CERCLA provides for designating federal and state authorities as trustees for natural resources. These resources are defined under the law to include land, fish, wildlife, groundwater, and other resources belonging to, managed by, or otherwise controlled by, federal or other governmental entities. CERCLA authorizes the trustees, acting on behalf of the public, to recover monetary compensation (damages) from responsible parties to restore natural resources that have been injured by the release of hazardous substances. The trustees may also recover reasonable costs for assessing any damage to natural resources. The trust fund may not be used to pay for restoring the natural resources; therefore, the trustees must rely on recoveries from responsible parties to pay for this work. Under CERCLA, the recovered damages may be used only to restore or replace damaged resources or to acquire equivalent resources. Damages may be recovered for injuries to resources in an area that surrounds or adjoins a Superfund site itself and for injuries to areas where no Superfund site has been designated.

At some sites, responsible parties could incur liability for both cleanups and damages to natural resources. Hence, for these sites, including those on land owned by federal agencies, the trustees will generally seek recoveries only for residual resource damage, or damage that remains after a cleanup has been completed, according to Department of Justice officials. This damage may occur when (1) a cleanup leaves significant contamination in the environment or (2) animal populations have been reduced or wildlife habitat has been destroyed and cannot recover quickly without human intervention.

At the federal level, the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA) and the Department of the Interior have broad responsibilities as trustees for natural resources. NOAA is the trustee for the nation's coastal and marine environment, including commercial and recreational fisheries, anadromous fish,<sup>5</sup> and marine mammals. Interior is the trustee for resources such as migratory birds and waterfowl,

<sup>&</sup>lt;sup>4</sup>Responsible parties may include waste generators, waste haulers, and site owners and operators.

<sup>&</sup>lt;sup>5</sup>Anadromous species are fish, like salmon, that spawn in freshwater and then migrate to the sea.

endangered species, and anadromous fish.<sup>6</sup> Federal agencies--such as the Departments of Agriculture, Defense, Energy, and the Interior--are also the trustees for natural resources on the lands they manage.

States also have trustee responsibilities under CERCLA. States have traditionally acted as trustees for groundwater, the lands they own (e.g., state parks and forests), and fish, game, and other wildlife. Trustees' responsibilities for natural resources are not always distinct and can overlap. As a result, federal, state, and tribal trustees often act together to recover natural resource damages. 1

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A damaged area can have more than one settlement when, for example, there is more than one responsible party. Also, a settlement can cover all or a portion of an area's restoration. Since a responsible party can be liable for damages at more than one area, some settlements cover more than one area.

We performed our work at the Departments of Commerce, Justice, and the Interior in Washington, D.C. We also conducted telephone interviews with officials from nine judgmentally selected states, primarily in the office of each states' attorneys general. We conducted our review between February and May of 1995.

# MOST SETTLEMENTS WITH FEDERAL TRUSTEES ARE VALUED AT LESS THAN \$200,000

Most natural resource damage settlements with federal trustees have required no payment or relatively small payments by the responsible parties. Five cases have accounted for most of the total value of the settlements.

According to Department of Justice data, in 48 of the 98 settlements reached through April 1995, federal trustees agreed not to sue responsible parties for injuries to natural resources and required no payment unless new and significant information was later discovered.<sup>7</sup> These agreements, referred to as covenants not to sue, were granted because federal trustees determined that either (1) the cleanup to be performed at a Superfund site addressed their concerns about the natural

<sup>6</sup>While NOAA is the trustee for anadromous fish in freshwater and coastal waters, Interior is responsible for them only in freshwater.

<sup>7</sup>Department of Justice officials said that 48 is the minimum number of agreements that have been reached with no payments. The Department has not kept a systematic record of these agreements. resources or (2) no natural resources under federal trusteeship were damaged at the site. For the most part, federal trustees did not seek to recover damages in these cases. Instead, the trustees agreed to these settlements at the request of responsible parties that were seeking early and complete resolution of their environmental liability at a Superfund site. and in the

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The other 50 settlements involved monetary recoveries for natural resource damages totaling an estimated \$106 million. (See app. II.) With these recoveries, trustees will take actions to restore damaged resources, such as restocking fish, monitoring the recovery of injured resources, and creating new wetlands or other habitat. In some cases, these recoveries may reimburse trustees for their costs of assessing resource injuries.

Five of the 50 settlements accounted for \$84.4 million (80 percent) of the \$106 million recovered, as of April 1995.<sup>8</sup> All five settlements involved damages to coastal waters and/or rivers. These settlements are for cleaning up contamination and restoring biological resources (e.g., fish and lobster) in large areas of coastal waters beyond the area where a Superfund cleanup was performed or where no Superfund cleanup was performed.<sup>9</sup> Additional claims are pending or expected at two of these areas-Commencement Bay in Washington State and an offshore area near Los Angeles County in California. (See app. III for more information about these areas.)

# STATES HAVE SETTLED SOME DAMAGE CLAIMS INDEPENDENTLY

According to officials in the office of their state's attorney general, four states--Colorado, Idaho, New Jersey, and New York--had settled 17 CERCLA claims that were not filed jointly with federal trustees for a total of approximately \$23.4 million. These 17 settlements ranged in value from about \$36,000 to \$6.8 million. Seven claims were settled for about \$1 million each.

Natural resource damage practices varied in these states. For example, only one of the nine states, Wyoming, had not litigated any natural resource damage claims. On the other hand,

<sup>8</sup>In another case, federal trustees settled for \$15.1 million in natural resource damages at the Summitville Mine Site in Colorado. However, they did not recover any money because a responsible party went bankrupt.

<sup>9</sup>These five areas are Elliott Bay and Commencement Bay in Washington State, New Bedford Bay in Massachusetts, and an area off the shore of Los Angeles County and the Cantara Loop Train Derailment in California. New Jersey was more active and was the only state to use its own state law exclusively to litigate a natural resource damage case.

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# THE NUMBER AND VALUE OF FUTURE SETTLEMENTS ARE UNKNOWN

Federal officials could not predict the number or value of future natural resource damage claims. They were uncertain because the number and value of such claims depend greatly on whether and to what extent future cleanup agreements address injuries to natural resources. However, Department of Justice, NOAA, and state officials were able to identify three instances where damage settlements could exceed \$50 million. Although these officials thought other settlements could exceed this amount, they were reluctant to make predictions about specific geographic areas, except for the three instances which all involve future or ongoing claims of \$500 million.

One instance of a pending high dollar value claim is an area off the shore of Los Angeles County, California. According to NOAA and Department of Justice officials, federal and state trustees will attempt to recover about \$500 million to restore damage caused by DDT and polychlorinated biphenyls (PCB) contamination plus substantial additional amounts to compensate the public for the closing of fisheries and other lost use of resources. Trustees have already settled one case for \$12 million, and a \$42.2 million settlement was recently overturned by a federal court of appeals.

Two large mining areas were also identified. The Coeur d'Alene River basin in Idaho may involve between \$600 million and \$1 billion in damages, according to Department of Justice officials. This area, extending over several hundred square miles, encompasses more than 100 mines and includes the 21square-mile Bunker Hill Superfund Site. Mining activities have widely contaminated the area's soil, water, and air with lead and other heavy metals. In addition, emissions from smelting operations have destroyed large areas of vegetation. Federal trustees and the Coeur d'Alene Tribe are assessing the extent of damages in this area. The State of Idaho has already recovered \$4.5 million in damages and is not part of the ongoing assessment.

The upper Clark Fork River basin in Montana encompasses nearly 127 miles of river corridor and four Superfund sites. The state of Montana is seeking over \$600 million in damages caused by mining and smelting operations conducted for more than 100 years. Hazardous substances are still being released from the site, and large quantities of toxic metals and acids--which continue to accumulate in the river basin's soil, sediment, and water--are still causing damage. The federal government has not filed a damage claim.

# THE FEDERAL GOVERNMENT FACES POTENTIALLY LARGE DAMAGE CLAIMS

Our discussions with federal officials indicate that it is too early to know the potential number and value of natural resource damage claims at federal facilities. The selection of a cleanup remedy at many facilities is still years away, and until that step is taken, the full extent of residual resource damages cannot be estimated. However, Department of Energy officials said they expect large future damage claims in part because the high estimated cost of removing contamination is likely to preclude complete remediation at many of their facilities. They recognize that residual resource losses are larger when only part of the contamination is removed. .

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The federal government already has significant liability for cleaning up hazardous waste sites on its facilities. The cleanup bill for the Department of Energy alone is expected to be about \$300 billion. Other federal agencies have hazardous waste sites that will need to be cleaned up as well. For example, the Department of Defense has thousands of hazardous waste sites on its installations and the Department of the Interior has thousands of abandoned and inactive mine sites on lands that it administers.

In fact, Colorado, one of the states we contacted, has a damage claim pending at the Department of Defense's Rocky Mountain Arsenal. This claim was filed before 1986, when CERCLA was amended to restrict claims from being filed before cleanup remedies were selected. States and Indian tribes are expected to file other damage claims at federal facilities in the future, according to officials in the Departments of Defense and Energy.

#### **OBSERVATIONS**

To date, natural resource damage settlements have been relatively low--accounting for a small percentage of what responsible parties have agreed to pay for Superfund cleanups. However, federal and state officials told us of three future settlements that could involve hundreds of millions of dollars. They also indicated that there may be other future instances where claims will exceed \$50 million per geographic area. Further, the federal government faces the potential for large damages at some of its most contaminated facilities.

# GAO Number and Value of Natural Resource Damage Cases



Note: There were no cases between \$5 million and \$12 million. Source: GAO's analysis of data from the Department of Justice.

# APPENDIX II

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# FEDERAL NATURAL RESOURCE DAMAGE CASES UNDER CERCLA (Settlements as of April 26, 1995)

Case Name <sup>1</sup>	Site name, state	\$Value <sup>2</sup>
1. City of Seattle	Elliott Bay, WA	\$24,250,000
2. AVX Corp.	New Bedford, MA (Acushnet River/New Bedford Harbor)	21,127,371
3. Southern Pacific Transportation Co.	Cantara Loop Train Derailment, CA	14,000,000
4. Simpson Tacoma Kraft Co./Port of Tacoma	Commencement Bay, WA	13,035,000
5. Montrose Chemical Corp.	Montrose Superfund Site, CA	12,000,000
6. Eagle-Picher Industries (In re)	Tri-State Mining District Superfund Site: MO, KS, OK	4,734,000
7. Sharon Steel Corp.	Midvale Tailing Superfund Site, UT	2,600,000
8. Schlumberger Industries	Crab Orchard National Wildlife Refuge, IL	2,500,000
9. New York Trap Rock Corp.	Portland Cement Superfund Site, UT	2,207,510
10. Charles George Trucking Co.	Charles George Reclamation Trust Landfill, MA	1,378,350
11. The Carborumdum Co.	Caldwell Trucking Co. Superfund Site, NJ	1,024,434
12. Chateaugay Corp. (In re)	Six Superfund Sites: Arrowhead Refining, MN Cherokee Co., KS, G&H Landfill, MI, 9th Ave. Dump, IN, Tar Creek, OK & Royal Hardage, OK	941,000
13. BP America, Inc.	Army Creek Landfill Superfund Site, DE	800,000
14. New Port Largo	New Port Largo Superfund Site, FL	550,000
15. Midwest Solvent Recovery	Midco Sites I and II, IN	423,961
16. U.E. Systems, Inc. (In re)	Three Superfund Sites, IN: Midco Sites I & II, 9th Avenue Dump, and Douglas Road Landfill	373,000
17. National Gypsum Co. (In re)	Seven Superfund Sites: NJ, PA, FL, NH, IL	361,353
18. Thatcher Company	John Day Acid Spill, OR	275,000
19. Bliss	Missouri Dioxin Superfund Site, MO	250,000
20. Blackbird Mining Ltd. Partnership/ M.A. Hanna Mining Co. <sup>3</sup>	Blackbird Mine Site, ID	250,000
21. Accurate Partitions Corp.	Fisher-Calo Superfund Site, IN	220,000
22. Insilico Bankruptcy (In re)	Midco Sites I & II (9th Avenue Dump & Oak Grove), IN	214,840
23. Santa Clara I	Kyriakopulos International Superfund Site, SC	205,000
24. Bayard Mining Co.	Cleveland Mill Site, NM	200,000
25. Lonestar Industries, Inc.	Portland Cement Site, UT	200,000

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# FEDERAL NATURAL RESOURCE DAMAGE CASES UNDER CERCLA (Settlements as of April 26, 1995)

Case <sup>1</sup>	Site name, state	\$Value <sup>2</sup>
26. Energy Cooperative, Inc. (In re)	ECI Refinery Facility Site, IN	200,000
27. AMF Reece, Inc.	PSC Resources Superfund Site, MA	153,720
28. Oak Grove Sanitary Landfill Trust	Oak Grove Sanitary Landfill Site, MN	148,600
29. French Ltd., Inc.	French Limited Superfund Site, TX	140,580
30. Jack's Creek/Sitkin Superfund Site	Jack's Creek/Sitkin Smelting Superfund Site, PA	136,465
31. Arrowhead Refining Co.	Arrowhead Refining Co. Superfund Site, MN	134,800
32. Phoenix Capital Enterprises	Vertac Superfund Site, AR	129,000
33. Shore Realty	Applied Environmental Services Site, NY	124,000
34. Great Lakes Asphalt	Zionsville Superfund Site, IN	123,670
35. GATX Corp.	Saegertown Superfund Site, PA	94,510
36. Kowinsky Farms, Inc.	Cokers Landfill Superfund Site, DE	80,000
37. A.F. Murphy/Solvents Recovery Service of New England	Solvent Recovery Service Site, CT	76,935
38. Active Products	Wayne Reclamation Superfund Site, IN	74,999
39. American Waste Processing	Northside Sanitary Landfill, IN	55,000
40. I. Jones Partnership	Clinton Street Superfund Site, IL	55,000
41. Uniroyal, Inc. (In re)	Three Superfund Sites, IN: Midco Sites I & II, 9th Avenue Dump, and Douglas Road Landfill	49,710
42. Cuyahoga Equip. Co. (In re)	Publicker Industries Superfund Site, NY	40,000
43. Southern Lakes Trap & Skeet Club	Southern Lakes Trap & Skeet Club Site, WI	31,912
44. Farber	Syncon Resins Superfund Site, NJ	25,000
45. Core Craft, Inc.	Kummer Sanitary Landfill, MN	22,000
46. Anderson, Greenwood, & Co.	Sheridan Disposal Superfund Site, TX	20,000
47. Linemaster Switch Corp.	Linemaster Switch Corp. Superfund Site, CN	6,000
48. AVX Corp.	Sullivan's Ledge Superfund Site, MA	5,000
49. Manville Corporation	Johns-Manville Superfund Site, NY	3,779
50. Summitville Consolidated Mining Co., (In re)⁴	Summitville Mine Site, CO	0
TOTAL		\$106,051,499
MEDIAN		\$200,000

# APPENDIX II

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# FEDERAL NATURAL RESOURCE DAMAGE CASES UNDER CERCLA (Settlements as of April 26, 1995)

<sup>1</sup>Depiction of cases is based on data from the Department of Justice, whose classifications sometimes group more than one settlement per case. The name of the case may not correspond to the name of the parties paying the damages. All cases have been brought by the U.S. government except the cases marked by (In re): this term denotes a bankruptcy case involving more parties than the U.S. government.

<sup>2</sup>The data reflect the estimated dollar value of the case as of April 26, 1995, and may change where cleanup actions, assessments, or bankruptcy proceedings are to be completed. For example, in <u>U.S. vs. Blackbird Mining Ltd. Partnership</u>, the \$250,000 reported is for only one small responsible party and the natural resource damage is collected out of any moneys (up to \$250,000) left over after the cleanup is completed.

<sup>3</sup>This reflects a settlement with only one of the small responsible parties at the Blackbird Mine Site. Litigations are currently ongoing against other parties.

<sup>4</sup>Court allowed \$15.1 million for damages to natural resources, but no money was recovered because the company went bankrupt.

Source: Department of Justice.

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# THE FIVE AREAS WITH THE LARGEST FEDERAL DAMAGE SETTLEMENTS

The following briefly describes the five largest damage settlements involving federal trustees, as of April 26, 1995.

#### ELLIOTT BAY/SEATTLE, WASHINGTON

Elliott Bay is a 21-square-kilometer area in central Puget Sound encompassing the commercial waterfront district of Seattle. Over the past 150 years, the Elliott Bay/Duwamish River estuary has been contaminated by many hazardous substances, including chromium, cadmium, copper, lead, zinc, and several toxic and/or carcinogenic organics, such as polychlorinated biphenyls (PCB).<sup>1</sup> These pollutants have extensively contaminated nearshore sediments, reducing the value of the area as a habitat for fish and wildlife. In 1991, the federal, state and tribal trustees for Elliott Bay reached a \$24 million legal settlement with the city of Seattle and the municipality of metropolitan Seattle. The settlement allocated \$12 million for sediment remediation, \$10 million for habitat development, and \$2 million for pollution source control.

#### NEW BEDFORD HARBOR, MASSACHUSETTS

The New Bedford Harbor case was one of the first natural resource damage cases filed under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). Located near Buzzards Bay, Massachusetts, the harbor has long been used by the fishing, shipping, and manufacturing industries. After studies during the 1970s found high levels of PCBs and heavy metals in the harbor's fish and shellfish, several fishing areas were closed. Federal and state trustees reached a \$21.1 million settlement with five companies to cover the costs of assessment and restoration. The companies also agreed to an \$88 million Superfund cleanup settlement with EPA and the state. The value of restoration work is contingent upon the scope of the cleanup remedy that EPA selects for the outer harbor. Restoration projects under consideration by the trustees include the improvement of anadromous fish runs, the re-establishment of seagrass beds, the creation of wetlands, and the construction of artificial reefs. The trustees are currently developing a restoration plan that will outline the criteria for

<sup>&</sup>lt;sup>1</sup>PCBs, when released in the environment, decompose very slowly and can accumulate in plants, animals, and human tissue. Laboratory test show that they cause cancer in rats and mice and have adverse effects on fish and wildlife. PCBs, which are used primarily in electrical equipment, are generally banned from use in the United States.

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selecting the restoration projects.

# CANTARA LOOP TRAIN DERAILMENT, CALIFORNIA

In July 1991, a train derailed on a stretch of track known as the "Cantara loop" near Dunsmir, California. The derailment spilled approximately 19,000 gallons of the herbicide metam sodium, into the upper Sacramento River. The spill destroyed all aquatic life along a 42-mile stretch of the river and caused extensive injuries to a native trout fishery as well as to the river's ecosystem. This case was settled in March 1994, for \$14 million. The federal and state trustees have already taken some emergency restoration actions, such as re-establishing the native rainbow trout population, and are planning other restoration projects.

# COMMENCEMENT BAY/TACOMA, WASHINGTON

Commencement Bay is an estuarine bay located in the southern part of Puget Sound. Industrialization and urban development have severely degraded natural habitats in the bay by introducing a variety of hazardous substances into the surface and groundwater and the sediments of the bay area. Much of the bay's nearshore area is a National Priority List Superfund site. Federal, state and tribal trustees negotiated a settlement with the Port of Tacoma and the Simpson Tacoma Kraft Company for about \$13 million. Moneys from the settlement will be used to restore, replace, or acquire the equivalent components of the historical ecosystem, including vegetated shallows, mudflats, tidal marshes and creeks, off-channel sloughs and lagoons, naturalized stream channels, and adjacent upland buffer areas. Most site-specific restoration projects will not be selected until after early 1996.

# OFFSHORE LOS ANGELES COUNTY, CALIFORNIA

Approximately 2,000 metric tons of DDT and PCBs were discharged into the southern California marine environment through the local county sewer system. The state of California issued a health advisory against the consumption of fish from the area because of dangerous concentrations of DDT and PCBs and a commercial fishery was closed. In June 1990, the Department of Justice filed a claim on behalf of NOAA and the Department of the Interior against the 10 responsible parties for injury to natural resources caused by discharges of DDT and PCBs into the marine environment. Federal and state trustees settled one case for \$12 million. In March 1995, a federal court of appeals overturned a second \$42.2 million settlement with the Los Angeles County sanitation district and municipalities and sent the settlement back to the federal district court for reconsideration.

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