

NPFC Claims Process

Responsible Party Claim Submission Guidance

JANUARY 2007

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I. Introduction

A. Purpose of Document

This document provides assistance to Responsible Parties (RPs) on how to submit a claim for reimbursement of Oil Pollution Act of 1990 (OPA) removal costs and damages that asserts either an affirmative defense or an entitlement to a limit on liability (33 USC 2708, 33 USC 2703). It provides suggestions and best practices that have proven effective for RPs and answers many of the questions that typically come up with first-time RP claimants. Our ultimate goal is to make your claim preparation process easier and reduce the time it takes us to adjudicate your claim.

This document serves as a supplement to the *Claimant's Guide for Submitting OSLTF Claims*, which contains more detailed information on submitting different types of claims and is available through the NPFC's Claims page at www.uscg.mil/npfc/claims/.

It is important to note that this document has been prepared as an aid in submitting claims. Nothing contained within this document establishes new rights or requirements under OPA and the implementing regulations. In the event of conflict between this document and statute, regulation, or agency policy, the statute, regulation, or agency policy will govern.

B. Oil Pollution Act of 1990

Our guiding statute is OPA, which established and provides for the use of the Oil Spill Liability Trust Fund (OSLTF) to pay for federal oil cleanup activities and compensate third party claims for removal costs and OPA defined damages from oil spills.

Claimants must ensure that claim submissions are made in a timely fashion. The statute has deadlines that must be adhered to by claimants:

- Claims for removal costs must be presented within six years after the date of completion of all removal actions for that incident.
- Claims for damages must be presented within three years after the damage was reasonably discoverable with the exercise of due care. Claims for natural resource damages (NRD) may be submitted within three years from the date of completion of the NRD assessment under the damage assessment regulations at 15 CFR Part 990.

C. National Pollution Funds Center

The Coast Guard established the National Pollution Funds Center (NPFC) to administer the OSLTF. Three of the NPFC's major missions in support of oil spill response include:

- 1. Provide funding for Federal On-Scene Coordinator (FOSC) removal activities for oil spills covered under OPA.
- 2. Recover from RPs the costs expended by the FOSC as well as the claims paid by the NPFC for an OPA oil spill incident.
- 3. Pay claims for uncompensated removal costs and damages for an OPA incident.

D. Responsible Party

Pursuant to the provisions of OPA, an RP is strictly liable for all costs incurred and damages suffered as a result of an oil pollution incident (33 USC 2702). An RP may limit its liability or establish a complete defense to liability if it can meet the requirements set forth in 33 USC 2703 or 2704. As with all claimants presenting claims to the OSLTF, RPs bear the burden of proving all elements of their claims (33 CFR 136.105(a)).

Under 33 USC 2708, "The responsible party for a vessel or facility from which oil is discharged, or which poses the substantial threat of a discharge of oil, may assert a claim for removal costs and damages under section 2713 of this title **only if the responsible party demonstrates** that--

- (1) the responsible party is entitled to a defense to liability under section 2703 of this title; or
- (2) the responsible party is entitled to a limitation of liability under section 2704 of this title."

E. Claims Regulations

The regulations governing submittal and approval of claims under OPA are found at 33 C.F.R. §136. The complete set of regulations can be downloaded from the NPFC Laws and Regulations Web page, www.uscg.mil/npfc/laws and regulations.htm.

F. Claimant's Guide and Claim Form

For more detailed information on submitting both uncompensated damage and removal cost claims, see the *Claimant's Guide for Submitting OSLTF Claims*, which is available at www.uscg.mil/npfc/claims/. The document also includes the Optional OSLTF Claim Form.

II. Types of Responsible Party (RP) Claims

There are two types of claims that may be presented by RPs to the Fund:

- (1) An entitlement to a defense of liability and
- (2) An entitlement to limit liability.

In both types of claims, the RP is seeking reimbursement for removal costs and damages incurred.

A. Entitlement to a Defense to Liability

33 USC 2703 provides that:

A responsible party is not liable for removal costs or damages . . . if the responsible party establishes by a preponderance of the evidence, that the discharge or the substantial threat of a discharge of oil and the resulting damages or removal costs were <u>solely</u> caused by:"

- (1) an act of God; [OPA, in 33 USC 2701, defines an act of God as: "an unanticipated grave natural disaster or other natural phenomenon of exceptional, inevitable, and irresistible character the effects of which could not have been prevented or avoided by the exercise of due care or foresight."]
- (2) an act of war; [Such an act can be described as a hostile act of violence by one state or sovereign against another state or sovereign.]
- (3) [sole fault of a third party.]
 [OPA states in 33USC 2703 that this is "an act or omission of a third party, other than an employee or agent of the responsible party or a third party whose act or omission occurs in connection with any contractual relationship with the responsible party... if the responsible party establishes by a preponderance of the evidence, that the responsible party--
 - (A) exercised due care with respect to the oil . . . taking into consideration the characteristics of the oil and in light of all the relevant facts and circumstances; and
 - (B) took precautions against foreseeable acts or omissions of any such third party and the foreseeable consequences of those acts or omissions."]

However, 33 USC 2703(b) states that:

[A defense to liability] does not apply with respect to a responsible party who fails or refuses to-

- (1) report the incident as required by law if the responsible party knows or has reason to know of the incident;
- (2) to provide all reasonable cooperation and assistance requested by a responsible official in connection with removal activities; or
- (3) without sufficient cause, to comply with an order issued under subsection (c) or (e) of section 1321 of this title or the Intervention on the High Seas Act (33 U.S.C. 1471 et seq.)

B. Entitlement to Limit Liability

A responsible party may limit its liability and recover removal costs and damages incurred by the responsible party to the extent that incurred costs asserted under 33 USC 2713 exceed the amount of total liability of the responsible party as determined under 33 USC 2702.

An RP is not entitled to limit its liability if the incident was proximately caused by:

- Gross negligence or willful misconduct on the part of the RP; or
- The violation of an applicable Federal safety, construction, or operating regulation by the responsible party, an agent or employee of the responsible party, or a person acting pursuant to a contractual relationship with the responsible party (except where the sole contractual arrangement arises in connection with carriage by a common carrier by rail);

Or if the responsible party fails or refuses:

- To report the incident as required by law and the responsible party knows or has reason to know of the incident:
- To provide all reasonable cooperation and assistance requested by a responsible official in connection with removal activities; or
- Without sufficient cause, to comply with an order issued under 33 U.S.C. 1321 (c) or (e) or the Intervention on the High Seas Act (33 U.S.C. 1471 et seq.)

The NPFC uses the following definitions when relevant to adjudicating RP claims:

- Gross Negligence. Negligence is a failure to exercise the degree of care, which a person of ordinary caution and prudence would exercise under the circumstances. A greater degree of care is required when the circumstances present a greater apparent risk. Negligence is "gross" when there is an extreme departure from the care required under the circumstances or a failure to exercise even slight care.
- Willful Misconduct. An act, intentionally done, with knowledge that the performance will probably
 result in injury, or done in such a way as to allow an inference of a reckless disregard of the probable
 consequences.

III. RP Claims Submission Requirements

A. Standard of Review

NPFC uses a preponderance of the evidence standard in adjudicating all claims. The claims regulations provide that claimants bear the burden of proving all elements of claims (33 CFR 136).

B. Required Information

The NPFC requires all information necessary to fully understand the situation and circumstances that lead up to and caused the release. The regulations provide some basic guidelines concerning required information, but basically the claimant must present anything and everything necessary for the NPFC to fully understand the situation, circumstances and events leading up to and through the incident and release in order to make a reasonable determination as to the cause(s) and contributing factors of the incident and release.

C. Claims Process

Every incident and every claim is different, so it is difficult to provide specific or exact timelines and interactions a claimant can anticipate or expect from the NPFC. Similarly, it is difficult to set out specific types of information and documentation that will be required in every claim or type of claim. However, the NPFC does follow a process when receiving and adjudicating claims, which is described below and is provided to assist in the management of expectations during the process.

Once a claim is received from an RP, it is duly date stamped, then reviewed and assigned to a claims manager. The claims manager will acknowledge receipt and possibly request additional information that he/she has determined on first review to be necessary. The claims manager will then include the claim in his/her portfolio of other claims and begin the process of fully reviewing the submitted claim information. This full review will likely include peer and supervisory feedback and interaction and will most likely result in a follow up request for information or documentation.

In the case of entitlement to limit liability claims, the NPFC uses a two-phase process. The entitlement is adjudicated first; and, once it is established, the NPFC proceeds with the review of cost data to determine the OPA-compensable amount.

After a determination to uphold an entitlement is issued, a different claims manager may be assigned the claim in order to determine the OPA compensability of the removal costs and damages paid and incurred and to determine ultimate compensation the RP is entitled to receive. Following this process may result in several claims for compensation being generated as the NPFC may split costs to hasten adjudication. For example, third party damage claims may be lumped as one claim while removal costs are reviewed by a different claims manager. Each separate resulting claim will have its own adjudication, determination, and reconsideration process, which may require additional information.

In some cases, the NPFC may be able to work an initial review of costs and damages concurrently with the entitlement, but that is dependent upon the availability of information. Also when adjudicating removal costs and damages, the NPFC may opt to issue interim or partial payments. Again, this is dependent on the information and documentation provided to support the claimed costs.

Once the claims manager reaches a determination he/she obtains supervisory concurrence and issues a determination. Once the determination is issued, the claimant (RP in this case) may accept the outcome or request that it be reconsidered by submitting in writing a request for reconsideration which includes the factual or legal grounds for the request. Requests for reconsideration must be submitted within 60 days of when the determination is mailed (33 CFR 136.115). The reconsideration process is the internal agency appeal process, and there is no further administrative process when it is complete.

Claims are processed as information is received and can be analyzed. Workload has to be managed and to that end, any claim in which the RP's claimed costs are pending in court, is set aside and not acted on, pending the litigation outcome. Depending upon actions by the court, an RP can end up being precluded from consideration by the NPFC because the costs are eventually compensated in full or in part, are settled, or potential responsible parties are released. The NPFC may hold a timely submitted claim in abeyance, which means that it has been received and the statute of limitations has been tolled. No work or action will be taken on the claim until such time that the litigation is resolved or it becomes clear to the NPFC that it may proceed with adjudication, as no claimed costs are the subject of pending litigation. OPA's basic premise is that polluters should pay. Using this as a guiding principle, it is very important to us that we seek to protect the ability for the OSLTF to pursue any ultimate RP for recovery. This includes protecting the subrogable rights of any claimant to rightfully pursue someone else who may be responsible (33 USC 2712).

D. Evidence and Documentation

This will vary based upon the facility and or vessel, and the facts of the incident, but a partial list of the types of documentation that have been required in the past is provided below. It is very helpful if the documents are carefully organized, tabbed in binders, and outlined with a table of contents that describes documents contained in each binder.

1. General Incident Documentation

- Coast Guard Marine Casualty Investigations (per Federal Regulation Notice USCG 2006-25843, published Friday, 13 October 2006)
- Report of Incident (CG Form 2692)
- Police reports
- Internal company analysis and reports of the incident
- Insurance reports, Hull and Machinery Underwriters, reports to P&I on incident
- Copies of applicable insurance policies that were in place at the time of the incident (include summary of oral communications with insurance companies and copies of all written communications with insurance companies)
- P&I report
- NTSB or governmental agency report investigating the incident or circumstances surrounding the incident
- Any report of survey or investigation conducted by any claimant regarding this incident such as hull underwriters, etc.

• Independently contracted studies or analyses

2. Vessel Specific Information:

- Vessel logs
- Shipboard and/or company operating procedures and checklists that were in place at the time of the incident
- Engine tape (analogous to the "black box" on trailer trucks)
- Course recorders
- All manuals or documents onboard the vessel at the time of the incident that relate to the navigation and/or transiting procedures to be used by the crew
- Local navigation information, including established depths, charted depths, survey data, and local pilot history
- Depth recorder history of the waterway for the specific date, time of day, and location
- Copies of all written directives from owners and master to crew on operating procedures and requirements
- All manuals or documents onboard the vessel at the time of the incident that direct the navigation and/or transiting procedures to be used by the crew

3. Facility Specific Information

- Facility Response Plan (FRP) or Spill Prevention, Control and Countermeasure Plan (SPCC)
- Measures in place and evidence about the security at the location of the incident
- Industry standards that govern the particular industry involved, including construction standards (such as applicable American Petroleum Institute standards, or State Local Standards or Federal Agency standards and requirements, or the Mineral Management Service requirements for offshore facilities and pipelines) and any and all corporate or company standards, requirements, and recommendations
- Published precautions and safety and engineering safety practices
- Facility Response Training Plan
- Incident history for facility (all incidents of releases or threats of releases reported internally or required reporting to agencies within Federal, State, and local governments)
- History of inspections and drills, including local and corporate records as well as those provided to different governmental agencies
- Engineering inspections with regard to valves, pipelines, tanks, pumps, and structures
- All manuals or documents onboard the facility at the time of the incident that direct the operation of the facility

4. Crew or Personnel Specific information

- Crew list or shift list
- List of people on watch and position to which assigned, as well as watch/rest schedule in preceding 24 hours
- Licenses, qualifications, and training for personnel involved
- Witness list (any and all people that had or could have impact on incident or actually observed circumstances leading up to the incident)
- Drug test results
- Statements and affidavits from personnel on scene at the time of the release

5. Incident/Circumstances/Situational Documentation

- Weather forecasts
- Data buoy readings
- Coast Guard broadcast notices to mariners
- "Coast Pilots" or other sailing or shipping guidance for the geographical area where incident occurred
- Sailing directions and recommendations for the area
- Harbor regulations
- Marine advisories in place at the time of the incident

6. Other Supporting Documentation

- Copies and supporting documentation regarding any other litigation in which the RP is involved resulting from the incident
- Contracts designating counsel or representation regarding the claim and other actions
- Certificates of Financial Responsibility (COFRs) for vessels involved in the incident

Although the information provided above is detailed, it is not exhaustive; and, depending on the facts of the incident and all facts and circumstances taken as a whole, additional and other types of evidence may be requested and required by the NPFC. The purpose of this document is to provide guidance to RPs when contemplating submitting a claim to the NPFC.

IV. Documentation of Removal Costs and Damages

This section of this document assumes that an RP has successfully asserted its defense or has been granted an entitlement to limit its liability, and that it is now ready to submit a claim for its costs and damages to the OSLTF.

A. Removal Cost Documentation

The following is a list of the removal cost documentation required.

- Invoices
- Daily work logs
- Rental invoices, agreements and receipts for special purchases
- Proofs of payment
- Disposal manifests/records
- Sample analysis reports
- Signed Incident Action Plans
- Photographs of all equipment/on-scene removal activity
- Separate listing of personnel receiving Per Diem
- Hotel receipts
- *Itemized* receipts for any and all incidental expenses such as airfare, meals, etc. (Ensure all receipts can be clearly cross-referenced to or for the person or people with which they are associated. In large removal cost claims, we are finding that a well organized submission greatly assists our ability to provide a more timely review.)
- 1. Recommended Documentation Organization

In large removal cost claims, we are finding that a well organized submission greatly assists our ability to provide a more timely review.

You may want to consider submitting your claim in either a tabbed binder or an accordion folder broken out by vendor(s). We recommend this format for ease of review, and also so that consideration can be given to interim payments by vendor during the adjudication process if required.

Example of Recommended Binder Organization

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Binder 1

Tab A – Company X

Zone NJ 1

Zone PA 3

Tab B – Company Y

Zone DE 1

Zone NJ 10

Tab C – Company Z
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Preferably, each tab will have all invoices in date order by zone for that particular vendor. The vendor should invoice its costs in accordance with zone activity. If that is not possible, the daily work logs should indicate the zone area being worked. This will make it easier for our office to cross-reference the activity to the applicable Incident Action Plans (IAPs). In the event the daily work logs also do not indicate the zone, please provide that level of detail separately to assist in expediting the adjudication process.

Behind each separate invoice, provide all associated paperwork to validate the invoiced amount (i.e., daily logs, applicable receipts, explanations, underlying invoices for products or services the vendor obtained from a secondary source (i.e., port-a-let rental, roll-off box rental with associated pickup and delivery charges, specialty equipment a vendor may have rented). In the event there are multiple pickup and delivery charges for items such as roll-off boxes and the reason is a change in staging location etc., please provide an explanation so the Claims Manager understands what was happening in the field.

Behind each invoice provide a copy of the proof of payment for that invoice. Note that if the invoice was paid by wire transfer, an itemization must be attached to the copy of the wire transfer specifying what invoices and amounts were covered by that wire transfer. If check copies are provided, a copy of the front and back of the check that coincides with the associated invoice is requested.

- 2. Spill Management Team (SMT) Documentation
 - Ensure there are daily activity sheets that provide start and stop times for each member of the spill management team.
 - Ensure there is a description of duties performed daily on all members.
 - Provide copies of all documentation of SMT review of contractor invoices that explain/outline any and all costs reduced, denied or adjusted.
- 3. Types of Costs That Are Frequent Problem Areas Due to Lack of Substantiation/Justification
 - **Scope of work or level-of-effort issues**. Not all of the actions taken as a result of incidents are meant to remove or respond to the oil threat. Hull salvage, cargo offload, bottom surveys, and site remediation, while desirable by all parties (RP and spill responders), may not be OPA compensable. Additionally, these costs may be compensated through other avenues.
 - Salvage operations. When a vessel casualty occurs, oil pollution removal or mitigation
 activities that are payable from the OSLTF may be occurring alongside other activities for other
 purposes (e.g., navigation safety, salvage and safety of life and property at sea). In such mixed
 circumstances, the NPFC looks to the principal purpose of activities to determine qualifying oil
 removal costs.
 - Movie rental and miscellaneous costs included in hotel bills. Detailed explanations that directly link the expenses to the removal activities must be provided in order to substantiate the cost(s). For example, if a hotel conference room and audio visual equipment were rented to train local residents in shoreline response, this purpose must be demonstrated in the documentation, and also must be corroborated by the Federal On Scene Coordinator.
 - Miscellaneous meal expenses that cannot be associated with particular individuals.

 Receipts for food expenses in general and especially meal expenses that cannot be associated with particular individuals are not compensated without further details that directly link the

expenses to the removal activities. Group meals and catered meals can be documented through several different approaches, from sign-in sheets to contracts for meals delivered to sites.

- Car wash expenses. Car wash expenses for rented or privately owned vehicles are not considered response related unless the reason is tied to the pollution response.
- Administrative, legal, and P & I correspondent costs. These costs need detailed documentation substantiating that the underlying activity supports and furthers oil removal consistent with the National Contingency Plan (NCP).
- **Per Diem Expenses**. In a large response with numerous contractors, when requesting per diem, please ensure it is clear by vendor, the individual dates, names of individuals, and amount of per diem requested on a daily basis. If the vendor's invoice and daily work logs do not clearly delineate this, please ensure your submission has an adequate breakdown and itemization so these costs can be evaluated in an expeditious manner.
- Lodging expenses. This is a very confusing area in claim submissions when the response is extremely large and extends over a lengthy period of time and when responders are working shifts with numerous individuals cycling in and out of rooms, and the hotel bill only identifies one party. If this appears to be an issue in your anticipated removal cost claim, you must provide a detailed report on who was in what room, on what days, so the associated hotel bills coincide with what you are claiming. It is the responsibility of the claimant to submit this information in an orderly and discernable fashion in order to consider these costs. Also, if room rates are very expensive, you should provide detailed justification for "high end" rooms (e.g., if they are the only available rooms, you must provide supporting documentation).

B. Damage Claim Documentation

Only those damages expressly described in OPA are compensable from the Fund. Damages claimed must be measurable and must result from the discharge or substantial threat of discharge of oil to navigable waters, the adjoining shorelines or the exclusive economic zone. The following is a list of supporting documentation that may assist in presenting and providing the damage suffered. The types of documentation/information normally requested are sub-categorized below by the type of damage claim, but much of the documentation is useful across the various damage claim types.

1. General Guidance

- At a minimum provide all evidence/documentation relied on to fix the sum certain of the claim.
- Include pictures as much as possible to document the damage and/or include contemporaneous newspaper articles that support the damage being claimed.
- Document how the damage resulted from the discharge or substantial threat of discharge of oil.

2. Damage to Real or Personal Property

- Pictures are "worth a thousand words," for example, when a marina requests compensation for cleaned and or repaired piers or docks. Pictures documenting conditions before and after a spill are also very useful.
- Quotes or estimates for repair, cleaning or replacement from local sources.

• Removal activities may result in compensable damage, but require more evidence to demonstrate the connection to the oil. Again, pictures, or written statements, and/or affidavits from responders provide this link. An example is the need for the incident response personnel to reach the site by creating an access through a private landowner's property. The damage to that property, which was a direct consequence of the access needed for response crews, is an OPA compensable damage. The cost to return conditions to their undamaged state may also be treated as a removal cost.

3. Loss of Profits and Earning Capacity

- Financial reports (annual, monthly, seasonal, etc.) may be of use in determining the validity of the compensation to be reimbursed.
- Copies of contracts for committed business dealings impacted.
- Business financial statements, customer affidavits, receipts, invoices, charter party, etc.
- A quantification of damage claimed with accountant's analysis and comparable business performance from other years, similar seasons, etc.
- Analyses, reports, newspaper articles.
- Mitigation of the damage (how you attempted to minimize the impact).
- For fisheries, documentation of the actual impact of the oil on the fishery over an appropriate period of time.
- For fisheries, state and local geographical closure histories for an appropriate period of time.
- For local businesses, the full picture of the impact. While hotels on a beach may lose tourist bookings, a large response typically offsets the loss, as the personnel responding often place strains on lodging and other accommodations.

4. Increased Cost of Public Services

- This type of claim addresses "Damages for net costs of providing increased or additional public services during or after removal activities, including protection from fire, safety or health hazards, caused by a discharge of oil, [which shall be recoverable] by a State, or a political subdivision of a State" (33 CFR 136.237); this is not intended to pay for a "shuffling of the deck cards" with the personnel already on duty at the time of the incident.
- Provide a list of the people assigned to the regular shift, which is not compensable, and supplement it with the additional personnel called on to respond and who incurred overtime pay.
- Describe the duties performed and/or materials used along with the location(s) to which the personnel was/were deployed.
- Provide names and titles of authorizing supervisors.
- Any government agency that incurs and pays differential pay (overtime, time and a half, double
 time, triple time) must substantiate such payments with a copy of the labor contract where the
 applicable circumstances are spelled out as well as the methodology that effects such payments.

5. Loss of Government Revenue

- These typically involve beach resorts and the like, where access fees are charged to the public. They may also involve concession stands that are operated by the local government or which pay royalties to operate in the affected beach or, in some cases, reduced tax income.
- Description of revenue lost.
- Analysis and historic documentation of revenue for comparable time period.
- Documentation that shows direct causation to the incident.
- Documentation on the saved expenses (utilities, salaries, etc.).
- 6. Loss of Subsistence Use of Natural Resources
 - Claimants must establish a pattern of past use of natural resources for the purpose of subsistence.
 This may be done through the inclusion of objective affidavits, witness statements, and/or other documentation.
 - Documentation of personal income and means may be required.
 - More information is available on the NPFC's Web site at www.uscg.mil/NPFC/index.htm
- 7. Natural Resource Damages

• For specific guidance, please see www.uscg.mil/NPFC/NRD/.

V. Other Frequently Encountered Difficulties in Adjudicating RP Claims

A. Lack of Organized Documentation Adequately Explaining the Nature of the Activities and Reconciling the Costs in an Understandable Format

The Fund must be provided enough information to make a determination. The Fund needs to understand all circumstances surrounding an incident and the condition and operation of the vessel or facility and assigned personnel leading up to, during, and immediately following the incident.

B. Purpose of the Removal Activity

Often salvage activities are conducted for other than removing the threat of oil.

Often legal representatives are working on more issues than just removal activities.

C. Pending Litigation

A claimant has the choice to pursue compensation through either the courts or the Fund, but not both. If pursuing through the Fund, the Fund must be able to ultimately pursue recovery from others responsible. Litigation in process that does or could be interpreted to involve the OPA compensable costs included in a claim submission can preclude adjudication and will preclude payment of claims.

D. Settlements, Agreements, and Dismissal with Prejudice

Releases, covenants not to sue and dismissals with prejudice indicate that the costs have been considered and settled. The Federal Government must be provided subrogable rights in exchange for compensation.

For More Information

NPFC Web Site	www.uscg.mil/npfc
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