EXXON VALDEZ

OIL SPILL

TRUSTEE

COUNCIL

where there is life there is hope

I am elder.
I am chief.
I will not
lose hope.
I will help
my people;
We have
never lived
through this
kind of
death, but
we have
lived
through lots
of other
kinds of
deaths.
We will learn
from the
past, we will
learn from
each other,
and we will
live. The
water is
dead, but
we are alive,
and where
there is life
there is
hope.

—Walter Meganack, Sr.

Testimony from November 1989 Citizens Commission on the Oil Spill.

In Memoriam

WALTER MEGANACK, SR.

The *Exxon Valdez* Oil Spill Trustee Council dedicates the 1996 annual report in memory of Walter R. Meganack, Sr.

Walter was chief of Port Graham for 29 years. As the village chief he made great personal sacrifices so that his community might be a better place to live.

Walter supported his growing family through subsistence fishing and hunting, trapping, and commercial fishing. He was deeply disturbed by the effects of the *Exxon Valdez* oil spill on the marine environment he loved and enjoyed, as well as its effect on the people of the region. He spoke out powerfully many times in public forums to make the plight known of the people whose livelihoods and lifestyle were devastated by the spill. His words and his example inspired others to work to clean up the oil spill and to endeavor to restore the injured natural resources.

Walter's commitment, dedication, pride in his Alutiiq heritage, and his eloquence will be greatly missed by all.

there is hope.

12.8.4

MISSION STATEMENT
The *Exxon Valdez* Oil Spill Trustee Council

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 by the Trustee Council, November 30, 1993.

1996 Status Report

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Cover photograph: Human mask collected in the 1880s from Prince William Sound, now in the collection of Sheldon Jackson Museum, Division of the Alaska State Museums. Courtesy of the Chuguach Alaska Corporation.

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LETTER FROM THE EXECUTIVE DIRECTOR

As Walter Meganack, Sr. said in testimony quoted on this report's dedication page, "Where there is life, there is hope." The Trustee Council is providing some of that hope and now finds itself on the leading edge of restoration activities nationwide. In this year's report on the status of the restoration program, we describe a number of achievements which we hope will leave a positive legacy and eventually overshadow the devastation of the 1989 oil spill.

Molly McCammon
Executive Director
Exxon Valdez Oil Spill
Trustee Council

The Trustee Council was formed five years ago to guide the use of the civil settlement funds from the Exxon Valdez oil spill. Since then, the restoration program has matured into one of the largest long-term research and monitoring programs in the nation. In addition, by protecting important habitats, the Council also has provided a long-term "safety net" for the recovery of injured resources and services in the spill area.

In shaping and guiding the restoration program, the Trustee Council emphasizes several key elements:

***Credible science** — The Trustees are funding some of the most exciting scientific research underway anywhere in the world, and we're starting to reap the benefits. In the past five years, fisheries management has advanced by decades through development of new management tools for Cook Inlet and Prince William Sound. The Council's three major ecosystem studies are unprecedented efforts to understand the dynamic processes which support our marine resources and should lead to further improvements in resource management. An active scientific peer review process, including frequent workshops and review sessions, helps ensure that we continue to build upon the knowledge gained each year and that researchers share information and ideas. A clarion call for coming years will be "Publish, publish, publish," in order to provide the greater scientific community access to our research results.*

***Meaningful involvement of the public** — The Council is entrusted with restoring the natural resources and human services injured by the spill. Because these resources belong to the public, the Council is committed to making the public—especially the communities and residents of the spill area—active partners in the restoration process. The 17-member Public Advisory Group plays a strong role in guiding restoration decisions. New Council efforts this year, including the participation of high school students in restoration projects and creation of a network of community liaisons, promise to further strengthen this partnership.*

***A focus on the future** — We are already turning our energies toward further integration of the restoration program and synthesis of scientific findings. The 10th anniversary of the spill is three years away, and planning is underway for that event. Establishment of a long-term reserve account is now leading to further thinking about future use of those funds.*

The Council continues to insist on a program that is cost-effective, follows well-established management principles, and is of the highest quality. The Council contracted for its first audit this year; the results are included in this report.

No manual exists on how to restore a marine ecosystem following an oil spill as large as the Exxon Valdez spill. The Trustee Council process is continually evolving as we seek better ways to achieve our mission, and in the process we are turning abstract restoration goals into concrete achievements. We look forward to the next year of work and invite your involvement.

Molly McCammon

THE *EXXON VALDEZ* OIL SPILL TRUSTEE COUNCIL

Bruce M. Botelho
Attorney General
State of Alaska

Michele Brown
Commissioner
Alaska Department of Environmental Conservation

EXXON VALDEZ OIL SPILL TRUSTEE COUNCIL PUBLIC ADVISORY GROUP

1995 – 1997

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Chris Beck	*Public at Large*
Kim Benton	*Forest Products*
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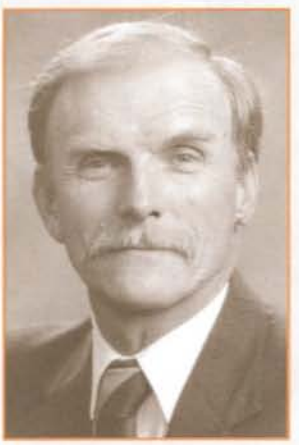


Steven Pennoyer
Director
Alaska Region, National Marine Fisheries Service, National Oceanic and Atmospheric Administration, U.S. Department of Commerce

Frank Rue
Commissioner
Alaska Department of Fish and Game


A L A S K A
South Central
Anchorage
Valdez
Whittier
Cordova
Prince William Sound
Hinchinbrook Is.
LAKE CLARK NAT. PARK & PRESERVE
Cook Inlet
Kenai
Seward
Chenega
Nellie Juan
Kenai Fjords Nat. Park
Middleton Is.
Gulf of Alaska
Dillingham
Port Graham
Barren Islands
KATMAI NAT. PARK & PRESERVE
King Salmon
Chuyak Is.
Bristol Bay
Shelikof Strait
Port Lions
Ouzinkie
Kodiak
Larsen Bay
Cape Chiniak
Karluk
KODIAK ISLAND
Old Harbor
Trinity Is.
Pilot Point
Perryville
South Central
Oil Spill Area

RECOVERY STATUS

In the seven years since the Exxon Valdez *ran aground on Bligh Reef, several of the marine mammals, birds, fish and other resources injured by the spilled oil have recovered or are making progress toward recovery. For others, recovery is coming slowly if at all. Harbor seals, for example, continue to decline at a rate of about six percent per year. Certain oiled seabird colonies have not recovered, although at some locations seabird reproduction appears to have returned to normal. A much-studied pod of killer whales in Prince William Sound has suffered additional losses in the past two years, and the social structure of the pod seems to be disintegrating. Residents in the spill area continue to deal with disruptions to commercial fishing and their subsistence way of life.*

State and federal agencies went into action to identify resources at risk of injury from oil within hours after the spill occurred on March 24, 1989. Data collected about the injuries has been critical in guiding restoration. Following is information summarizing the current status of representative injured resources.

OIL REMAINING IN THE ENVIRONMENT

Oil can still be found in some places in the spill region, although in most locations beaches appear to be normal. Remaining oil is mostly in scattered patches of hard or crumbly asphalt, a thin black coating of tar on boulders or in rock crevices, or layers of oil embedded deep in sediment, protected from weathering by rocks or boulders.

Kodiak survey. During June and July 1995 a team experienced in tracking *Exxon Valdez* oil revisited 30 sites in the Kodiak region where oil was found during the 1990 or 1991 shoreline surveys. The group also visited several locations identified by Kodiak area community members as possibly containing oil remaining from the spill.

The surveyors found almost no oil. In a very few places, the survey team located small isolated patches of mousse, soft asphalt with surface crusts, or tar splotches. Chemical analysis of the oil confirmed it originated from the *Exxon Valdez*. No subsurface oil was found.

This boulder strewn shore on the north side of Shuyak Island was oiled following the 1989 oil spill, but geomorphologist James Gibeaut and environmental specialist Diane Munson did not find any residual oil six years later. This pocket beach was one of 30 sites surveyed for remaining oil in the Kodiak area during 1995.

photo by Ernie Piper

In contrast to Kodiak, surface and subsurface oil patches remain in many locations in Prince William Sound, even though most beaches appear free from oil. The contrast between the two regions probably can be attributed to several factors. By the time the oil reached Kodiak beaches, it had absorbed water, was thicker and emulsified, and less able to penetrate beach sediments. Initial oiling in the Kodiak area also was lighter because so much of the oil already had been deposited, dissi-

pated or evaporated by the time it reached those beaches. Also, Kodiak shorelines frequently are buffeted by high energy storm waves that tended to scour off oil residues.

Oiling workshop. The Trustee Council sponsored a workshop in November 1995 to address concerns about oil remaining on Prince William Sound beaches. Workshop participants included residents of Chenega Bay, land and wildlife managers, and a panel of technical experts with broad oil spill and shoreline treatment experience. The workshop focused on the costs, benefits and possible environmental problems associated with limited treatment at sites where significant oil remains. Some of the oiled sites are near Chenega Bay. The Council will consider the results in 1996.

Mussel beds. While most mussels in Prince William Sound are free from oil, some dense mussel beds over fine sediments in sheltered locations are still contaminated. In 1994, scientists and residents from the village of Chenega Bay removed and replaced contaminated sediments underneath 12 oiled mussel beds in Prince William Sound, a restoration technique never attempted before. Monitoring of the restored sites in 1995 showed that oil concentrations in the sediments at all of the restored beds dropped by 98 percent on average. Mussel survival at the cleaned beds was variable but generally good.

photo by L.J. Evans

Pat Harris of the National Oceanic and Atmospheric Administration has collected mussels at specific sites in Prince William Sound at least twice a year since twelve mussel beds were cleaned in 1994. Mussels and sediment analysis indicates oil remaining in the cleaned mussel beds decreased by more than 90 percent.

PINK SALMON

photo by Jody Seitz.

SEA project researchers use devices such as this CTD (conductivity/temperature/depth) recorder to collect oceanographic data important to understanding fluctuations in pink salmon and herring populations in Prince William Sound.

Poor pink salmon returns in 1992 and 1993 and the collapse of the Pacific herring population in 1993 in the Sound led to Trustee Council sponsorship in 1994 of a collaborative effort known as the *Sound Ecosystem Assessment*. The SEA project aims to explore and develop models of the processes influencing pink salmon and Pacific herring productivity in Prince William Sound.

The first phase of the project consisted of intensive field work to collect information on physical characteristics of the Sound that affect salmon and herring. These factors include sea temperature, salinity, current movements, and the availability and timing of increases and decreases in plankton, the tiny plants and animals that fish eat. These studies will continue, leading to the development of models that explain and predict ecological processes in the Sound, making management and

photo by Chris Munk

A pink salmon earbone (otolith) is about 1/8 inch long, magnified 100 times. The light and dark bands circling the otolith were laid down similar to tree rings in specific patterns by hatchery staff controlling changes in water temperature. The bands enable researchers to identify the year and hatchery where the fish spawned.

restoration of a multitude of marine resources more effective.

In a related pink salmon project, monitoring efforts in both 1994 and 1995 detected no significant difference between survival of wild pink salmon eggs spawned in oiled versus non-oiled streams in Prince William Sound. This data suggests wild stocks may be recovering from direct spill injuries. Researchers expect to monitor oiled and unoiled streams until no significant differences are detected in egg survival for two years in both odd- and even-year pink salmon runs.

photo by L.J. Evans

SEA researcher Mark Clapsadl measures a pollock while Mark Willette prepares to label a jar of tissue samples for analysis. Working in 12-hour shifts, the SEA vessels collected data in Prince William Sound using hydroacoustic equipment, periodically lowering a net to determine exactly what kind of fish the sonar equipment was detecting. The number and species of fish in each catch were recorded, and a percentage of the fish were sampled.

In 1995 the Trustee Council placed equipment for otolith thermal mass marking—a method of marking every pink salmon released using fluctuations in water temperature—in hatcheries in Prince William Sound. Fishery managers will use the marking information to set harvest limits, locations and timing of fishery openings to concentrate harvest on hatchery or uninjured wild runs, thus protecting injured wild stocks.

HERRING

Prince William Sound Pacific herring runs collapsed in 1993 and have not yet recovered. The SEA project is investigating the causes of fluctuations in adult herring survival. Additional studies completed in 1995 implicate a common fish virus and a fungus in the catastrophic declines. Researchers are exploring the possibility that stress from oil contamination in intertidal spawning and staging areas made herring more susceptible to these diseases. Work will continue in 1996 to explore the relationships between oil and disease, and to monitor pathogens in wild herring.

SOCKEYE SALMON

Because of closed fisheries in 1989, a large number of sockeye salmon escaped to spawn in the Kenai River system and in Red and Akalura Lakes on Kodiak Island, resulting in decreases in the returns of these valuable fish in subsequent years. This effect was still seen in the numbers of sockeye returning to the Kenai in 1995. The Trustee Council funded projects in 1995 to provide fishery managers with tools to better manage the catch and escapement of spawning sockeye salmon and to ensure the health of future runs.

HARLEQUIN DUCKS

Harlequin ducks feed in intertidal and shallow subtidal habitats where most of the spilled oil initially was stranded. The summer population of harlequins in Prince William Sound

Scientists captured and released more than 350 harlequin ducks during August and September 1995 to take blood samples, measure their size and weight, and assess the ducks' overall condition. The ducks were captured while they were molting and unable to fly. Several team members in kayaks herded groups of harlequins into a chute-and-trap system in shallow water. Adult birds from oiled and unoiled areas of the Sound were also fitted with radio transmitters to track their movements and survival. So far biologists report that most birds have stayed close to their molting sites.

photo by Paul Snyder

is small—less than five thousand birds—and scientists continue to be concerned about poor reproduction and a possible decline in the summer population of birds in the oiled western regions of the Sound.

The Trustee Council initiated the *Nearshore Vertebrate Predator* project in 1995 to understand the key mechanisms that may be constraining recovery of the nearshore ecosystem, using four species as indicators of environmental stress. The species are two fish eaters—river otters and pigeon guillemots, and two invertebrate-feeding species—harlequin ducks and sea otters, which live on shellfish. The project's goal is to determine whether residual oiling effects or limitations in the quantity or quality of food available to these key species is limiting their recovery.

Primary objectives for 1995, the first year of this project, were to assess the condition of harlequin ducks in oiled areas, refine techniques for estimating populations and assessing the overall health of sea otters, and develop techniques for determining the density and distribution of invertebrate prey species. Work in 1996 will also include data collection on river otters and pigeon guillemots.

Researchers in another project funded by the Trustee Council developed a monitoring program to assess the distribution, abundance and reproductive success of harlequin ducks in the eastern versus the western parts of the Sound. In 1995, harlequin pairs with ducklings were observed in eastern Prince William Sound. No ducklings have been seen in the oiled western area since the spill occurred. Researchers will continue monitoring to determine if adult harlequins using the western side of the Sound are not breeding or if they breed elsewhere.

PIGEON GUILLEMOTS

Pigeon guillemots are widely distributed in the spill region. These diving birds nest in rocky cliffs, sometimes in small groups, but usually apart from one another. For reasons still unexplained, these birds had already declined before the oil spill. The present population in Prince William Sound is estimated at only one-third that of the early 1970s. The number of guillemots observed during 1995 surveys was highly variable, and there is not yet any strong evidence that the population is on the rise.

Field biologists monitoring guillemot nests in Prince William Sound and the Barren Islands gathered data on the number of eggs laid, chicks hatched and fledged, and the kind and quantity of fish brought to the chicks by adult birds. These observations, coupled with historical data from other sources, suggest that the kinds and amounts of forage fish available in the region have changed a great deal over the past 20 years. The implications of this shift are significant and far-reaching. A wide variety of other birds and mammals rely on forage fish for an important part of their diets and also may be affected by this shift.

The Trustee Council initiated the *Apex Predator Experiment*, or APEX project, to examine the relationships between forage fish abundance and availability, and populations of pigeon guillemots, common murres and black-legged kittiwakes—key indicators of ecosystem health. None of these species has yet recovered from the spill. This project will continue for several years and should improve understanding of factors limiting recovery from oil spill injuries and management of the spill area ecosystem.

photo by L.J. Evans

Dave Tessler measures the wing of a pigeon guillemot chick. Pigeon guillemots typically nest in openings or crevices in rocky cliffs. As part of the APEX project, researchers monitored the growth, survival, and what kind and how much food the parents brought to pigeon guillemot chicks at several sites in Prince William Sound and the Gulf of Alaska.

COMMON MURRES

Large colonies of murres and other seabirds breed and raise their chicks in the Barren Islands in the northern Gulf of Alaska. Birds at these colonies were killed in great numbers by the oil from the *Exxon Valdez*. In fact, more common murres died because of the spill than any other species. Reproduction of murres at the Barrens was disrupted for several years after the spill, leading to reductions in chick survival. Murre productivity in the Barren Islands has been normal since 1993.

MURRELETS

Marbled murrelets in Prince William Sound had declined for unknown reasons before the spill. Progress was made in 1995 on a reliable survey method to determine how successfully these secretive birds are reproducing in the spill area. Using this method, researchers were able to tell that the birds were producing more chicks in some places than in others. The techniques perfected by Trustee Council biologists may also be useful to researchers of threatened marbled murrelets in other areas.

In August 1995 the Trustee Council added Kittlitz's murrelets and common loons to the list of species injured by the spill. This addition does not reflect new findings. Rather, further analysis resulted in official recognition that the spill effects on these birds were significant.

HARBOR SEALS

Prince William Sound harbor seals continue to decline at a rate of about six percent per year. Harbor seals already were in serious decline throughout the Gulf of Alaska, including the Sound, before the spill. Marine mammal biolo-

gists have been capturing a few harbor seals every year to sample blood and tissues, measure, weigh and tag the seals. Data from the samples indicates the seals have been exposed to certain diseases in the past, but that there have been no recent outbreaks. Analysis of the fat layer, or blubber, also is providing important information about what the seals are eating.

Harbor seals are a traditional subsistence resource in the oil spill area. Subsistence hunting is affected by the declining seal population, and lack of opportunities to hunt seals has changed the diet of subsistence users. The Trustee Council has funded the Alaska Department of Fish and Game Subsistence Division to work with the Alaska Native Harbor Seal Commission to share and discuss research results, develop a biosampling program to provide information about important life history parameters, and discuss future research and management needs.

SEA OTTERS

Immediately following the spill, researchers used boat surveys to find out how many sea otters were present in the wild. Biologists working on Trustee Council projects have now developed and tested methods of counting sea otters from small airplanes which more easily yield precise results. Surveys conducted over the past three years have observed greater sea otter abundance at unoiled study areas than at oiled areas. In 1995 otters seemed to be reproducing at about the same rate in both areas.

In 1996 blood and tissue samples will be collected from sea otters in oiled parts of Prince William Sound. Analysis will provide a better picture of the overall health of the animals and their ability to resist disease.

photo by Eva Saulitis

Biologist Craig Matkin photographs a group of killer whales from the AB pod in Prince William Sound. Killer whales can be identified using photographs that show the size and shape of the dorsal fin and by markings and coloration of the white saddle patch at the base of the dorsal fin. The dorsal fin of the male on the right has folded over at the tip. Some scientists speculate this is a sign of poor health or stress. Among the females in the group on the left is the smaller fin of a calf.

KILLER WHALES

Scientists have been particularly concerned about the AB pod of killer whales in Prince William Sound. There were 36 members in this well-documented social group before the spill. Fourteen whales disappeared from the AB pod in 1989 and 1990 and are presumed dead, and no calves were known to be born during those years. Although four calves were added between 1992

and 1994, surveys in 1994 and 1995 indicate five more whales were lost. The link between these losses and the oil spill is only circumstantial, and human interaction could be a factor. However, the losses far exceed normal rates documented over 20 years of study for this and similar killer whale groups in the northern Pacific. In addition to the losses, a subgroup or family of the AB pod was observed in 1995 swimming with another resident pod in the Sound, behavior unheard of in any other killer whale group. These changes in social structure may be leading to the AB pod's disintegration.

Transient killer whales are also found in Prince William Sound. These individuals do not belong to a coherent group. Typically they rely on marine mammals as prey species, whereas resident whales usually eat fish. Because harbor seals are an important prey species for transient whales, researchers are examining the relationship between the decline in harbor seals and predation by transient killer whales.

INTERTIDAL COMMUNITIES

Both the oil spill and subsequent cleanup activities had significant effects on plants and animals that live in the intertidal zone, the area of shoreline between low and high tides. Oil penetrated deeply into many beaches, and despite intensive cleanup and winter storms, still persists in some places.

Small invertebrates and shellfish like limpets, barnacles, marine snails, clams and mussels that live in the intertidal zone are important to sea and river otters, black oystercatchers, harlequin ducks and pigeon guillemots, as well as subsistence users. Although the numbers of many intertidal species have increased since the spill, recovery of the brown seaweed known as *Fucus*, or popweed, in the upper intertidal zone is lagging. Recovery of *Fucus* is important. Many invertebrates need the cover the lush, moist canopy this seaweed provides to survive and multiply.

Although several methods of encouraging the regrowth of *Fucus* have been investigated, none has yet proved practical to implement in large areas. Researchers will continue to monitor natural recovery of the intertidal community.

ARCHAEOLOGICAL RESOURCES

Archaeological sites injured by oil, cleanup activities or related vandalism are different because they are nonrenewable—they cannot recover in the same sense as biological resources. Archaeologists in 1995 continued a program of monitoring and sampling some of the 24 archaeological sites throughout the spill region known to have been injured, and conducted a more extensive exploration of two other sites in Prince William Sound. No new disturbance or vandalism was noted in 1995.

Archaeological artifacts found on public lands during spill response, damage assessment and restoration programs are stored at facilities outside the spill region. The Alutiiq Archaeological Repository in Kodiak, constructed in part with Trustee Council funds, is the only facility in the spill area capable of storing artifacts, but none of the objects found are presently housed there. A project begun in 1995 and continuing in 1996 is exploring options with communities in Prince William Sound and lower Cook Inlet who have expressed interest

photo by L.J. Evans

This broken slate ulu, about five inches long, was found with a two-piece wooden handle made of hemlock which was probably originally lashed to the blade with some kind of fiber such as spruce roots. It was found in 1995, more than three feet below the surface at an archaeological site on northeastern Knight Island in Prince William Sound. This site was unknown prior to surveys conducted to identify archaeological sites at risk of damage from cleanup activities. Archaeologist Linda Yarborough estimates the ulu is about one thousand years old, and that it was made and used by ancestors of the Alutiiq people who still inhabit the region.

in returning the artifacts to the spill area for storage and display in appropriate facilities.

SUBSISTENCE

Residents of the 20 communities most directly affected by the oil spill continue to be concerned about the safety of their traditional food resources. Over the past two years, representatives of the Subsistence Division of the Alaska Department of Fish and Game, other agencies and staff from the Restoration Office have assisted community residents with developing restoration projects related to subsistence resources.

One project surveyed octopus populations in cooperation with the villages of Tatitlek and Chenega Bay. Biologists used intertidal and underwater search techniques to assess the populations of chiton and octopus near the villages. Expertise contributed by local residents was key to the success of the pilot project.

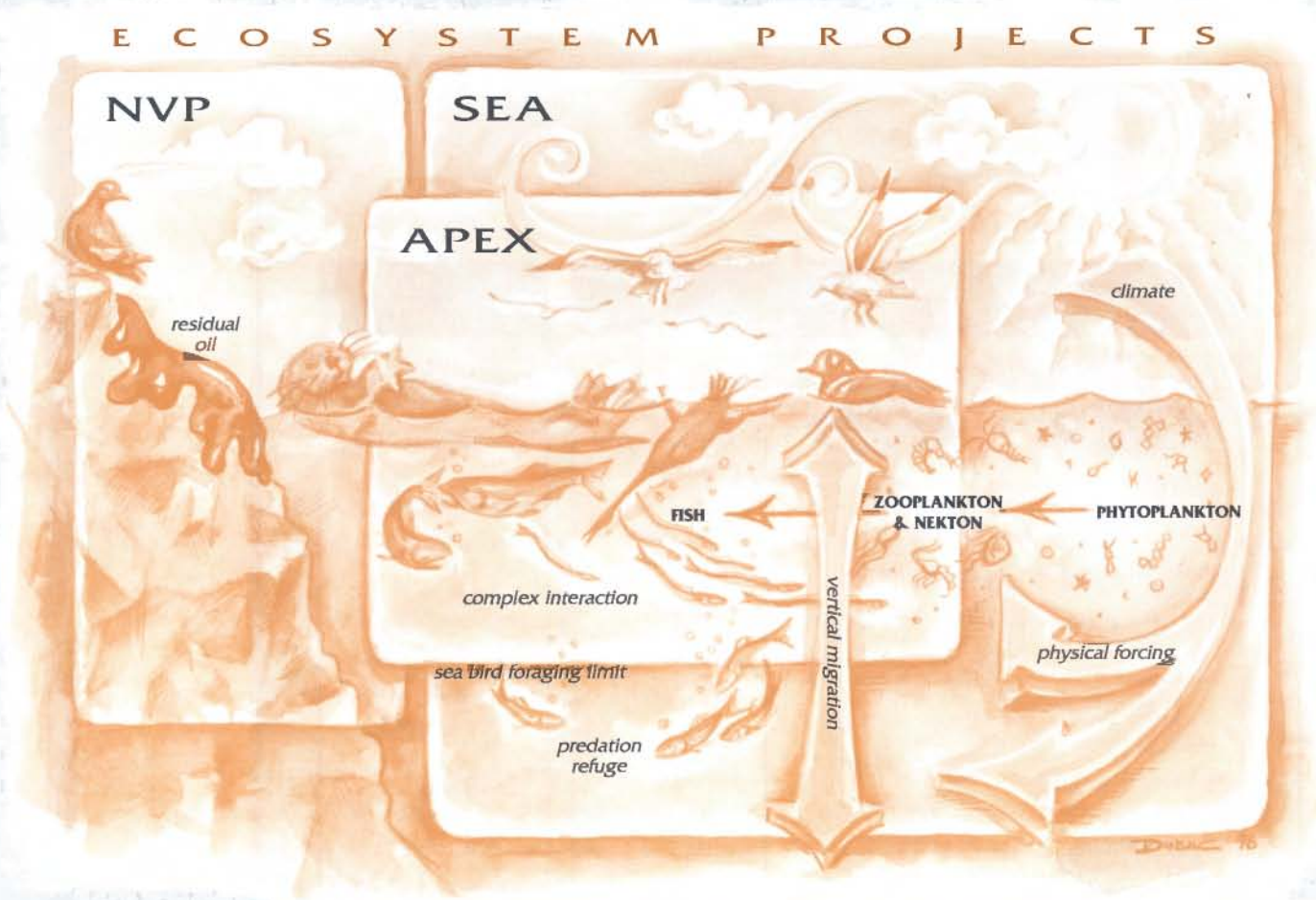
Clams in the spill area were killed or suffered slower growth rates as a result of the spill and cleanup activities. A project in 1995 provided funds for the Qutekcak Shellfish Hatchery in Seward to develop seed clams for use in future restoration work near the villages of Port Graham and Nanwalek on the Kenai Peninsula and Tatitlek in Prince William Sound, as well as other locations. In 1996 the emphasis will be on refining hatchery techniques to increase production.

RESOURCES AND SERVICES INJURED BY THE SPILL

Biological resources listed in this table experienced population–level or continuing sublethal injuries.

INJURED RESOURCES			*LOST or REDUCED* SERVICES
Biological Resources		Other	Other
Recovering	**Not Recovering**	Archaeological resources	Commercial fishing
Bald eagle	Common murre	Designated wilderness areas	Passive uses
Black oystercatcher	Harbor seal	Sediments	Recreation & Tourism *(including sport fishing, sport hunting, and other recreation uses)*
Intertidal organisms *(some)*	Harlequin duck		Subsistence
Killer whale	Intertidal organisms *(some)*		
Mussels	Marbled murrelet		
Sockeye salmon *(Red Lake)*	Pacific herring		
Subtidal organisms *(some)*	Pigeon guillemot		
Recovery Unknown	Pink salmon		
Clams	Sea otter		
Common loon	Sockeye salmon *(Kenai & Akalura systems)*		
Cutthroat trout	Subtidal organisms *(some)*		
Dolly Varden			
Kittlitz's murrelet			
River otter			
Rockfish			

Amending the List of Injured Resources and Services. The list of injured resources and services will be reviewed through the Trustee Council's scientific review process as new information becomes available.



Concept by Bob Spies/ Illustration by Debra Dubac.

Each of the Trustee Council's major ecosystem projects—Nearshore Vertebrate Predator, APEX, and Sound Ecosystem Assessment—complements the others and provides unique information about recovery of the marine ecosystems in the spill area.

PROGRAM HIGHLIGHTS

The Trustee Council has taken steps to restore resources or accelerate natural recovery wherever possible. Habitat important to the recovery of injured resources has been protected throughout the spill region. Council-funded projects are using state-of-the-art scientific tools and methods to examine the injured resources and improve understanding of the spill's long-term effects. In other cases, data collected and scientific tools developed through restoration projects are providing immediate benefits and will also leave a legacy of improved management and understanding of Alaska's wealth of marine resources. Through an intensive public process, the Trustee Council has developed an integrated, ecosystem-based program that effectively applies the trust funds to restoration needs throughout the spill area.

photo by Karen Shemet

The Alutiiq Dancers from Kodiak entertained participants at a reception during the Community Conference on Subsistence in the Oil Spill.

COMMUNITY INVOLVEMENT

During 1995 the Trustee Council took several steps to more fully involve spill-area communities in the restoration process.

Conference on Subsistence and the Oil Spill. Nearly 80 elders, youth, and other village residents throughout the oil spill region participated in a *Community Conference on Subsistence and the Oil Spill* sponsored by the Trustee Council in September 1995. Major themes of the conference were improving communication between researchers and communities and involving young people in the restoration process.

Working groups at the conference developed ideas for using traditional and local knowledge to help resources recover and to revitalize subsistence lifestyles. Another major theme was the importance of self–reliance and the need to pursue some aspects of subsistence restoration, particularly spiritual healing, independent of Trustee Council support. Participants appointed a steering committee to continue work on goals identified at the conference.

Community Coordinator. Through a contract with Chugach Regional Resources Commission, a Community Involvement Coordinator joined the Restoration Office in December 1995. The Coordinator's tasks are to enhance communication between the Trustee Council and communities affected by the oil spill, increase residents' level of active participation in the restoration process—particularly in ongoing scientific studies—and work with project leaders to integrate local and traditional knowledge into the research and restoration process.

As part of the contract, local facilitators were hired in Chenega Bay, Cordova, Kodiak, Nanwalek, Port Graham, Seward, Tatitlek and

photo by L.J. Evans

Community Coordinator Martha Vlasoff keeps spill-area residents informed of restoration activities and assists with integration of traditional knowledge into restoration projects.

Valdez. An additional facilitator will represent the Alaska Peninsula.

Community-based harbor seal management. A project begun by the Trustee Council in 1994 directly involves subsistence hunters in the efforts to restore harbor seals and sea otters, species that still have not recovered from the spill. The project provides for a continuing exchange of information among hunters, marine mammal biologists and resource management agencies. The hunters contribute valuable traditional knowledge about the habits of seals and sea otters and information about harvest locations. In fiscal year 1996, the project is training hunters to collect tissue samples needed by marine biologists to evaluate the health of seals and otters. The hunters and scientists work together to develop recommendations for subsistence uses of these marine mammals based on restoration project findings. This project will continue in 1996 with a focus on increasing the dialogue between scientists and subsistence users in order to enhance harbor seal recovery.

Other community involvement projects. A 1995 project trained local residents to sample abnormal fish and wildlife resources found near their community and transport samples to laboratories for analysis. Sixty-one volunteers in 20 communities in the oil spill area were trained to collect, preserve, package and ship different types of samples. A network was put in place to transport and analyze the samples, and then to report the results back to the community.

Another project, the Youth Area Watch, involves young people in Prince William Sound communities in the science aspects of restoration projects. This project came together with the harbor seal project in the fall of 1995 when high school students also participated in the biological sampling program described above. As the biologists, hunters, and young people interacted, and students learned to take tissue samples from harbor seals and fish, anatomy and physiology were no longer abstract classroom concepts. The students were involved in hands-on science in their own backyards and at the same time learned about traditional subsistence practices from experienced hunters.

Linda Evans of Nanwalek participated in training sessions during September 1995 to learn how to take samples for analysis from any abnormal fish and wildlife resources found near her village.

photo by Karen Shemet

The annual Trustee Council adaptive management cycle of soliciting, reviewing, implementing and revising restoration projects provides opportunities for public input in the process and constantly looks for ways to improve the program.

SCIENCE PROGRAM DEVELOPMENT

The Council's adaptive management process is now well established, producing a predictable annual cycle of project development, restoration work, and review. Trustee Council researchers report regularly on the progress of their work to the Chief Scientist and a number of independent peer reviewers internationally known in their fields. A series of intensive review sessions were held last fall and winter to follow up on issues needing attention and to identify areas where the projects could be improved. Addition of a Science Coordinator to the Restoration Office staff also strengthened the review process.

The third annual Restoration Workshop in January 1996 brought together 250 researchers, residents of spill communities, resource managers, and members of the public. Through three days of presentations, small group discussions, and a well-received poster session, the interdisciplinary group exchanged information and fostered collaboration that will benefit the restoration program.

photo by L.J. Evans

The Trustee Council's science team reviews each project prior to Council approval. Standing, left to right: Stan Senner, Trustee Council Science Coordinator; Pete Peterson, Professor of Marine Sciences, Biology & Ecology, University of North Carolina; Robert Spies, Trustee Council Chief Scientist. Seated, left to right: Chris Haney, Wildlife Ecologist, Wilderness Society; Andy Gunther, Assistant Chief Scientist, Applied Marine Sciences; Phil Mundy, Fisheries Scientist; George Rose, Senior Chair in Fisheries Conservation, Memorial University of Newfoundland.

MARINE ECOSYSTEMS

The Trustee Council has been moving steadily toward an ecosystem-based approach for understanding factors affecting recovery of injured resources. This method maximizes the efficiency of research and monitoring efforts and should lead to scientific results with wide application and lasting benefits. Taking an ecosystem approach to restoration means examining certain injured species that can serve as indicators of the health of the whole marine ecosystem and using this information to understand the underlying processes which may be limiting recovery. Work on related questions and resources has been concentrated in three major ecosystem projects. Each of the projects complements the others, and the researchers are sharing data to maximize benefits and avoid duplication.

Scientists working on the *Sound Ecosystem* Assessment project are investigating the causes of fluctuations in pink salmon and Pacific herring in Prince William Sound. Researchers working on this multi-year project have now completed their second field season.

The *Nearshore Vertebrate Predator* project is examining populations of sea otters, river otters, harlequin ducks and pigeon guillemots as key species to indicate the health of the overall nearshore ecosystem, the area where most of the oil was deposited. Studies of invertebrates such as sea urchins, mussels and clams, as well as nearshore fishes, were included in this project to assess the abundance and health of prey populations important to these four predators.

The *Apex Predator Experiment*, or *APEX*, project is exploring the productivity of common murres, pigeon guillemots, and black–legged kittiwakes in Prince William Sound and the Gulf of Alaska in relation to the availability and quality of the small forage fish that are their prey.

NOTEWORTHY SCIENTIFIC & RESTORATION ACHIEVEMENTS

Kenai sockeye predictions. Following the spill in 1989, no fishery openings were allowed in Cook Inlet because of the possibility of fouling the catch with oil. This led to large numbers of fish returning to spawn in the Kenai river and lakes system. Most Kenai River sockeye have a five-year life cycle—two years in the fresh waters of the river system and three at sea. Biologists expected that more spawning adults, therefore more fry and juveniles, would lead to depletion of food resources and starvation of the fry, resulting in a downturn in the returns of the same year class five years later. However, the returns since the spill have not entirely matched this model, and the Trustee Council funded a project to find out why.

Researchers found that the oversized runs have the largest impact on survival of the fish spawned the next year. Sockeye fry emerge in late spring. New zooplankton, the main food resource for juvenile sockeye, enter the food chain in midsummer. If the juvenile sockeye salmon from an oversized run the prior year have reduced the zooplankton population too much, the emerging fry will starve before new zooplankton are available in the summer.

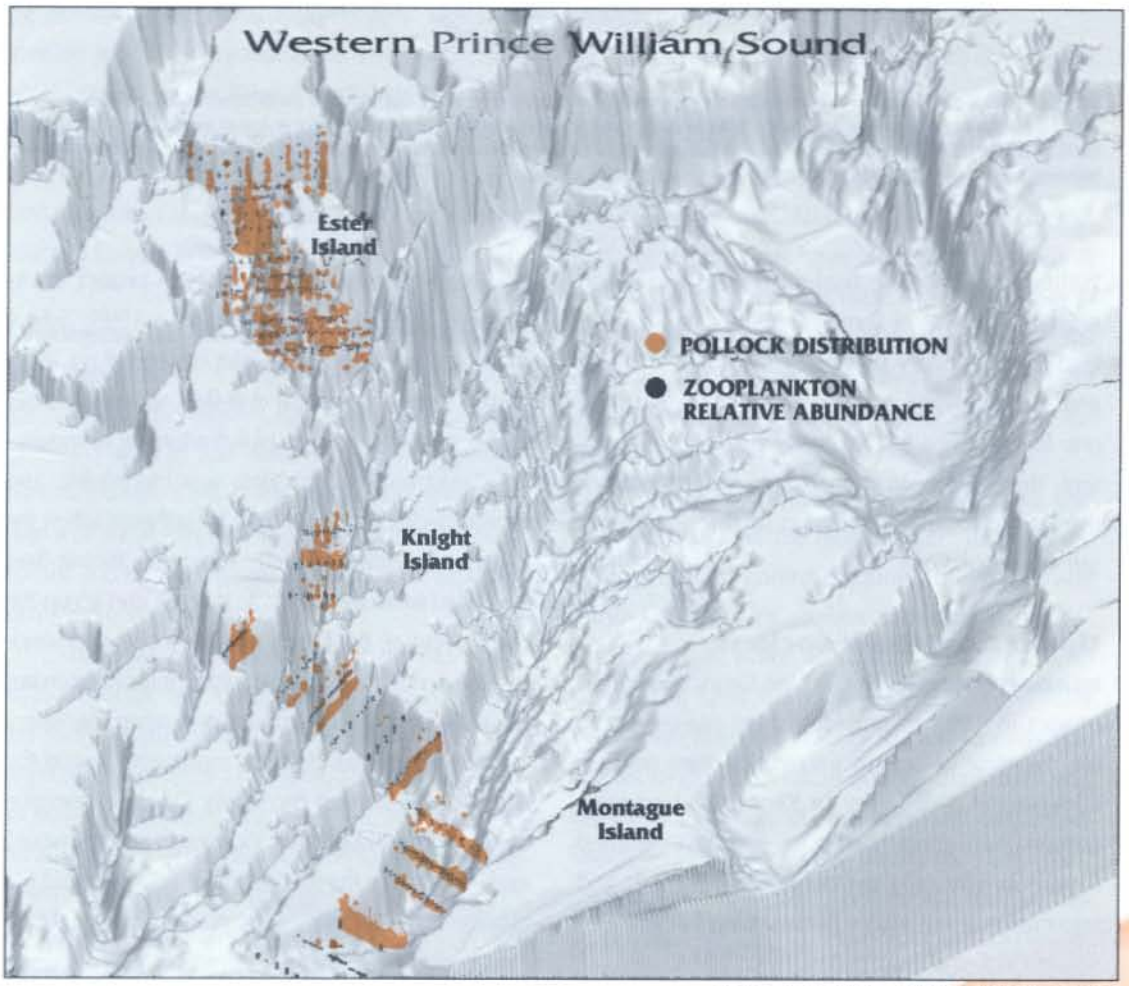
The result is the same—huge fluctuations in the returning fish as succeeding generations return to spawn. If this new theory holds true, fishery managers will be able to predict sockeye returns much more accurately and more effectively manage the fishery.

SEA documentation of pollock in Prince William Sound. One outcome of the research by the Sound Ecosystem Assessment, or SEA, project has been the discovery of a large population of adult and juvenile walleye pollock throughout the Sound.

Towing advanced underwater hydroacoustic equipment, the SEA teams collected data about the sea bottom and the marine life in specific areas of the Sound. Fishing vessels accompanying the research ships used nets to catch samples of whatever the sonar equipment was "hearing," so that the technicians could compare the hydroacoustic data with what was in the nets. By identifying the different signals that represented different kinds of fish caught in the nets, the researchers were able to collect information on the number and kinds of fish present in wide areas of the Sound.

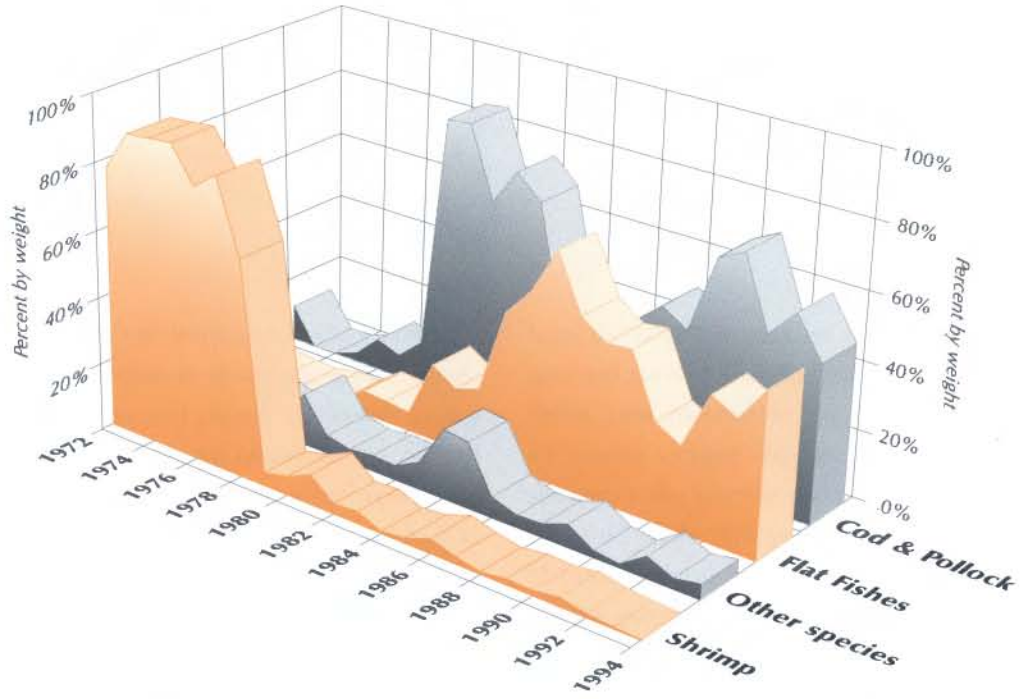
Using these techniques, researchers identified a large population of adult and juvenile pollock throughout southwestern and northern Prince

POLLOCK & ZOOPLANKTON



Graph Courtesy of Prince William Sound Science Center

Surveys conducted in 1994 and 1995 by SEA researchers mapped the presence of pollock and zooplankton in Prince William Sound using hydroacoustic surveys and net samples.



This graph shows the composition by weight of four groups of marine species collected in Gulf of Alaska shimp trawl surveys between 1972 and 1994 by the National Marine Fisheries Service. APEX researchers noted a large decline in abundance of shrimp and an increase in cod, pollock and flat fishes around 1979. At about the same time, oceanographers in the Gulf observed that the temperature of the water column increased by about two degrees. Data from Paul Anderson, NMFS.

William Sound. The biologists also examined stomach contents of some of the fish they caught, leading to a theory that pollock may be a major predator on juvenile salmon and pollock. Since no one knew before that so many pollock were present, there had been no reason to suspect pollock predation could be a factor in fluctuations in salmon populations.

Upper Cook Inlet sockeye management. The Trustee Council funded a project in 1995 to provide fishery managers the two types of in–season information they need to alleviate oil spill injury to Kenai River sockeye salmon: data about how many fish have returned for use in allocating the commercial harvest, and information about where the returning fish are from within the Kenai River system.

Data about returning fish was collected with hydroacoustic equipment where sockeye salmon are known to congregate in Cook Inlet before they migrate up the Kenai River to spawn. This makes it possible to time fishery openings to protect stocks of these highly prized fish. Prior to 1995, fishery managers in upper Cook Inlet depended on information from commercial drift-fleet sockeye catches to determine the volume of fish returning to spawn.

Unfortunately, this data was incomplete and limited because it could only be gathered when the fishery was actually open. When the fishing fleet was idled to allow salmon to pass by and go up the river to spawn, the fishery managers operated blindly—they could not make accurate, reliable estimates of the volume of fish returning and when the fishery could be reopened. If fishery managers allowed the drift fleet to harvest too many fish, the resource might be over fished and not enough salmon would escape to assure the strength of future runs. Hold the fishermen off too long and too many fish might go up the river, leading to overescapement problems and declines in future runs. The development of hydroacoustic survey methods for sockeye salmon in Upper Cook Inlet will provide a long-lasting tool for use by fishery managers.

Knowledge of the abundance of returning fish is not sufficient, however, when the fishery manager is concerned about one particular fish stock. The hydroacoustic surveys provide an estimate of the fish in Cook Inlet, but they can't determine how many of those fish are from the Kenai River. In another part of the project, scientists identified the genetic "tags" of sockeye from different spawning streams in the Kenai River system. It is now possible to tell fishery managers within 48 hours which stream in the river a particular salmon is from if it was harvested in Cook Inlet. This information provides another powerful tool which can be used to protect spill–damaged stocks by guiding selective harvest in the Inlet.

Changes in distribution of forage fish species. A major shift occurred in the late 1970s in the relative abundance of small fish species critical in the diets of birds and marine mammals in the Gulf of Alaska. Researchers speculate that some of these findings may explain why seabird and marine mammal populations have not recovered from spill injuries.

Data analyzed by researchers in the APEX project indicate that forage species such as capelin and shrimp virtually disappeared around 1979-80, while other fish such as pollock, flounder and cod increased dramatically. At the same time, oceanographers detected a two- to three-degree Fahrenheit increase in the water temperature throughout the region. The effects of this shift on the seabirds and marine mammals of the region may be significant, at least in part because the fish that are on the increase do not seem to have as much nutritional value as those whose abundance has decreased.

The researchers used a variety of data sources to identify this shift. National Marine Fisheries Service and Alaska Department of Fish and Game staff analyzed test trawl data covering the past 40 years to discover when the shift occurred.

Comparing this information with the current situation occurring off the East Coast of the United States and Canada has been revealing. The northern Atlantic off Newfoundland has cooled in the last several years, and Atlantic cod, the main fish resource in the area, have almost disappeared. At the same time, there has been a huge increase in shrimp and other crustacean species. This data is useful to scientists on both sides of the continent and may help to explain natural fluctuations in the marine ecosystem.

National Biological Service personnel also examined data on the diets of seabirds in Prince William Sound collected during the 1970s and 1980s. The earlier studies showed that parent birds brought more sandlance to their chicks before the spill than they have since. Other researchers observed rates of seabird reproduction at sites in Prince William Sound, Cook Inlet and the Gulf of Alaska, and estimated the biomass of forage fishes in the waters around the study sites. They appear to have discovered a direct relationship between the types and quantity of forage fish available and the ability of seabird chicks to survive.

photo by L.J. Evans

Researchers in 1995 examined the kind of food available to injured fish, birds and marine mammals. These juvenile pollock were collected in a fine mesh net in nearshore waters of Prince William Sound.

Harbor seal fatty acid analysis. In late September, 28 harbor seals were captured in Prince William Sound and briefly held to collect samples for analysis of fatty acids, stable isotopes, genetic information and other data. Several species of forage fish were collected at the same time for similar analysis of fatty acid profiles. The early results indicate that the fatty acids in herring and pollock are very different from each other and that the difference is detectable in seal blubber. This may make it possible to tell whether a particular seal is eating more of one kind of fish or the other. Initial analysis of data from southeast Prince William Sound indicates that seals at Channel Island were eating more herring, and seals at Stockdale and Port Chalmers ate more pollock or another fish that has a fatty acid profile similar to pollock. These areas are only five to ten miles apart, yet the seals are apparently eating different prey. Fatty acid analysis will likely provide an additional tool to help determine the reasons for the continued decline in harbor seals throughout the spill region.

photo by Lloyd Lowry

Marine mammal biologist Kathy Frost uses epoxy to attach a satellite transmitter to the back of a harbor seal. The transmitter will relay information for several months about the seal's whereabouts and how deep and for how long it dives. When the seal sheds its fur in the fall, the transmitter will harmlessly fall off.

Reducing marine pollution: The Sound Waste Management Program. Over the past year, representatives of the Prince William Sound communities of Chenega Bay, Cordova, Tatitlek, Whittier and Valdez have been working together to come up with better ways to prevent marine pollution and manage solid waste through a project funded by the Trustee Council and the Alaska Department of Environmental Conservation. Their plan describes ways to reduce sources of continuing pollution that may be impeding recovery of resources injured by the spill. By working together as a region, the communities can save money and make use of more varied means of pollution prevention and control than if each tried to make changes independently. Although the project is still in the planning stages, it received the 1995 Alaska Award of Excellence from the Alaska Municipal League for this innovative approach.

SEALIFE CENTER

The Trustee Council in 1994 authorized $25 million toward construction of the Alaska SeaLife Center in Seward. The SeaLife Center will provide marine research facilities to support restoration work presently not feasible, as well as other science efforts. The scientific program will be guided by the University of Alaska School of Fisheries and Ocean Science. The facility will provide unique and technologically advanced facilities for research on marine mammals, fish and seabirds.

A leading expert in marine mammal physiology was appointed Science Director of the Alaska SeaLife Center in mid-November. Substantial interest has already been expressed by Trustee Council researchers and the international scientific community in use of the facility, projected to open in spring 1998.

RESTORATION RESERVE

Complete recovery from the *Exxon Valdez* oil spill may not occur for decades. To be effective, restoration activities may have to continue beyond 2001, the end of Exxon Corporation's payments to the settlement trust. For these reasons, in 1994 the Trustee Council began making deposits of $12 million per year into a Restoration Reserve to be used for future restoration activities. Allocation of the Reserve funds to specific activities will be made by the Trustee Council at a later date. The Reserve now totals $36 million and is expected to reach at least $108 million, plus interest, by 2001.

photo by Kevin Murphy

The outer coast of Shuyak Island is one of the areas of habitat protected by the Trustee Council in 1995.

HABITAT PROTECTION

The Trustee Council continued in 1995 to protect habitats important to recovery of injured resources and services. The habitat protection program involves working with property owners willing to sell lands in the oil spill area. The goals are to prevent additional injury to resources and services during recovery and to provide a long–term safety net of undisturbed habitat for these resources. As of December 1995, the Trustees had committed $161.5 million to protect 361,000 acres of habitat. This includes actions taken in 1993 to contribute to protection of 23,800 acres in Kachemak Bay State Park and in 1994 to protect 41,549 acres near Kodiak as Afognak Island State Park. In January 1995, the Trustees purchased timber rights on 2,052 acres of Eyak Corporation land in Orca Narrows near Cordova in Prince William Sound. The Trustees paid $3.65 million for this acquisition.

Following is a summary of recent habitat protection actions as part of the large parcel (greater than 1,000 acres) and small parcel (less than 1,000 acres) programs.

Large parcel program:

Akhiok–Kaguyak — The Kodiak National Wildlife Refuge gained 76,646 acres of land and conservation easements on 43,239 acres from Akhiok–Kaguyak, Inc., in May 1995. The Trustees contributed $36 million toward this acquisition, with additional funds contributed from other sources.

Old Harbor — Also in May 1995, the

federal government purchased from the Old Harbor Native Corporation surface title to 29,100 acres and conservation easements on 3,000 acres, also within the Kodiak National Wildlife Refuge. In addition, the Old Harbor Native Corporation agreed to preserve 65,000 acres of land on nearby Sitkalidak Island as a private wildlife refuge. The Trustees contributed $11.25 million toward this acquisition, in addition to funds from other sources.

Koniag — Surface title to 59,691 acres of prime habitat for bear, salmon, bald eagles, and other species in the Kodiak National Wildlife Refuge was purchased from Koniag, Inc., by the federal government in November 1995. This agreement protected an additional 56,048 acres under a conservation easement through 2001. The Trustees contributed $21.5 million toward this acquisition, along with funds from other sources.

Kodiak Island Borough/Shuyak Island — The Trustees approved $42 million toward purchase from the Kodiak Island Borough of surface title to 25,665 acres of prime habitat on Shuyak Island, at the northern tip of the Kodiak archipelago, also in November 1995. The Kodiak Island Borough agreed to commit $6 million from the land sale to expansion of Kodiak's Fishery Industrial Technology Center.

Negotiations Continuing —Negotiations continue with English Bay, Port Graham, Tatitlek, Chenega, Eyak, Afognak Joint Ventures, and Koniag Corporations on long-term protection of another 415,000 acres of habitat in the spill area.

Small parcel program. In late 1995, the Trustees authorized $15.6 million for offers to purchase fee interest in 22 small parcels located throughout the spill region. If all offers are accepted, 17,645 acres of habitat will be protected, including 2,500 acres along the Kenai River important for salmon habitat. Other small parcels are being evaluated and additional purchase offers may be made in the future.

FISCAL ACCOUNTABILITY

Independent audit. The Trustee Council contracted with a private accounting firm, Elgee, Rehfeld, and Funk of Juneau, to conduct an external audit of the Council's financial activities. A summary of the audit of 1995 activities can be found beginning on page 29 of this report. The audit provides an independent assessment of the settlement funds held in trust and an analysis of expenditures against the trust.

Administrative budget reduced. Funding allocated to Trustee Council public information, science management, and administrative costs was reduced by 12 percent in 1995 in a continuing effort to maximize restoration benefits of the remaining settlement funds.

COORDINATION WITH CRIMINAL SETTLEMENT FUNDS

As part of the criminal plea agreement, Exxon paid $50 million each to the State of Alaska and the United States to be used for restoration projects relating to the oil spill. The

state and federal governments separately manage these criminal payments; the funds are not under the authority of the Trustee Council. However, in order to maximize opportunities for restoration, the Trustees will continue to coordinate with activities funded through the criminal settlement.

The federal trustees have allocated funds from the federal criminal fines for habitat protection, shoreline monitoring in Prince William Sound, and other research projects.

Habitat protection. Habitat protection actions include authorizing the U.S. Forest Service to use $20 million to acquire privately owned lands within the boundaries of the Chugach National Forest in Prince William Sound. In the Kodiak region, $20.5 million of the federal criminal funds were used by the U.S. Fish and Wildlife Service to protect habitat within the Kodiak National Wildlife Refuge.

The federal trustees approved approximately $5 million to appraise and acquire privately owned small parcels in the Chugach National Forest and the Kenai and Kodiak National Wildlife Refuges. To date the Fish and Wildlife Service has reached agreements to acquire 21 key parcels in the Kodiak Refuge.

Shoreline monitoring and other research. The National Oceanic and Atmospheric Administration received federal criminal funds for three projects: a long-term shoreline monitoring project to analyze the effectiveness of various responses to future oil spills, preliminary work to establish an Estuarine Research Reserve in the oil spill area, and research to identify, design and implement changes enhancing navigational safety for oil tanker and other large commercial vessels transiting the Sound and Cook Inlet.

The state funds have been appropriated by the Alaska Legislature for a variety of purposes. Of particular interest:

Subsistence. Five million dollars were appropriated to the Alaska Department of Community and Regional Affairs for grants to restore subsistence resources in unincorporated communities. Two new grants were awarded in 1995, bringing the total to approximately $3 million committed thus far. One new grant enhanced the silver salmon run in the Port Graham River on the Kenai Peninsula. The other extended fish-counting time at the Chignik River weir by four weeks to document and research late returns of sockeye, Dolly Varden and other anadromous fish. Several other grant proposals in the Kodiak area, Prince William Sound and the Kenai Peninsula are under review.

Kenai River. Three million dollars were appropriated to the Alaska Department of Fish and Game for habitat restoration and enhancement projects within the Kenai River watershed. In 1995, three restoration projects were completed in the lower Kenai River downstream of Skilak Lake. Techniques used at the three sites included riverbank revegetation, and construction of light-penetrating elevated walkways, stairs and floating docks. Efforts are continuing to acquire parcels of land adjacent to the river or lakes which are key to protecting salmon habitat.

Twenty-four Kodiak residents teamed up in September 1995 to help with building new trails in the Ft. Abercrombie State Historic Park. This project was supported with state criminal settlement funds.

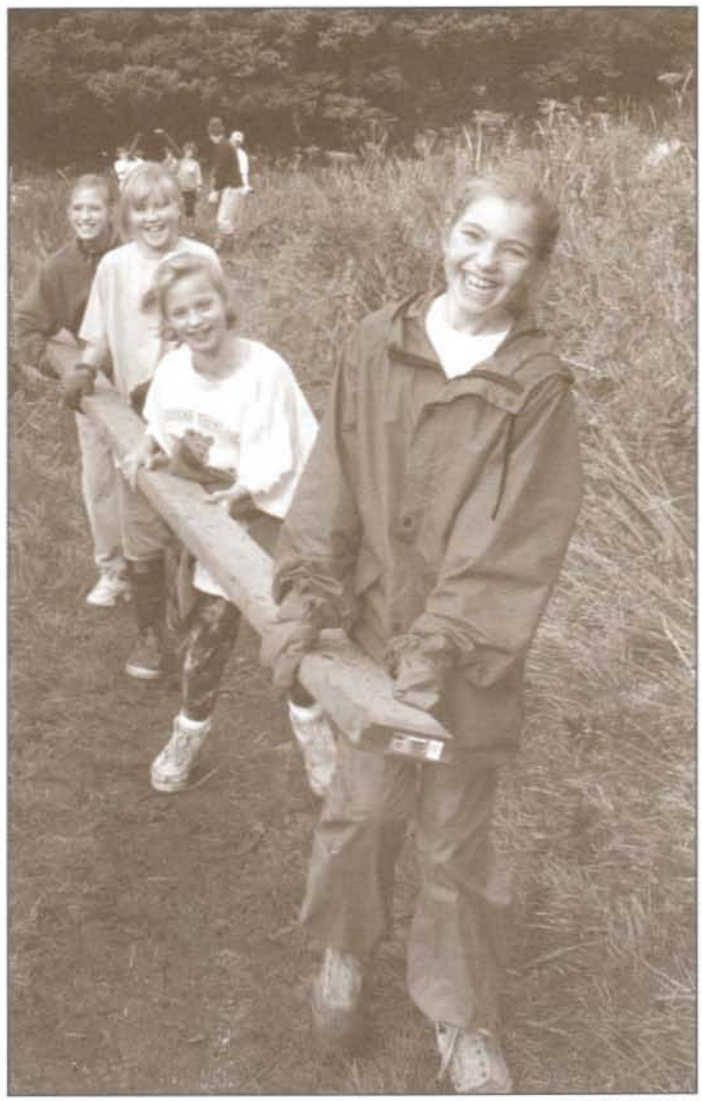


photo by Len Perez

Recreation. The Alaska Department of Natural Resources received $10.8 million for restoring recreational services. During 1995 funding was used on several projects. A public boat dock was constructed in Halibut Cove Lagoon near Homer to provide access to a public use cabin. Construction began on two public use cabins in Resurrection Bay – one fully accessible to people with disabilities. Visitor information displays about Kachemak Bay State Park were placed at prominent locations in Homer. New trails were built at Fort Abercrombie State Park in Kodiak and at Caines Head State Recreation Area near Seward, and planning was completed for 30 miles of new trails in Kachemak Bay State Park. Additional recreational projects will be underway later in 1996.

Oil Spill Prevention. The Alaska Department of Environmental Conservation received $3.3 million for research on prevention and cleanup of future oil spills. Contracts are in place for four projects in early 1996 totaling about $300,000, with additional projects under review. Current projects include a study of biodegradation of Alaska oils in fresh water, field tests of a device that will help prevent small fishing vessels from overfilling their fuel tanks, an on-land test of burning oil as a cleanup method, and updating data to help the department make the best decisions if burning was under consideration as an oil spill cleanup method.

PUBLIC PARTICIPATION

Public participation is a key element in the Trustee Council's restoration process. Highlights of 1995 activities follow:

Community involvement was a major emphasis in 1995. A Community Involvement Coordinator joined the Restoration Office to assist residents of the spill region become more involved in restoration activities. Additional programs, including a Conference on Subsistence and the Oil Spill, a Workshop on Residual Oil and participation of about 20 representatives of spill area communities in the 1996 annual Restoration Workshop, reflect an increased commitment to involving residents of the spill region, especially in research activities where local and traditional knowledge can make important contributions.

The Trustees sponsored the third annual Restoration Workshop in January 1996. More than 250 people participated, including key personnel from each project funded by the Trustees in 1995 as well as members of the public, representatives from spill area communities, scientists and resource agency representatives. Presentations were made about each of the major components of the restoration program. A number of discussions took place on aspects of the program's future.

photo by L.J. Evans

A number of Cordovans discussed their concerns with Council members at the Trustee Council meeting in Cordova on June 1, 1995.

The Trustee Council met in Cordova on June 1, 1995. The meeting was well attended and many Cordova residents offered comments and discussed their ideas with the Trustees. The Trustees plan to meet at least once a year in a spill region community.

During a field trip to Prince William Sound in September 1995, the Public Advisory Group toured a hatchery where otolith thermal marking equipment was in operation, viewed a number of land parcels under consideration for habitat protection, attended briefings on restoration activities and participated in public meetings in Valdez and Chenega Bay.

Trustee Council staff conducted public meetings throughout the spill region during April 1995 to take public comments on the 1996 Draft Work Plan and discuss scientific findings of the restoration program. Experts on restoration projects of particular interest to local residents participated in each meeting. Other, more informal community meetings took place throughout the year.

Restoration information became available on the world wide web through an electronic home page set up in the summer of 1995. Staff at the Oil Spill Public Information Center are providing information to Internet users on the status of recovery, restoration activities, background information on the spill, and a variety of other information, including the text to the Annual Status Report. The web page can be reached at:

http://www.alaska.net/~ospic

PAST AND ESTIMATED FUTURE USES OF CIVIL SETTLEMENT

Reimbursements for Damage Assessment and Response	**213.6**	
Governments (includes litigation and cleanup)	*173.7*	*(a)*
Exxon (for cleanup after 1/1/92)	*39.9*	
Research, Monitoring & General Restoration	**180.0**	
Actual expenditures:		
• *FY 1992 Work Plan*	*12.4*	
• *FY 1993 Work Plan*	*8.8*	*(b)*
• *FY 1994 Work Plan*	*15.2*	
• *FY 1995 Work Plan*	*17.1*	
• *FY 1996 Work Plan (authorized)*	*18.2*	
FY 1992 — FY 1996 Work Plans	*71.7*	
FY 1997 — FY 2002 Work Plans (estimate)	*83.4*	
Alaska SeaLife Center	*25.0*	
Habitat Protection	**381.5**	
Large Parcel and Small Parcel programs (past expenditures, outstanding offers, estimated future commitments and parcel evaluation costs)		
Restoration Reserve	**108.0**	
• FY 1994 — FY 1996	*36.0*	
• FY 1997 — FY 2002 (anticipated)	*72.0*	
Public Information, Science Management & Administration	**30.9**	
Actual Expenditures:		
• FY 1992 Work Plan	*4.3*	
• FY 1993 Work Plan	*2.7*	*(b)*
• FY 1994 Work Plan	*4.1*	
• FY 1995 Work Plan	*3.2*	
• FY 1996 Work Plan (authorized)	*3.4*	
FY 1997 — FY 2002 (estimate)	*13.2*	
TOTAL	**914.0**	*(includes interest)*
Exxon Payments	*900.0*	
Interest on Court Registry Investment System account *(minus fees)*	*12.0*	
Interest on federal and state accounts	*2.0*	

a) Reimbursement to governments reduced by $2.7 M for expenditures included in FY 1992 Work Plan.

b) 1993 Work Plan was funded for only 7 months during transition to the federal fiscal year (Oct. 1 — Sept. 30).

ELGEE, REHFELD & FUNK
Certified Public Accountants

9309 Glacier Highway, Suite B-200 · Juneau, Alaska 99801
Phone: 907-789-3178 · FAX: 907-789-7128

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, 1995, 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 *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) 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 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 and NRDA&R and the financial position of the Settlement Trust as of and for the year ended September 30, 1995, 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 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 reports dated January 26, 1996 on our consideration of the *Exxon Valdez* Oil Spill Trustee Council, Trust Funds' internal control structure and a report dated January 26, 1996 on their compliance with laws and regulations, as listed in the table of contents.

Elgee, Rehfeld & Funk

January 26, 1996

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, 1995

ASSETS:	
Cash and Investments	$ 117,067,523
Total Assets	$ 117,067,523
LIABILITIES AND JOINT TRUST ACCOUNT BALANCE:	
Liabilities	$ -
Joint Trust Account Balance	117,067,523
Total Liabilities and Joint Trust Account Balance	$ 117,067,523

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN JOINT TRUST ACCOUNT BALANCE
For the Fiscal Year Ended September 30, 1995

Receipts:	
Receipts	$ 67,303,000
Investment Income	5,483,088
Total Receipts	72,786,088
Disbursements:	
State of Alaska, *Exxon Valdez* Settlement Trust:	
Fiscal 1995 Natural Resource Damage Assessment and Restoration Projects	(16,494,749)
Fiscal 1995 Land Acquisitions	(3,111,204)
Fiscal 1996 Natural Resource Damage Assessment and Restoration Projects	(9,863,716)
Fiscal 1996 Research Infrastructure Improvements	(12,500,000)
Total Disbursements to State of Alaska	(41,969,669)
U.S. Department of Interior, Natural Resources Damage Assessement and Restoration Fund:	
Fiscal 1995 Natural Resource Damage Assessment and Restoration Projects	(8,282,612)
Fiscal 1995 Land Acquisitions	(33,900,000)
Fiscal 1996 Natural Resource Damage Assessment and Restoration Projects	(5,837,316)
Total Disbursements to United States	(48,019,928)
Court Registry Fees	(542,728)
Total Disbursements	(90,532,325)
Deficiency of Receipts Over Disbursements	(17,746,237)
Joint Trust Account Balance, Beginning of Year	134,813,760
Joint Trust Account Balance, End of Year	$ 117,067,523

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, 1995

ASSETS:		
Cash and Investments	$	7,231,428
Total Assets	$	7,231,428
LIABILITIES AND FUND BALANCE:		
Liabilities	$	-
Trust Fund Balance		7,231,428
Total Liabilities and Trust Fund Balance	$	7,231,428

STATEMENT OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN TRUST FUND BALANCE
For the Fiscal Year Ended September 30, 1995

Receipts:		
Contributions - Court Registry Investment .		
System, Joint Trust Account	$	48,019,928
Unobligated Balances Returned to NRDA&R:		
U.S. Department of Interior:		
Fish and Wildlife Service		204,484
National Park Service		304,075
Minerals Management Service		56,301
Office of the Secretary		12,115
U.S. Department of Commerce, National Oceanic and Atmospheric Administration		80,700
		657,675
Investment Income		115,751
Total Receipts		48,793,354
Disbursements:		
U.S. Department of Interior:		
Fish and Wildlife Service		(33,887,200)
National Biological Service		(663,615)
National Park Service		(63,100)
Minerals Management Service		(17,400)
Office of the Secretary		(58,900)
U.S. Department of Agriculture, United States Forest Service		(4,047,000)
U.S. Department of Commerce, National Oceanic and Atmospheric Administration		(2,893,100)
Total Disbursements		(41,630,315)
Excess of Receipts Over Disbursements		7,163,039
Trust Fund Balance, Beginning of Year		68,389
Trust Fund Balance, End of Year	$	7,231,428

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, 1995

ASSETS:		
Cash and Investments	$	21,823,265
Contributions Receivable		12,500,000
Total Assets	$	34,323,265
LIABILITIES AND FUND BALANCES:		
Liabilities:		
Accounts Payable	$	2,356,928
Deferred Revenues		22,363,716
Total Liabilities		24,720,644
Fund Balances:		
Reserved for Encumbrances		2,691,943
Unreserved		6,910,678
Total Fund Balances		9,602,621
Total Liabilities and Fund Balances	$	34,323,265

STATEMENT OF REVENUES , EXPENDITURES AND
CHANGES IN FUND BALANCES
For the Fiscal Year Ended September 30, 1995

Revenues:		
Contributions - Court Registry Investment System, Joint Trust Account	$	19,605,953
Interest and Investment Income		943,577
Total Revenues		20,549,530
Expenditures:		
Current Operating:		
Natural Resources Damage Assessement and Restoration Projects		
Department of Fish and Game		12,679,279
Department of Environmental Conservation		1,472,568
Department of Natural Resources		1,252,755
Total Current Operating		15,404,602
Capital Outlay:		
Land Acquisitions - Alaska Department of Fish and Game		3,229,042
Total Expenditures		18,633,644
Excess of Revenues Over Expenditures		1,915,886
Fund Balances, Beginning of Year		7,686,735
Fund Balances, End of Year	$	9,602,621

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

Exxon Valdez Oil Spill Trustee Council
NOTES TO TRUST FUNDS FINANCIAL STATEMENTS
Fiscal Year Ended September 30, 1995

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 1995, all activities of the Restoration Office were conducted through the Alaska State Departments of Fish and Game and Environmental Conservation. In addition, the Alaska Department of Natural Resources and the U.S. Department of Commerce, 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 - 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, 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. In addition, an account entitled "Exxon Valdez Oil Spill Settlement Account" (Joint Trust Account) was established in CRIS specifically for the Exxon settlement proceeds.

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 CRIS 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. The financial presentation for the Joint Trust Account is of the Joint Trust 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.

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 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 December 31, 1995, the registry fee charged to the Joint Trust Account was 10 percent of investment income. 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 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 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, NRDA&R and the Settlement Trust are as follows:

Joint Trust Account - The financial statements of the Joint Trust Account 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.

Interest and investment income is 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 is 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.

Statement Presentation

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

Contributions Receivable - Settlement Trust

Contributions Receivable in the Settlement Trust financial statements include amounts disbursed from the Joint Trust Account pursuant to Council action prior to September 30, 1995, but which were received by the State subsequent to that date.

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, 1995, which relate to fiscal 1995 restoration activities.

Deferred Revenues in the Settlement Trust financial statements include amounts received or receivable at September 30, 1995, which are to be expended by the State in fiscal 1996.

Unobligated Balances Returned to Fund - NRDA&R

Unobligated Balances Returned to Fund in the NRDA&R financial statements represent unobligated amounts from *Exxon Valdez* oil spill restoration activities of prior fiscal years that the United States Trustee Agencies have transferred back to NRDA&R during fiscal 1995.

3. CASH AND INVESTMENTS

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

Joint Trust Account - All deposits and investments of the Joint Trust Account are held in the name of Clerk, U.S. District Court, Southern District of Texas at the Federal Reserve Bank. At September 30, 1995, substantially all balances are held in U.S. Treasury Bills with maturities less than 100 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 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, 1995, 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:

Date Payment Due	Amount
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
	$ 900,000,000

4. CONTRIBUTIONS BY EXXON CORPORATION (Continued)

During fiscal 1995, Exxon Corporation made the contribution to the Joint Trust Account as required by the Agreement. As further discussed in Note 5, $2,697,000 of the $70,000,000 contribution was paid directly to the U.S. Department of Agriculture, United States Forest Service. The balance of $67,303,000 was placed with the Joint Trust Account.

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 1995, $2,697,000 was paid to the United States Department of Agriculture as a reimbursement pursuant to the Agreement. There were no other reimbursements made to the United States or the State during fiscal 1995 under the Agreement.

6. DISBURSEMENTS FROM JOINT TRUST ACCOUNT

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. 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, 1995, the following project solicitation and review process was used by the Council:

6. DISBURSEMENTS FROM JOINT TRUST ACCOUNT (Continued)

1. In May 1994, the Council published an *Invitation to Submit Restoration Projects for Fiscal Year 1995*. The Council's Chief Scientist coordinated a preliminary scientific and technical review of the projects. The projects were also reviewed by the Council's Executive Director, Federal and State agency staff, 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 Council in accordance with the MOA to help provide meaningful public participation in the injury assessment and restoration process).
2. In late August, all proposals and the results of the reviews were published in the *Draft Fiscal Year 1995 Work Plan.* The public comment period on the draft ran from late August until October 3, 1994.
3. Projects that were in process from the fiscal year ended September 30, 1994, and that were ongoing and required immediate funding, received interim funding from the Council on August 23, 1994.
4. During the public review period, the Council's Chief Scientist, peer reviewers, the Public Advisory Group, and others attended additional review sessions of the various proposed projects to assess the merits of each project.
5. In November and December 1994, the Council made final project approval. The approved projects were published in the *Fiscal Year 1995 Work Plan.*
6. The staff of the respective Federal and State agencies developed detailed project descriptions which were reviewed by the Council's Executive Director and Chief Scientist.

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, and all 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 1995, disbursements to the United States and the State were reduced by $139,314 and $985,423 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 1995, the United States and the State reported total unobligated balances of $2,597,808. Of this amount, United States and the State reported $220,858 and $2,376,950, respectively. These unobligated funds were recovered through reduced project disbursements during the fiscal year ending September 30, 1995.

Disbursements from the Joint Trust Account

During fiscal 1995, the Council disbursed $89,989,597 for restoration projects and land acquisition as follows:

Restoration Projects Authorized By the Council	
For 1995 and 1996:	
To be conducted by the United States	$ 14,560,800
To be conducted by the State	29,603,000
Total	44,163,800
Land Acquisitions and Research Infrastructure Improvements Authorized By The Council	
For 1995 and 1996:	
To be acquired by the United States	33,900,000
To be acquired by the State	15,729,042
Total	49,629,042
	93,792,842
Less:	
Unobligated balances on prior years projects	(2,597,808)
Interest earnings on payments not yet disbursed by the United State and State	(1,124,737)
Other Adjustments	(80,700)
Disbursements from the Joint Trust Account	$ 89,989,597

7. CONTRIBUTIONS RECEIVABLE

On November 2, 1994, the Council approved the disbursement of $24,956,000 from the Joint Trust Account to the State. The money is to be expended by the State of Alaska, Department of Fish and Game to fund research infrastructure improvements affiliated with the University of Alaska, School of Fisheries and Ocean Sciences, Institute of Marine Science in Seward, Alaska. The amount is to be funded with a withdrawal of $12,500,000 on September 15, 1995 and another withdrawal of $12,456,000 on September 15, 1996.

On September 20, 1995, the first scheduled withdrawal was made. These amounts were disbursed from the Joint Trust Account. However, the funds were received and deposited to the Settlement Trust subsequent to September 30, 1995. For this reason, the Settlement trust has recorded a contribution receivable in the accompanying financial statements as of September 30, 1995.

8. DEFERRED REVENUE

Deferred revenue in the financial statements of the Settlement Trust has been recorded for two transactions:

1. The disbursement, in the amount of $12,500,000 made from the Joint Trust Fund with CRIS to fund research infrastructure improvements affiliated with the University of Alaska, School of Fisheries and Ocean Sciences, Institute of Marine Science in Seward, Alaska as discussed in the preceding note is to be expended by the Alaska Department of Fish and Game upon final legislative approval by the State Legislature's Legislative Budget and Audit Committee. Pending this approval, the amount has been recorded as deferred revenue.

2. On August 25, 1995, the Council approved the initial funding for restoration projects to be conducted by the Trustee Agencies in fiscal 1996. The disbursement relating to this action was made from the Joint Trust Account on September 21, 1995, and the amount disbursed to the State Trustee Agencies' of $9,863,716 has been recorded as deferred revenue.

NRDA&R also received the United States' disbursement prior to September 30 1995, relating to the initial funding for restoration projects to be conducted by the Trustee Agencies in fiscal 1996. The amount received of $5,837,316 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 1996.

9. REAL PROPERTY ACQUISITIONS OBLIGATIONS OUTSTANDING

Alaska Sea Life Center

As discussed in Note 7, on November 2, 1994, the Council approved the disbursement of $24,956,000 from the Joint Trust Account with CRIS to fund research infrastructure improvements affiliated with the University of Alaska, School of Fisheries and Ocean Sciences, Institute of Marine Science in Seward, Alaska. The first of two withdrawals to fund the project in the amount of $12,500,000 was made on September 15, 1995. A final withdrawal of $12,456,000 is scheduled for September 15, 1996.

Kodiak National Wildlife Refuge - AKI

On November 2, 1994, the Council approved the purchase of the surface estate in fee simple of approximately 76,700 acres of land within the boundaries of the Kodiak National Wildlife Refuge (Refuge) and conveyance of an in-perpetuity conservation easement on an additional approximately 43,200 acres of land within the Refuge. The purchase closed during year-end. The land was acquired by the United States Department of Interior, Fish and Wildlife Service. The total amount to be paid from the Joint Trust Account is $36,000,000. The scheduled amounts paid or to be paid from the Joint Trust Account are as follows with no interest accruing on the unpaid amounts:

At initial closing (paid in fiscal 1995)	$ 13,000,000
At subsequent closing (paid in fiscal 1995)	8,000,000
September 30, 1996	7,500,000
September 30, 1997	7,500,000
	$ 36,000,000

9. REAL PROPERTY ACQUISITIONS OBLIGATIONS OUTSTANDING (Continued)

Seal Bay, Alaska

On August 23, 1993, the Council approved the purchase of 41,549 acres of land in the vicinity Seal Bay, Alaska by the State as part of habitat protection activities consistent with its fiscal year 1993 Work Plan. The property, which was owned by a Corporation, was purchased for $38,700,000 with $29,950,000 paid at closing on November 10, 1993. The balance due is to be paid in three equal annual installments of $2,917,000 with interest accruing on the unpaid balance at a rate equal to the fifty-two week United States treasury bill rate, adjusted and compounded annually. The first annual installment was paid on November 9, 1994. Interest paid on that date was $312,000. The remaining unpaid balance due of $5,833,000 plus interest will be disbursed from Joint Trust Account balances at the scheduled installment dates.

10. SUBSEQUENT EVENTS

Fiscal 1996 Restoration Activities

On December 11, 1995, the Council approved the second disbursement related to its fiscal 1996 *Work Plan* for Restoration Projects to be conducted by the Trustee Agencies. The total amount approved was $5,502,000. The United States and the State reported $48,676 and $262,202, respectively, of interest earned on available balances in NRDA&R and the Settlement Trust since the previous disbursement. As a result, $5,191,122 was withdrawn from the Joint Trust Account for disbursement to the United States and State. In addition, on January 12, 1996, the Council approved $150,000 in additional funding for habitat protection and acquisition support activities (project #96126).

Kodiak National Wildlife Refuge - Koniag

On December 2, 1994, the Council approved the purchase of the surface estate in fee simple of approximately 59,700 acres of land within the boundaries of the Kodiak National Wildlife Refuge (Refuge) and conveyance of a seven-year conservation easement on an additional approximately 56,000 acres of land within the Refuge. The purchase closed subsequent to year-end. The land was acquired by the United States Department of Interior, Fish and Wildlife Service. The total amount paid is to be $28,500,000, including $21,500,000 from the Joint Trust Account, and $7,000,000 from separate federal funds. The amounts to be paid from the Joint Trust Account are as follows with no interest accruing on the unpaid amounts:

At closing (fiscal 1996)	$ 8,000,000
September 30, 1996	4,500,000
September 30, 1997	4,500,000
September 30, 1998	4,500,000
	$ 21,500,000

On November 21, 1995, the Court approved the Council's request to withdraw $8,000,000 from the Joint Trust Account for the down payment and first installment relating to the acquisition of land at Kodiak National Wildlife Refuge as described above.

Seal Bay, Alaska Land Acquisition

On November 2, 1995, the Court approved the Council's request to withdraw $3,294,667 from the Joint Trust Account for the second installment relating to the acquisition of land at Seal Bay, Alaska as described in Note 9. Of this amount, $378,000 was for accrued interest, and $2,916,667 was for principal.

I am elder. I am chief. I will

lose hope. I will help my people

have never lived through this k

death, but we have lived thro

lots of other kinds of deaths.

will learn from the past, we

learn from each other, and we

live. The water is dead, but w

alive, and where there is life there is hope.

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where there is life there is hope

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