Summary Minutes
Inland Waterways Users Board Meeting No. 67
August 29, 2012
St. Louis, Missouri

Inland Waterways Users Board Meeting No. 67 was called to order by Mr. Mark Pointon, the Designated Federal Official (DFO) and Executive Secretary of the Inland Waterways Users Board (the Board) at 9:00 A.M. The meeting included approximately 65 attendees, including eight members of the Board: Chairman Larry R. Daily, Vice Chairman Michael W. Hennessey, Mr. James Farley, Mr. Charles A. Haun, Mr. Martin T. Hettel, Mr. Mark K. Knoy, Mr. W. Scott Noble, and Mr. Michael Somales. Board Members Mr. G. Scott Leininger and Mr. Bruce Reed did not attend the meeting.

Mr. Pointon made introductory remarks, and then Colonel Christopher G. Hall, District Commander of the St. Louis District offered welcoming remarks to the Board and the attendees to the meeting.

Major General (MG) Michael J. Walsh, Deputy Commanding General for Civil and Emergency Operations for the U.S. Army Corps of Engineers (the Corps) and the Executive Director of the Board welcomed the observers from the various Federal agencies to the meeting of the Board, including Mr. Rock Salt, Principal Deputy Assistant Secretary of the Army (Civil Works), substituting for Ms. Jo-Ellen Darcy; Mr. Nicholas Marathon, Department of Agriculture (USDA), Transportation and Marketing Division; and Mr. William K. Paape, St. Louis Gateway office, U.S. Maritime Administration (MARAD). Note: There was no observer from the National Oceanic and Atmospheric Administration (NOAA) in attendance at the meeting.

MG Walsh then made remarks concerning the President's budget request to fund USACE Civil Works activities in Fiscal Year (FY) 2013, beginning on October 1, 2012. The President's budget request totaled $4.73 billion, of which $780 million is directed towards the inland waterways system. Of the $780 million, $144 million is directed towards continuing construction at Olmsted Locks and Dam. Other projects identified as receiving funds for construction in FY 2013 include Lockport Lock on the Illinois Waterway; Lock and Dam 27 on the Mississippi River (Major Rehabilitation); Locks and Dams 2, 3 and 4 on the Monongahela River; the J. Bennett Johnston Waterway; and the Mississippi River between the Ohio and Missouri Rivers (Regulating Works).

MG Walsh also mentioned that the Administration and Congress were considering the passage of a six-month Continuing Resolution to fund the government for the first six months of FY 2013 and the possibility of a sequestration beginning January 1, 2013, but he indicated there was little information available to report on with respect to a sequestration.

MG Walsh continued his remarks by discussing the Corps ongoing efforts to transform the Civil Works program so as to enable the Corps to better meet current and future challenges, and address the water resources needs of the nation. This transformation of

the Civil Works program is based upon four pillars: a new and modernized planning paradigm designed to streamline the project planning process to produce concise Chief's reports faster and at lower cost; a more logical and integrated budget development process; a long term strategy for infrastructure and life cycle management of projects; and, enhanced methods of delivery.

After MG Walsh concluded his remarks he provided an opportunity for each of the Federal observers to provide opening remarks.

Mr. Nicholas Marathon of the USDA thanked the Board for the opportunity to attend today's meeting and expressed USDA's appreciation for the importance of the inland waterways system to the U.S. agriculture industry. Mr. Marathon indicated that due to the severe ongoing drought which has affected a great portion of the country, the USDA is projecting that this year's corn crop will be about 11 billion bushels, a decrease of about 4 billion bushels from the estimated size of the corn crop that Mr. Marathon presented at the June meeting of the Board.

Mr. William Paape, Director of the St. Louis Gateway Office of the Maritime Administration, thanked the Board to attend this meeting of the Board and looked forward to the discussion of issues facing the inland waterways system.

Principal Deputy Assistant Secretary of the Army for Civil Works (ASA (CW)) Mr. Terrence C. "Rock" Salt expressed his thanks for the opportunity to attend this meeting of the Board and indicated how important the contributions of the Board are to the work of the Corps, that there are challenges ahead facing the inland waterways system, and looks forward to participating in the discussions of the issues before the Board.

Following the remarks of the Federal observers, Mr. Larry Daily, Chairman of the Board, made opening remarks. Mr. Daily stresses the importance of the inland waterways system to the performance of the nation's economy. Mr. Daily indicated that the issues facing the Board are extremely large and complex but looked forward to working with the Corps to finding solutions to the future funding of improvements to the inland waterways system and to prioritizing the future improvements to the inland waterways system.

Mr. Pointon then called upon the members of the Board to approve the minutes of the last Board meeting, Meeting No. 66 which was held June 6, 2012 in Pittsburgh, Pennsylvania. Vice Chairman of the Board, Mr. Michael Hennessey made a motion to approve those minutes and Mr. Michael Somales seconded the motion, after which the Board members unanimously voted to approve the minutes of Meeting No. 66.

Then Mr. Pointon called upon Mr. Jon Soderberg of the USACE Headquarters, Programs Integration Division to provide an update on the status of the Inland Waterways Trust Fund and an update on the status of projects on the inland waterways system. Mr. Soderberg reported that as of the first ten months of FY 2012 (October 1, 2011 to July 31, 2012), revenue in the Trust Fund totaled $69.6 million, an increase of $1.4 million versus

the same reporting period last year. Mr. Soderberg then provided an update on the status of inland waterways projects including Chickamauga Lock and Dam on the Tennessee River, Kentucky Lock and Dam on the Tennessee River, Locks and Dams 2, 3 and 4 on the Monongahela River, Emsworth L&D on the Ohio River, Olmsted L&D on the Ohio River, Markland L&D on the Ohio River, Lock and Dam 27 (major rehabilitation) on the Mississippi River, Lockport Lock on the Illinois Waterway, and the Inner Harbor Navigation Canal (IHNC) Lock on the Gulf Intracoastal Waterway.

In response to a question from the Board, Mr. Soderberg indicated that American Reinvestment and Recovery Act or "ARRA" funds need to be obligated by the end of the current calendar year (2012) or they will be rescinded. Funds that are obligated by the end of the calendar year can be spent through 2015, but only on projects for which they were obligated. ARRA funds cannot be transferred between projects.

After Mr. Soderberg's presentation, Mr. Richard Hancock, Regional Business Director of the Great Lakes and Ohio River Division, gave an update on the status of the Olmsted Locks and Dam (L&D) project.

Mr. Hancock indicated that the Louisville District and its contractors are making great progress concerning construction at the project site. This is the third year that the contractor is doing in-the-water construction. Unfortunately, the first two construction seasons were marred by historic flooding events that slowed the progress of construction at the project site. In 2010, there was record flooding on the Cumberland River which flows into the Ohio River. In 2011, there was record flooding on the Ohio and Mississippi River, which again impacted construction at the project site.

During the first two construction seasons, as part of the construction of the tainter gate portion of the dam, eight concrete shells were placed in the river. So far during the 2012 construction season, two shells have been placed in the river, with another two shells scheduled to be placed in September. A fifth shell is scheduled to be placed in early December and a sixth shell in early January 2013, which would bring the total number of shells in the river to 14 (out of a total of 18 as part of the tainter gate portion of the dam). It should be noted that there will be five gates as part of the tainter gate section of the dam, with fabrication to take place in the future.

As part of his presentation Mr. Hancock showed a photograph of the placement of Sill Shell 4 (SS-4) which was placed in the river on August 14th. The contractor was able to place the shell in 10.5 hours, which is a great improvement in the time required to place shells at the outset of the project (15 to 16 hours), while maintaining acceptable standards of accuracy for placement of shells in the river.

Mr. Hancock indicated that beginning in October 2012 the contractor would begin preparatory work on the navigable pass portion of the project, including foundation work and pile driving in the area of the river where the navigable pass shells would be placed adjacent to the tainter gate portion of the dam.

Mr. Hancock then discussed the results of a qualitative risk assessment of the possible "failure" of the existing Ohio River Locks and Dams 52 and 53 under alternative future scenarios and the identification of potential risks to the existing structures. The Great Lakes and Ohio River Division conducted an Expert Elicitation to review existing reports and documents regarding the condition of Ohio River L&Ds 52 and 53, conducted a site inspection of L&Ds 52 and 53 and met with the operational staffs to identify the current conditions of the projects and identify potential physical events that could cause a "failure" at the project sites and estimate the impacts associated with those events.

The team defined "failure" as an event that would cause a delay to navigation of greater than 24 hours, the loss of two or more feet of depth of pool, or a loss of life.

The Expert Elicitation team identified 39 potential failure modes that could possibly affect the existing structures. The Expert Elicitation team estimated that it would require $96 million over the next 10 years ($53 million at L&D 52 and $43 million at L&D 53) to proactively address these issues. The team estimated that $169 million would be required over the next 20 years to proactively address the potential failure modes of L&Ds 52 and 53, and $247 million over the next 30 years.

Mr. Hancock noted that the funds required to perform the maintenance activities to address the possibility of failure at L&Ds 52 and 53 would be in addition to currently scheduled Operation and Maintenance (O&M) activities and that the additional funding would have to come from Corps O&M funding.

Mr. Hancock then provided a brief review of the benefits and costs associated with the Olmsted project. The primary benefit category associated with the Olmsted project are transportation rate savings associated with the use of the new Olmsted L&D versus the continued use of Ohio River L&Ds 52 and 53. Transportation savings approximate $823 million per year when the Olmsted project begins to operate. Mr. Hancock presented the results of various sensitivity analyses which examined scenarios where the estimated benefits associated with the Olmsted project were reduced by almost half, and Olmsted still produced the most benefits of any of the inland waterways projects under construction. Mr. Hancock indicated that the size and scope of the benefits associated with the Olmsted project make for a compelling case to continue construction at Olmsted and complete the project in a timely fashion.

Mr. Hancock then discussed the outlook for future construction activity at the project site and the possibility of slowing down the pace of construction on the project due to the 902 limit on the project.

The Office of Management and Budget (OMB) has submitted to Congress, as part of the submission of the FY 2013 President's Budget, a request to raise the 902 limit on the Olmsted project. To date, the Congress has not acted upon the request to raise the 902 limit.

In order to avoid exceeding the 902 limit, the division is considering slowing down the pace of expenditures on the Olmsted project. The current 902 limit is $1.745 billion. It is estimated that under the current rate of spending on the project, the project will hit the 902 limit in FY 2014 (sometime after October 2013). The 902 limit would need to be raised sometime by mid-year 2013, so as to not impact the pace of construction at the project.

Mr. Hancock indicated that if the 902 limit is not raised by mid-year 2013, the expenditure rate at the Olmsted project would need to be slowed down so as to not exceed the 902 limit. Spending at Olmsted would not cease in its entirety during the time when the 902 issue is being addressed, but rather at a reduced rate so as to insure that the 902 limit is not exceeded. At a reduced expenditure rate, activity at Olmsted could continue into FY 2015, but the schedule for completion of the project, which is currently FY 2020, would be negatively impacted.

Mr. Hancock then discussed the possibility of constructing the navigable pass portion of the project using the "in-the-dry" construction method, which would necessitate the construction of a cofferdam, rather than continuing construction of the project using the current "in-the-wet" construction technique.

Mr. Hancock indicated the estimated cost of the construction of the navigable pass portion of the project would be $109 million lower using an "in-the-dry" method of construction when compared to the cost of constructing the navigable pass portion using the current "in-the-wet" construction technique. However this estimate of cost savings does not take into account any additional costs associated with additional environmental studies, physical modeling, or costs associated with the awarding of a new contract, termination of existing contracts or legal challenges. Use of an "in-the-dry" construction contract would necessitate the awarding of a new construction contract, since the current "in-the-wet" contract does not include the construction of a cofferdam or the construction of the navigable pass "in-the-dry", but rather "in-the-wet."

Mr. Hancock indicated that there would be an estimated two year delay in the completion of the navigable pass portion of the project and an associated two year delay in the realization of the benefits associated with the project due to the construction of the navigable pass portion of the project by use of the "in-the-dry" construction method.

Mr. Hancock indicated that the division would recommend the construction of the navigable pass portion of the project continue utilizing the "in-the-wet" method of construction.

At the conclusion of Mr. Hancock's presentation, Chairman Daily made remarks regarding the current status of the Olmsted project. In his remarks regarding the status of the Olmsted project and the need to support an increase in the 902 limit of the Olmsted project, Chairman Daily noted that the Olmsted project is of national significance and it is imperative that the project be completed in a timely fashion. However, Chairman Daily indicated that the Olmsted project has exceeded the ability of the navigation

industry and the Inland Waterways Trust Fund to complete the project solely with the revenues of the Trust Fund. The inland navigation industry supports a plan, the Capital Development Plan (http://www.waterwayscouncil.org/WCIExtras/IMTS_IWUB_Report.pdf), which would fund the construction of the dam portion of waterways construction projects out of the General Treasury and not cost-shared with the Inland Waterways Trust Fund. Chairman Daily said it was important for the Congress not to just increase the amount of funds to complete the Olmsted project by taking money from other worthwhile projects that the Corps has under construction, but rather increase the total amount of funds available to the Corps so that Olmsted can be finished in a timely manner.

Board member Mark Knoy then made a motion in support of increasing the 902 limit on the Olmsted project. Board member Scott Noble seconded Mr. Knoy's motion. Mr. Knoy indicated that he does support raising the 902 limit on the Olmsted project so that work can continue on the project at an efficient pace, but does not support the continued construction of the dam under the current cost sharing formula, and would prefer to see some other funding mechanism used to complete the dam portion of the project.

The members of the Board then voted unanimously to approve the motion to raise the 902 limit of the Olmsted project.

In the discussion that followed the motion to support increasing the 902 limit on the Olmsted project, the Board also recommended, though not by formal motion, that the Olmsted project remain the number one priority of the Board.

Chairman Daily indicated that in the preparation of the Board's Annual Report to Congress, the Board will identify its list of projects, in order of priority.

Mr. Hancock concluded his presentation by indicating that fully funding the Olmsted project (providing the Corps with all of the funding required to complete the project up front rather than receive project funding on an annual basis) could shorten the construction schedule by two to three years and reduce the total cost of construction by approximately $200 million through better construction scheduling, locking in prices for supplies and equipment, and achieving other efficiencies throughout the construction project.

Following Mr. Hancock's presentation on the Olmsted L&D project, Mr. James Walker, Chief of the Navigation Branch of the Operations and Regulatory Division at USACE Headquarters provided an update on the status of the "Inland Marine Transportation System Levels of Service" initiative.

Mr. Walker indicated that the Levels of Service initiative would not result in the closure of any locks, but would focus on adjusting the number of hours of operation at locks to better reflect their current pattern of usage. The resulting savings in reduced operating cost would then be redirected to other maintenance issues at the lock, thereby extending the operational life and reliability of the facilities.

Mr. Walker indicated that "full service locks" would be defined as having greater than 1000 commercial lockages per year, and that there are five categories of usage below "full service" depending upon the number of commercial lockages. Mr. Walker indicated that there are 54 locks which have less than 1000 commercial lockages per year.

"Full service locks" (those have more than 1000 commercial lockages per year) would continue to provide 24 hour service, seven day per week, 365 days per year.

Below "full service locks" there would be five categories of service:

- Reduced service – two shifts per day (16 – 20 hours per day, 7 days per week, 365 days a year (two shifts of either 8 or 10 hours);
- Limited service – 8-12 hours per day, 7 days per week, 365 days per year;
- Scheduled service – Set times per day, lockages (including recreational craft) would occur at certain times during the day, for example, 8:00 AM to 4:00 PM;
- Weekend and holiday service – Lockages would occur on weekends and holidays only;
- Service by appointment – Commercial lockages would occur by appointment only.

With respect to the implementation schedule of the Levels of Service initiative, the Major Subordinate Commands (the division offices) are to submit their implementation plans to Headquarters by October 1, 2012. During the week of October 1-5, 2012, Corps Headquarters staff will brief Congressional staff on the implementation of the initiative. The following week, the Corps will inform stakeholders and the public as to the implementation of the initiative.

With respect to the implementation of changes to the levels of service, it is anticipated that changes to the operating schedule of locks on low use commercial river systems will begin in October 2012; changes to the operating schedules of locks on moderate use commercial river systems will begin in January 2013; and changes to the operating schedules of locks on high commercial use river systems will begin in April 2013.

After Mr. Walker concluded his presentation on the Levels of Service initiative, Mr. Walker then gave a briefing on the "Impact of Low Water on the Inland Marine Transportation System."

Mr. Walker discussed the current status of Corps operations as they are affected by the ongoing drought across much of the country. Five Corps divisions have been affected by the drought as they relate to the Inland Marine Transportation System or IMTS (the Mississippi Valley Division, the Great Lakes and Ohio River Division, the Northwestern Division, the South Atlantic Division, and the Southwestern Division).

Mr. Walker explained that the Corps has at its disposal a number of tools to address the current conditions on the IMTS and the reservoirs that feed many of the rivers that

comprise the system, including water control manuals and low water action plans that dictate the release of water into the system.

The Corps has been tracking the location of vessel groundings and dispatched dredges to areas where low water is impeding the movement of vessels.

The Corps has been in communication with the navigation industry, other federal agencies such as the U.S. Coast Guard and the National Oceanic and Atmospheric Administration (NOAA), and other stakeholders through such groups as the River Industry Executive Task Force and the River Industry Action Committee (RIAC). Mr. Walker also indicated that the White House, through the White House Rural Council, chaired by the Secretary of the Department of Agriculture, Mr. Tom Vilsack, is overseeing federal assistance to the agriculture community, including the transportation of agricultural products.

In concluding his remarks, Mr. Walker indicated that the Corps has a website which contains information on the Corps response to the drought. The website address is: http://www.usace.army.mil/Missions/EmergencyOperations/Drought.aspx. The website has information on the status of the navigable waterways, where there are groundings, and where dredging operations are ongoing.

Following Mr. Walker's presentation, Mr. James Hannon, Chief of Operations and Regulatory at Corps Headquarters gave an update on the Corps Infrastructure Strategy.

The Corps Infrastructure Strategy is one of the pillars of the Civil Works transformation. The Corps has recently published a document entitled "USACE 2020: Toward Sustainable Water Resources Infrastructure Systems." The intent of the document is to communicate the importance of pursuing a sustainable management strategy for the stewardship of the nation's infrastructure portfolio under the purview of the Corps.

Mr. Hannon discussed the challenges facing the Corps as its tries to maintain the current portfolio of projects. Those challenges include the age of many of the projects, the increasing demands that are placed upon the projects, the changing conditions under which the projects operate, and the fiscal constraints that the Corps operates within.

Mr. Hannon discussed the themes of the Corps Infrastructure Strategy including lifecycle management, innovative financing, and risk informed planning and decision making.

Mr. Hannon asked the members of the Board to look at the report and provide him with comments, ideas and thought on how Corps should proceed with the infrastructure strategy.

Following Mr. Hannon's presentation, Mr. Edward Belk, Director of Programs for the Mississippi Valley Division provided an update on the status of the Upper Mississippi River and Illinois Waterway System.

Mr. Belk explained that the Mississippi Valley Division has responsibility for the entire length of the Mississippi, from the Canadian border to the Gulf of Mexico, and includes many significant tributaries to the Mississippi River, including the Illinois, the Red, the Ouachita, and the Black.

The Upper Mississippi River and the Illinois Waterway has 37 locks and dams, 34 of which are single chamber locks. Based on an operational condition assessment of the components of the 37 locks and dams performed in 2010, 15 locks and dams (41 percent) were either in a failed, failing or inadequate state of condition.

Mr. Belk explained that between FYs 2006 and 2009, construction funding to major rehabilitation projects on the Upper Mississippi River and Illinois Waterway averaged approximately $30 million annually. With the passage of the American Reinvestment and Recovery Act in 2009, funding increased to $167 million (an increase of $133 million due to ARRA funds). Major rehabilitation projects funded by ARRA included Mississippi River L&D 3, L&D 11 and L&D 27, and Lockport Lock on the Illinois Waterway.

Funding since FY 2009 has primarily been the continuation of ARRA funding at L&D 27 and some cost shared funding with the Inland Waterways Trust Fund at Lockport.

Mr. Belk indicated that investments in the Upper Mississippi River and Illinois Waterway are not keeping up with the demands. Mr. Belk indicated the major rehabilitation project at the LaGrange L&D on the Illinois Waterway, which has an estimated cost of $57 million, is the highest priority on the Upper Mississippi River and Illinois Waterway. Given the availability of funds in the Inland Waterways Trust Fund, and the ongoing construction at other projects such as the Olmsted project, it is unlikely that major rehabilitation project at LaGrange L&D can begin before the year 2023.

In concluding his remarks, Mr. Belk displayed a website that the Mississippi Valley Division developed which shows the condition of the Lower Mississippi River (from St. Louis to the Gulf of Mexico), including the location of dredges, vessel grounding, and controlling depths in channels and harbors, The address to the website is:

http://www.mvd.usace.army.mil/gis/2012_low_water/MVD_92812_Drought_email.pdf

At the conclusion of Mr. Belk's presentation, Mr. Pointon asked if there was anyone in attendance at the meeting if they wished to make a public comment. There were no public comments made at the meeting.

Mr. Pointon then asked Chairman Daily and MG Walsh to make final closing comments.

Chairman Daily indicated that the Board covered a lot of material at today's meeting, but one of the things that will leave a lasting impression on Chairman Daily is Mr. Belk's presentation on the state of the condition of the locks and dams on the Upper Mississippi River and Illinois Waterway. Chairman Daily said that the Corps spent 20 years study

improvements to the Upper Mississippi River and Illinois Waterway locks and dams, and a plan of improvement was authorized by the Water Resources Development Act of 2007, Public Law 110-114, Title VIII (http://www.gpo.gov/fdsys/pkg/PLAW-110publ114/pdf/PLAW-110publ114.pdf). Chairman Daily indicated that given the poor condition of the locks and dams, it will cost millions of additional dollars to maintain these structures before any type of improvement is made to the structures.

In his closing remarks, MG Walsh thanked the members of the Board for their advice and counsel with respect to offering recommendations to improvements to the inland waterways system, and indicated the recommendations that the Board makes are highly regarded and sought by the Army.

After MG Walsh completed his remarks, Mr. Pointon adjourned the meeting at 12:54 PM.