

Summary Minutes
Inland Waterways Users Board Meeting No. 68
December 19, 2012
Julian Carroll Convention Center
at Paducah McCracken Convention and Expo Center
Paducah, Kentucky

Inland Waterways Users Board Meeting No. 68 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 61 attendees, including eight members of the Board (Chairman Larry Daily, Vice Chairman Michael Hennessey, Mr. Martin Hettel, Mr. Mark Knoy, Mr. Scott Leininger; Mr. Scott Noble, Mr. Bruce Reed and Mr. Michael Somales). Board Members Charles Haun and James Farley were not in attendance at the meeting. Also in attendance at the meeting were former Board members Mr. Stephen Little (Chairman Emeritus), Mr. Matt Woodruff and Mr. Daniel Mecklenborg.

Mr. Pointon made introductory welcoming remarks, and then asked 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 to make opening remarks.

MG Walsh welcomed the observers from the various Federal agencies to the meeting of the Board, including Ms. Claudia L. Tornblom, Deputy Assistant Secretary of the Army (Management and Budget), Office of the Assistant Secretary of the Army (Civil Works) and Mr. William K. Paape, Director, Inland Waterways Gateway Office, U.S. Maritime Administration, U.S. Department of Transportation, St. Louis, Missouri. (Note: There were no observers from the National Oceanic and Atmospheric Administration (NOAA) or the U.S. Department of Agriculture in attendance at the meeting.)

MG Walsh remarked that the Corps inland navigation construction budget is about \$200 million a year, of which approximately 72 percent is spent on the Olmsted Locks and Dam project. MG Walsh then said that the Corps is operating under a six month Continuing Resolution Act (CRA) that is scheduled to expire on March 27, 2013.

MG Walsh continued his remarks by discussing the Corps ongoing Civil Works Transformation efforts so as to enable the Corps to better meet current and future water resources needs of the nation. The 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 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.

MG Walsh then remarked on the Corps of Engineers response to Hurricane Sandy (also referred to as Super Storm Sandy). He said that the Corps priorities in response to Hurricane Sandy included providing temporary emergency power, debris removal, and

un-watering missions in support of local transportation authorities. In particular, MG Walsh indicated that the Corps worked with the Metropolitan Transportation Authority of New York to un-water the Brooklyn Battery Tunnel as well as 11 other flooded tunnels.

MG Walsh mentioned the Corps role in responding to the ongoing drought that is impacting many parts of the United States, in particular the Midwest, including the Mississippi River between St. Louis and Cairo, Illinois.

In concluding his remarks, MG Walsh noted he was looking forward to hear the Board members' recommendations with regards what the inland waterways system should look like; funding of the Olmsted Locks and Dam project and the Section 902 limitation for the project; and with respect to alternative scenarios in the event that an increase in the Section 902 limit for the Olmsted project is not approved in a timely fashion.

MG Walsh then provided an opportunity for each of the Federal observers to provide opening remarks.

Mr. William Paape, Director of the Inland Waterways Gateway Office of the Maritime Administration in St. Louis, thanked the Board for the opportunity to attend this Board meeting and thanked Colonel Luke Leonard, the Louisville District commander, and the staff at the Olmsted Locks and Dam for a very informative and well executed site visit on the previous day.

Ms. Claudia L. Tornblom, Deputy Assistant Secretary of the Army (Management and Budget), Office of the Assistant Secretary of the Army (Civil Works), thanked the Board for the opportunity to attend this Board meeting and indicated that the issues being discussed by the Board have the attention of individuals at the highest levels in Washington, D.C. and looked forward to working with the Board to address the immediate challenges facing the inland waterways industry, such as the ongoing drought as well as the longer term challenges such as future inland waterways investments.

Following the remarks of the Federal observers, Mr. Larry Daily, Chairman of the Board, offered his opening remarks. He stressed the importance of the inland waterways system to the performance of the nation's economy. Mr. Daily indicated that the waterways industry is often an unseen industry, moving commodities vital to the economic performance of the nation without fanfare and often unseen by citizens. In Mr. Daily's words, the inland waterways industry is the "quiet transportation industry." To make his point, Mr. Daily read a portion of the introduction to the Board's draft 2012 Annual Report to Congress and the Secretary of the Army.

Mr. Daily concluded his remarks by reiterating the Board's and the inland waterways industry's willingness to work with the Corps to address the issues confronting the inland waterways system.

Mr. Pointon then called upon the members of the Board to approve the minutes of Board Meeting No. 67, which was held August 29, 2012, in St. Louis, Missouri. A motion was

made and seconded to approve the minutes, after which the Board members unanimously approved the minutes of Board Meeting No. 67.

After approving the minutes, Board member Scott Noble made a motion related to a motion approved at Board Meeting No. 67 regarding the future funding limit of the Olmsted Locks and Dam project. The motion was as follows:

“Although the Board voted at its last meeting to support an increase in the 902 limitation for the Olmsted project from \$1.745 billion to \$2.918 billion, the Board wants to be clear that such support is contingent on all future funding for the project beyond the current expenditure level of approximately \$1.519 billion, coming from 100 percent federal general funds, and not from the Inland Waterways Trust Fund. The Board does not support an increase in the 902 limitation if such an increase would involve additional funds being expended toward the project from the Inland Waterways Trust Fund.”

The motion was seconded, after which the Board unanimously approved the motion.

Mr. Pointon then called upon Mr. James Walker, Chief of the Navigation Branch within the Operations and Regulatory Division at the U.S. Army Corps of Engineers (USACE) Headquarters to discuss the impacts of the current low water conditions on the inland navigation system due to the ongoing drought in many parts of the nation.

Mr. Walker reviewed the status of drought conditions in the various regions of the country, including the Great Lakes, the Missouri River Basin, the Mississippi River Basin, the Ohio River Basin, the Southwestern U.S., and the Southeastern U.S.

With respect to the Great Lakes, Mr. Walker indicated that lake levels in Lake Superior and Lake Michigan are some of the lowest levels on record. This has negatively impacted the navigation industry in that vessels serving the Great Lakes have to reduce their loaded draft and thus carry less cargo per trip.

With respect to the Missouri River region, drought has severely impacted the storage capacity of the dams on the Missouri River. Due to the ongoing drought the Corps has had to release water from the dams thus reducing the amount of water that would normally be stored behind the dams.

With respect to the Mississippi River area, Mr. Walker indicated that the drought has significantly affected navigation in the Mississippi River between St. Louis, Missouri and Cairo, Illinois. In particular, the areas around Grand Tower and Thebes, Illinois are of primary concern, due to the presence of rock pinnacles in the channel that restrict the draft of vessels operating in those areas. There are restrictions in place on the size of tows and the drafts of vessels that operate in those areas.

With respect to the Ohio River area, even though the area is experiencing abnormally dry conditions, the presence of dams on the Ohio River control the water level on the river and thus navigation is less adversely affected by the dry conditions.

With respect to the Southwestern region, drought has adversely affected the availability of water supply and has affected navigation on the McClellan-Kerr Arkansas River Navigation System below Montgomery Point Lock and Dam.

And finally with respect to the South Atlantic region, drought has impacted the Appalachian-Chattahoochee-Flint River system and the Savannah River basin.

After Mr. Walker concluded his presentation, Mr. Edward Belk, Director of Programs at the Mississippi Valley Division (MVD), provided an update on the status of MVD's efforts to address the conditions on the Mississippi River and the removal of the rock pinnacles in the areas around Grand Tower and Thebes, Illinois.

Mr. Belk said that the Corps has been engaged since June of 2012 in a long-term response to the challenges that the current ongoing drought presents to navigation across the Mississippi River system. The focal point of the low-water campaign began on the Lower Mississippi River in July. While the Lower Mississippi River was at historic and near historic low levels for several weeks, the Corps was able to maintain the authorized dimensions of the Mississippi River at nine feet of depth by 300 feet in width.

The focus has now shifted to the Middle Mississippi between Saint Louis and Cairo.

In the September-October timeframe MVD Commander, MG John Peabody, issued a directive that all the Mississippi River reservoirs on the system would start to hold back water up to 10 percent above the rule curve for each of those reservoirs. In mid November MG Peabody made the decision to release water that was being held at the reservoirs with the intention of sustaining 10-foot of depth over the height of the rock pinnacles at Thebes, Illinois.

The St. Louis District has mobilized two contractors for removal of rock at Thebes and Grand Tower reaches. The first contractor was onsite Saturday, December 15th and they started rock removal operations on Sunday, December 16th.

The second contractor was onsite as of December 18th, and started rock removal operations in the lower end of the Thebes Reach.

Mr. Belk then discussed the use of the Corps dustpan dredges in maintaining the authorized dimensions of the navigation channel on the Mississippi River. The Corps uses dredges routinely to obtain and maintain the authorized channel dimensions. The Corps currently has two dustpan dredges operating on the Middle Mississippi, with one operating since July, and the other dredge which recently moved into the Middle Mississippi River reach. At present, dredging operations will continue into early January.

At the conclusion of Mr. Belk's remarks Chairman Daily expressed the thanks of the navigation industry to the Corps for the expeditious manner in which the Corps has responded to the concerns of the industry with respect to the conditions on the Middle Mississippi River by initiating work in mid-December to address river conditions, and indicated that the Corps understood the urgency and need to address these concerns.

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 for Fiscal Year (FY) 2012, receipts in the Trust Fund totaled \$89 million and transfers to the Corps were \$81 million. Mr. Soderberg then provided an update on the status of inland waterways projects including Chickamauga Lock and Dam, Kentucky Lock, Locks and Dams 2, 3 and 4 on the Monongahela River, Emsworth Locks and Dam, Olmsted Locks and Dam, Markland Locks and Dam, Mississippi River Lock #27 (major rehabilitation), Lockport Lock and Dam on the Illinois Waterway, and the Inner Harbor Navigation Canal Lock.

During Mr. Soderberg's presentation on the Trust Fund, there was a question as to the reported balance in the fund. Mr. Soderberg offered to contact the Treasury Department to verify the balance of the Trust Fund.

After Mr. Soderberg's presentation, Mr. Pointon provided Chairman Daily an opportunity to discuss the draft of the Board's 2012 Annual Report to Congress and the Secretary of the Army. Mr. Daily indicated that the Board is still supportive of the work done by the Inland Marine Transportation System (IMTS) working group that worked on the Capital Development Plan (also called the Capital Projects Business Model), and believes that members of Congress are supportive of the ideas contained in the Capital Development Plan by supporting the WAVE 4 legislation in the House of Representatives and Senator Lamar Alexander's proposal to support the Capital Development Plan as either a stand-alone bill or as part of a Water Resources Development Act.

Chairman Daily then offered a motion to accept the Board's draft 2012 Annual Report. The motion was seconded and the Board unanimously approved the draft annual report.

Mr. Pointon then called upon Mr. Richard Hancock, Regional Business Director of the Great Lakes and Ohio River Division (LRD), to give an update on the status of the Olmsted Locks and Dam project.

Mr. Hancock stated Louisville District is currently in its third year of constructing the tainter gate portion of the dam. During the first two construction seasons (2010 and 2011) the district was able to place eight shells in the river. During both of those years, river conditions often presented challenges to construction. During both years there was flooding on either the Ohio River (in 2011) or the Cumberland River (in 2010).

So far during the 2012 construction season, the Louisville District has been able to place five shells in the river, with the district hoping to place one more in January 2013 (for a total of six shells) before the conclusion of the 2012 construction season.

The district is planning to place four shells in the river during the 2013 construction season. That would complete the construction of the shell portion of the tainter gate section of the dam. The district will still need to award a contract to manufacture and install the actual gates that would be part of the dam.

The navigable pass portion of the dam will be constructed during the 2014 to 2018 construction seasons.

Mr. Hancock then discussed the results of a qualitative risk assessment of the possible “failure” of the existing Locks and Dams 52 and 53 under alternative future scenarios and the identification of potential risks to the existing structures. For the purposes of the risk analysis, a “failure” at Locks and Dams 52 or 53 was defined 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 district identified 39 potential failure modes that could possibly affect the existing structures, of which 11 were identified as significant with respect to Lock and Dam 52, and 12 were identified as significant with respect to Lock and Dam 53 over the next ten years. The district estimated that it would require \$96 million to proactively address these issues.

Mr. Hancock then discussed the possibility of constructing the navigable pass portion of the project through the use of the “in-the-dry” construction method, rather than continuing construction of the project using the current “in-the-wet” construction technique.

Mr. Hancock indicated that constructing the navigable pass portion of the dam “in-the-dry” may save \$100 million in construction costs, but it might take two years longer to complete when compared to constructing the navigable pass “in-the-wet.”

Mr. Hancock identified other uncertainties associated with constructing the navigable pass “in-the-dry” including termination costs associated with the existing construction contract and the likelihood of adverse river conditions negatively impacting the construction schedule.

Based upon these uncertainties, in November 2012, MG Walsh endorsed the continued use of the “in-the-wet” method of construction of the navigable portion of the dam at the Olmsted project.

MG Walsh also directed the Great Lakes and Ohio River Division to conduct an independent review of the “in-the-dry” cost estimate.

MG Walsh also asked LRD to develop (1) a contingency response plan in the event of a failure at either Locks and Dams 52 or 53, and (2) an orderly shutdown plan for construction at the Olmsted project in the event that Congress does not take action on the request to increase the project cost limitation at Olmsted.

With respect to the increase in the project cost limit at Olmsted (also referred to as the “902 limit”), Mr. Hancock indicated the district will continue construction at an efficient level, which is \$150 million per year, and then shut down construction as appropriate in FY 2014. The current 902 limit is \$1.745 billion.

Mr. Hancock indicated that the district would need to receive notification of an increase in the 902 limit during the First Quarter of FY 2014, if not sooner. Without that notification, the district will have to begin preparing for the orderly shutdown of construction activities in the 2nd Quarter of FY 2014.

Mr. Hancock indicated that the district did look at other alternative scenarios including slowing down construction activities at Olmsted, so as to continue construction at Olmsted through 2015, albeit at a reduced pace.

Mr. Pointon then called upon Mr. Joseph Kellett of the St. Louis District to give an update on the status of the major rehabilitation work at Lock 27 on the Mississippi River.

Mr. Kellett indicated that the major rehabilitation project began in 2008 and since that time a number of improvements have been made to the lock including replacement of the lighting at the lock, replacing the lock control mechanism, improved the lift gates, and replacing the miter gates. The main lock chamber is currently de-watered so that contractors can replace the miter gates at the main lock chamber. Depending on the progress of the work, the St. Louis District is expecting to have the lock returned to service by March 1, 2013.

Following Mr. Kellett’s presentation, Mr. James Walker from USACE Headquarters provided a 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 with 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.

Mr. Walker remarked that since the last Board meeting in August 2012, there have been inquiries either on the part of members of Congress or other stakeholders with respect to the implementation of the Level of Services initiative. In particular, interest has been raised as to how the Level of Service initiative would be applied to the Alabama and the ACF (Apalachicola, Chattahoochee and Flint) River Systems, the McClellan-Kerr Arkansas River Navigation System, and the Allegheny River.

Mr. Walker indicated that in the case of the Allegheny River, users of that river understanding the fiscal constraints under which the Corps is currently operating and they are looking at creative or innovative ways to improve or increase the level of service at some of the locks on the Allegheny. Mr. Walker said that the users of the river have spoken with the Corps and discussed the possibility of contributing funds or providing lock operators, or the possibility that they pay the salaries of retired lock operators.

At the conclusion of Mr. Walker’s presentation, the Board unanimously approved a motion recognizing Mr. Walker’s service to the Corps, the Nation, and the navigation industry and thanked him for his professionalism and partnership that he has displayed as the Corps and industry has worked together to find solutions to the problems facing the inland waterways system of the Nation and wished Mr. Walker fair winds and calm seas. Chairman Daily then thanked Mr. Walker for his service.

Next Mr. Pointon asked if there was anyone in attendance at the meeting who wished to make a public comment. There were no public comments made at the meeting.

Mr. Pointon then asked Chairman Daily and MG Walsh for any final closing comments.

In concluding, MG Walsh remarked that these Board meetings are very important to the Corps and the Administration and it is important to remind people the United States is a maritime nation, and that it is the responsibility of the Corps and the navigation industry to ensure that the nation’s harbors and waterways are well maintained and improved so that they continue to support the nation’s economy.

In his concluding remarks Chairman Daily indicated that the Board covered a lot of material during the meeting, including: the drought and the Corps response to the drought; the Corps efforts to maintain a navigable waterway on the Middle Mississippi; the progress at Olmsted Locks and Dam; and the Mississippi River Lock 27 major rehabilitation project.

Chairman Daily reiterated the Board's willingness to help the Corps and the Congress to keep the greatest water transportation system ever made well maintained and functioning at a high level.

After Chairman Daily completed his remarks, Mr. Pointon adjourned the meeting at 12:15 PM.