Minutes
Inland Waterways Users Board
Meeting No. 71
May 1, 2014
The Wyndham Riverfront Little Rock Hotel (Silver City Rooms 1 & 2)
North Little Rock, Arkansas

[Note: The following minutes of the Inland Waterways Users Board meeting No. 71 were approved and adopted at Inland Waterways Users Board meeting No 72 held on August 14, 2014 in Walla Walla, Washington.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 1st day of May 2014, at the Wyndham Riverfront Little Rock Hotel (Silver City Rooms 1 & 2) in North Little Rock, Arkansas, Mr. Martin T. Hettel, Chairman of the Inland Waterways Users Board, presiding. Inland Waterways Users Board (Board) members present:

CHAIRMAN MARTIN T. HETTEL, American Electric Power (AEP) River Operations, LLC;

MR. DAVID CHOATE, Bruce Oakley, Inc.;

MR. CHARLES A. HAUN, JR., Parker Towing Company, Inc.;

MR. MARK K. KNOY, American Commercial Lines, Inc.;

MR. G. SCOTT LEININGER, CBG Enterprises, Inc.;

MR. ROBERT R. McCOY, Amherst Madison, Inc.;

MR. DANIEL P. MECKLENBORG, Ingram Barge Company;

MR. BRUCE REED, Tidewater Barge Lines, Inc.

MR. MICHAEL T. SOMALES, Murray American Transportation, Inc.;

MR. WILLIAM M. WOODRUFF, Kirby Corporation.

Also present at the meeting were the following Federal observers, designated by their respective agencies, as representatives:

MS. MARIE THERESE DOMINGUEZ, Principal Deputy Assistant Secretary of the Army for Civil Works, Office of the Assistant Secretary of the Army (Civil Works), Washington, D.C.;

MR. FRANKLIN R. PARKER, Chief Counsel, Maritime Administration, U.S. Department of Transportation, Washington, D.C.;

MR. NICHOLAS MARATHON, Transportation Economist, Agricultural Marketing Service, U.S. Department of Agriculture, Washington, D.C.

Note: There was no Federal observer from the National Oceanic and Atmospheric Administration (NOAA), U.S. Department of Commerce, in attendance at the meeting.

Official representatives of the Federal government responsible for the conduct of the meeting and administrative support of the Inland Waterways Users Board from the U.S. Army Corps of Engineers were as follows:

MAJOR GENERAL JOHN W. PEABODY, Executive Director, Inland Waterways Users Board and U.S. Army Corps of Engineers, Headquarters, Deputy Commanding General for Civil and Emergency Operations (DCG-CEO);

MS. MINDY M. SIMMONS, Designated Federal Officer (DFO), Inland Waterways Users Board;

MR. MARK R. POINTON, Executive Secretary and Alternate Designated Federal Officer (ADFO), Inland Waterways Users Board;

MR. KENNETH E. LICHTMAN, Executive Assistant and Alternate Designated Federal Officer (ADFO), Inland Waterways Users Board.

Program speakers in scheduled order of appearance were as follows:

MAJOR GENERAL JOHN W. PEABODY, Executive Director, Inland Waterways Users Board, and U.S. Army Corps of Engineers, Headquarters, Deputy Commanding General for Civil and Emergency Operations;

MR. JEFFREY A. McKEE, U.S. Army Corps of Engineers, Headquarters, Operations and Regulatory Division;

MR. JON SODERBERG, U.S. Army Corps of Engineers, Headquarters, Programs Integration Division;

MR. DAVID F. DALE, U.S. Army Corps of Engineers, Great Lakes and Ohio River Division;

MR. STEVE JONES, U.S. Army Corps of Engineers, Mississippi Valley Division;

MR. MARK R. WINGATE, U.S. Army Corps of Engineers, New Orleans District;

MR. WILLIAM R. CHAPMAN, U.S. Army Corps of Engineers, Great Lakes and Ohio River Division;

MR. JAMES R. HANNON, U.S. Army Corps of Engineers, Headquarters, Chief, Operations and Regulatory Division;

Other individuals who provided additional information in response to questions raised by Board members during the meeting included the following:

MR. EDWARD E. BELK, Director of Programs, U.S. Army Corps of Engineers, Mississippi Valley Division.

BRIGADIER GENERAL PETER A DeLUCA, Division Commander, U.S. Army Corps of Engineers, Mississippi Valley Division.

There were three speakers who provided public comments during the public comment portion of the meeting. They were in order:

Mr. Martin Shell, Five Rivers Distribution, Inc., Van Buren, Arkansas;

Mr. Gene Higginbotham, Executive Director, Arkansas Waterways Commission, Little Rock, Arkansas; and,

Mr. Steve Taylor, Johnson's Port 33 Inc., Tulsa, Oklahoma.

MS. MINDY M. SIMMONS: I'd like to welcome you to the 71st Meeting of the Inland Waterways Users Board here in North Little Rock, Arkansas. I've learned that. My name is Mindy Simmons and I'm the Designated Federal Officer of the Users Board and this is the first meeting we've actually held in North Little Rock, or Little Rock, for that matter. We've only had one previous meeting on the MKARNS System [McClellan-Kerr Arkansas River Navigation System] which was in Tulsa back 17 years ago, in 1997. And back then they took a tour of the Port of Catoosa [Oklahoma] and saw some of the uppermost locks on the MKARNS.

Yesterday, we got to hear a lot about the entire system. I think that, big thanks to Little Rock District for giving us those presentations and the overview. I think that was really, really helpful. Got to see how the system has changed and see some of the new challenges that they're facing as they try and manage the system with Tulsa District, which I think was also a good thing to learn about, how those two districts are working together and with the industry.

Took a great trip to Murray Lock and Dam and saw the Big Dam Bridge, which is an interesting and unique feature of that project. And I think also a great way to get folks out looking at the Corps projects and actually seeing what we do along the river.

We do have a very full agenda today. So, I want to remind folks to try and keep within their allotted time, if possible. A couple of notes, too. Our mikes are set to be on, so anything that you're saying will be heard. If you do want to mute it, just push the button and hold it down to mute and as soon as you release your finger, it will come back on live.

I wanted to thank Bruce Oakley, Inc. for the social event last night. Appreciate that. And I'd also like to add that prior to starting the business, for the meeting, we will be swearing in Mr. Bruce Reed and have him take his oath of office here for the Board.

So, before we start the meeting, we are obligated to read for the record, that the Users Board was created pursuant to Section 302 of the Water Resources Development Act of 1986. It provides the Secretary of the Army and the Congress with recommendations on funding levels and priorities for modernization of the inland waterways system. The Board is subject to the rules and regulations of the Federal Advisory Committee Act of 1972, as amended. This is a "Government in the Sunshine" Act meeting and as such, is open to the public. The U.S. Army Corps of Engineers is the sponsor of the Board and provides the Executive Director, the Designated Federal Officer, and all normal activities.

We do have two people who have registered to make a public comment at the end of the meeting. So, we'll set aside some time to do that. I wanted to remind you that all the proceedings are being recorded and a transcript will be made available after the meeting. I'll now call on Colonel Courtney Paul [District Commander, Little Rock District, U.S. Army Corps of Engineers] to provide some welcoming remarks for the Little Rock District and Southwestern District.

COLONEL COURTNEY W. PAUL: Following your guidance to be brief, be brilliant and be gone, I'll try to shoot for two or three of those. But welcome to Little Rock. On behalf of Colonel Muraski [Colonel Richard J. Muraski, Jr.], the Acting Commander for the Southwestern Division, I'd like to welcome you all here to Little Rock and environs to include North Little Rock. 'I hope you that found that, despite the tragic storms we've had here in the past weekend and some of the aftereffects that we're dealing with, otherwise, this is, I hope you've found this a very hospitable and enjoyable place to visit and I'm very glad to see you have picked this location to hold the Inland Waterways Users Board meeting.

I also appreciated the opportunity yesterday to tell you a little bit about what we're trying to do with the McClellan-Kerr Arkansas River Navigation System with our partners, the Tulsa District, the Arkansas and Oklahoma Port Owners' Association, and other key stakeholders that have made this truly a team effort to have a great waterway here.

If there's anything that you need while you're here, please don't hesitate to avail yourself to me. We're happy to have you here and want to make sure your visit here is as productive as possible. Thank you.

MS. SIMMONS: Thank you, sir. I'll turn it over now to our Executive Director, General Peabody.

MAJOR GENERAL JOHN W. PEABODY: Thank you. Thank you very much, Ms. Simmons. Welcome. Good morning, everybody. Thanks so much for attending the Users Board. It's great for me, personally, to be back in Little Rock. Captain Peabody, 27 years ago to the day, was struggling to complete a flight landing strip on Camp Robinson, not too far from here, along with the 618th Engineer Company, known as the "Nasties." It was a great mission and I'm glad to be back here.

I apologize that I was not here yesterday for the briefings and the tour. The day before, I had [Congressional] testimony and I had a request for a meeting with one of our senators and so we couldn't get out and then our flight was delayed. But, I'm very glad I was able to make the Board meeting here today. I want to thank the Southwestern Division. I think Bob Slockbower [Mr. Robert E. Slockbower, Programs Director, Southwestern Division, U.S. Army Corps of Engineers] is here representing the Division.

MR. ROBERT E. SLOCKBOWER: Yes, sir.

MAJOR GENERAL PEABODY: Great to see you, Bob. Thanks very much. And Colonel Paul, with the Little Rock District and, also the Tulsa District for supporting discussions yesterday, and again, Bruce Oakley, Inc. for last night.

It's been three months since our last meeting in New Orleans. And I think the Board has decided to get a more comprehensive view of the system. This is the first time we've, I think it's the second time we've been to the MKARNS. We were here about 17 years ago. It's the first time we've been to Little Rock, as a Board. And our next one is going to be in the Northwest area. Portland?

MS. SIMMONS: Walla Walla.

MAJOR GENERAL PEABODY: Walla Walla, great, for our next meeting. So, that's great news that the Board is taking a more comprehensive view of the entire system, which it is very important.

We've had several important events since our last meeting. The night before our last meeting, or the day before our last meeting, the Congress passed the FY [Fiscal Year] 14 Omnibus [Appropriations] bill [Public Law 113-76, signed into law on January 17, 2014] and we are still working through that and trying to understand all the details. The important thing for this Board, I think, the most impactful thing, was that the Omnibus bill changed the cost share provision for the Olmsted project, 75% Federal, 25% Trust Fund, which freed up some funds to be applied to our Number 2 priority, the Lower Monongahela project and we're going to get a briefing from Mr. McKee and Mr. Dale on those projects later.

And then about a month after that, maybe a month and a half after that, the President, in early March, the President's FY 15 budget was released and we'll get a discussion from Mr. McKee on that. There are two things that I want to highlight in that budget. The President requested two new recons for disposition studies. They are for the Kentucky River, there are three locks, I believe there are three, three or four, on the Kentucky River, and the Upper Allegheny River. The Kentucky River, by the way, has the oldest operating lock system in the Corps of Engineers. It was put into effect in the well-remembered administration of Martin Van Buren in 1838. We all remember that really well, I know.

This is an important point for the Board. I'm not sure we're going to get the discussion of this today, however, the choices that the Corps faces are continuing to spread less and less effective money across all of our multiple purposes, as we continue to bring new projects on line, or make hard choices to dispose of those projects that just don't provide a significant return for the Federal investment. And I'm not sure we will necessarily get to that specific issue today, but this is an important issue for the Board to understand and for us to wrestle with and make recommendations and decisions on.

This morning we've kind of divided this into two, in consultation with Mr. Hettel, in into two kinds of themes. The first is to go into a lot of the detail projects in the first part of the morning. And then late morning, early afternoon, we'll talk a little bit bigger picture on our infrastructure strategy and how we, as a Nation, the Corps, as an entity, and the Board, as a recommending body, moves forward with this issue I just eluded to, which is the challenge of significant fiscal pressures, large responsibilities that the Corps has, and aging and deteriorating infrastructure, which is inexorably getting worse with time. So I look forward to those discussions.

We have three Federal observers here with us this morning, Mr. Nick Marathon from the Department of Agriculture (USDA); Mr. Frank Parker from the Maritime Administration (MARAD); and the Principle Deputy for the Assistant Secretary of Civil Works, Ms. Marie Therese Dominguez. And I will, at this time, ask each of you to provide any comments that you may have, starting with Mr. Marathon, sir.

MR. NICHOLAS MARATHON: Thank you, General. I appreciate the opportunity to be here today and the tour and briefing of the MKARNS yesterday. I'd just like to talk briefly about what we're doing at the USDA. The USDA is currently starting a project that will look at the sufficiency of the waterway infrastructure as it impacts agricultural goods. The study will look at benefits derived through upgrades and repairs to locks and dams. The study is mandated by the Agricultural Act of 2014, the current Farm Bill [Section 6206 entitled "Study of Rural Transportation Issues" of Public Law 113-79, signed into law on February 7, 2014], and will take approximately a year to complete. The study is an update of a previous report, and when the report is approved, I'll gladly share it with the Board. Again, thank you for the opportunity to address the Board and I look forward to today's meeting. Thank you.

MAJOR GENERAL PEABODY: Thank you very much, Mr. Marathon. And Mr. Parker, sir.

MR. FRANKLIN R. PARKER: Thank you, General. I just wanted to express that I'm very happy to be here on behalf of the Maritime Administration and our acting administrator, Paul Jaenichen, who, unfortunately, could not attend but very much would have liked to if he had been able to. At the Maritime Administration, we have our upcoming National Maritime Symposium Part Two taking place next week. And this will involve domestic maritime issues as opposed to the previous symposium that took place earlier in the year that was focused more on Blue Water trade. And so, I just wanted to put that out on everyone's radar screen. If anyone is interested in attending or participating, all are welcome. But again, most importantly, I'm very happy to be here on behalf of the Maritime Administration and look forward to today's meeting. Thank you.

MAJOR GENERAL PEABODY: Thank you very much, sir. And representing one of my two bosses: Ms. Marie Therese Dominguez, Ma'am.

MS. MARIE THERESE DOMINGUEZ: Good morning. It's a pleasure to be here this morning representing the Assistant Secretary of the Army for Civil Works. I wanted to thank the Little Rock District, in particular, for your hospitality and for showing us around yesterday. The tour was very insightful and a good set of briefings yesterday morning. And I want to thank the Inland Waterways Users Board for gathering again and walking through some of their concerns, which we look forward to hearing this afternoon, or this morning, rather.

I do agree with General Peabody. I think that we have a significant challenge facing us between our fiscal constraints and the continued investment in infrastructure. So, I look forward to a good morning session. Thank you.

MAJOR GENERAL PEABODY: And thank you, ma'am. And now I'll turn the podium over or at least the microphone over to our chair, Mr. Hettel, sir.

CHAIRMAN MARTIN T. HETTEL: Thank you, General Peabody and welcome everyone to our Inland Waterways Users Board Meeting No. 71 here in North Little Rock, Arkansas. You know while we all face many challenges in maintaining and upgrading our inland waterways infrastructure, these challenges pale in comparison to what the residents of Arkansas have endured with the recent storms that have affected the area. I think it's important that our thoughts and prayers go out to these people as they strive to rebuild their homes and their lives. Keep them in your thoughts.

We have a full complement of Board members today for our meeting. I'd like to thank Mindy Simmons for being proactive in setting up the meeting schedules. As the General mentioned, we have our Meeting No. 72 and No. 73 tentative dates set up. And while she has to work with not only our industry representatives' calendars, but also those of the U.S. Army Corps of Engineers, it becomes quite a task to pre-schedule these meetings. But that was one of our goals we set forth in our meeting in January in New Orleans. So, thank you, Mindy.

Thanks, also, to Ken Lichtman and Mindy [Simmons] for distributing materials prior to our Board meeting today, allowing Board members to digest the information for, hopefully, a collaborative discussion today.

Recognition should also be given to the Little Rock District for our informational meeting and tour of Murray Lock and Dam yesterday. I know I personally, have a greater understanding of the MKARNS System, thanks to our meetings yesterday.

I think this is an important note, too. Several Board members commented to me on the collaborative effort between the Tulsa and Little Rock Districts to maintain the MKARNS as a whole, rather than by district. Well done. While each river system has its own challenges and differences, we would hope that other Districts would look at how the MKARNS is managed and put best practices to work in other river systems in other Army Corps districts.

Again, thanks to David Choate. Thanks to Bruce Oakley, Inc. for the sponsorship of the social event last night. We feel that face time is important with our Federal observers and the Board. And our morning coffee/breakfast items are also sponsored by the Arkansas-Oklahoma Port Operators' Association who plays a vital role in MKARNS System. So, thank you for your sponsorship. Again, as the General mentioned, we have a full agenda today so I'm going to keep the remainder of my remarks brief.

As we heard Tuesday at the Transportation and Infrastructure Subcommittee hearing that General Peabody testified at on the subject of Chief of Engineers Reports, Chairman Schuster [Representative Bill Schuster, Chairman of the House Transportation and Infrastructure Committee] stated, that the Water Resources Reform and Development Act [WRRDA] Conference committee members should have their conference report finished in the next two weeks. While nothing is a guarantee, we believe the inland waterways portion of the final Water Resources Development Act conference report will be similar to what was in the House and the Senate WRRDA bills that went into the conference with.

The inland waterways industry continues to urge Congress on the importance of funding construction projects to their optimum level, along with stressing the importance of funding the U.S. Army Corps of Engineers navigation operations and maintenance budget to that what was appropriated in 2014 and hopefully even more in Fiscal Year 2015.

So again, in order to give as much time as we can, not only to our presenters today, but also for questions from the Board members, this will conclude my opening remarks and we look forward to the continuing and open collaboration of exchange between the Corps of Engineers and the Inland Waterways Users Board. Thank you.

MAJOR GENERAL PEABODY: Thank you, sir.

MS. SIMMONS: At this time, I'd like to call Mr. Bruce Reed, General Peabody and Major Pevey up to the flags to do the swearing in.

MAJOR GENERAL PEABODY: Okay, if you would raise your right hand and repeat after me. I, state your name.

MR. BRUCE REED: I, Bruce Reed.

MAJOR GENERAL PEABODY: Do solemnly swear.

MR. REED: Do solemnly swear.

MAJOR GENERAL PEABODY: That I will support and defend.

MR. REED: That I will support and defend.

MAJOR GENERAL PEABODY: The Constitution of the United States.

MR. REED: The Constitution of the United States.

MAJOR GENERAL PEABODY: Against all enemies, foreign and domestic.

MR. REED: Against all enemies, foreign and domestic.

MAJOR GENERAL PEABODY: And I will bear true faith and allegiance.

MR. REED: And I will bear true faith and allegiance.

MAJOR GENERAL PEABODY: To the same.

MR. REED: To the same.

MAJOR GENERAL PEABODY: And that I take this obligation freely.

MR. REED: And that I take this obligation freely.

MAJOR GENERAL PEABODY: Without any mental reservation.

MR. REED: Without any mental reservation.

MAJOR GENERAL PEABODY: Or purpose of evasion.

MR. REED: Or purpose of evasion.

MAJOR GENERAL PEABODY: And that I will well and faithfully execute.

MR. REED: And that I will well and faithfully execute.

MAJOR GENERAL PEABODY: The duties of which I am about to enter.

MR. REED: The duties of which I am about to enter.

MAJOR GENERAL PEABODY: So help me, God.

MR. REED: So help me, God.

MAJOR GENERAL PEABODY: Congratulations.

MR. REED: Thank you, sir. [Applause]

MS. SIMMONS: Now, I would like to call upon the Board for a motion to approve the minutes from our last meeting. Do I have a motion?

CHAIRMAN HETTEL: So moved.

MS. SIMMONS: Do I have a second?

MR. MICHAEL T. SOMALES: Second.

MS. SIMMONS: All in favor, say Aye.

COLLECTIVELY: Aye.

MS. SIMMONS: Any nays? Hearing none, the motion is passed and the minutes from the last Board meeting are approved. With that, I will turn the floor over to Mr. Jeff McKee to discuss the FY 14 appropriations and our FY 15 budget.

MR. JEFFREY A. McKEE: Good morning, ladies and gentlemen. I'll quickly go over our FY 14 work plan as well as our FY 15 budget. To start off, just to give you an idea of the priorities that we have for budgeting. This is for the entire Corps of Engineers Civil Works budget. You can see, providing for the national defense; focusing on reducing the deficit; creating jobs and restoring the economy; improving resiliency and safety of our communities and infrastructure; restoring and protecting the environment; maintaining global competitiveness; increasing energy independence; improving the quality of life; and supporting research and innovation. And navigation, of course, as you all know, has a key role in all of these.

In FY 15, as we have with our last number of budgets, our budgets are performance based. That is we look for the outcome of the particular amount of funding that we put on a particular project or program. We focus on the highest performing projects, with the greatest return to the Nation.

In FY 15, there was an additional emphasis put on Operation and Maintenance (O&M), and you'll see that as I get to the actual funding slides. Obviously, we're dealing with very constrained resources; and so, therefore, this budget provides a fiscally prudent investment in the Nation's water resources.

And then for the navigation program, on the coastal side of the house, the focus is on those projects that carry more than ten million tons of commerce. And on the inland side of the house, it's those waterways that carry more than three billion ton-miles of commerce.

There's a lot of numbers on these slides. I just want to show you a trend. If you look down at the bottom of the slide at Fiscal Year 2008, and then work your way up, you'll see that back in 2008, the navigation program, the third column from the right, was just over $2 billion. And we continued to decline until Fiscal Year 2012 when we were just under $1.6 billion. And then we increased in Fiscal Years 2013 and 2014 and then a slight drop in FY 15. A lot of this is because of the pressure that stakeholders, such as yourselves, have been putting on the Congress, the ports, the dredging contractors, to get additional funds for the navigation program.

You'll see just under $1.9 billion for the total navigation program in FY 14; almost 50/50 split between coastal and inland, a little bit more on the coastal side, and about 39% of the overall Civil Works total, which is that second column from the right.

You can see a significant decrease in FY 15. Almost $300 million for the overall Corps Civil Works budget. But navigation only got cut about $60 million. So, the navigation fared better than many of the other Corps Civil Works programs.

The next slide is by appropriation. That is the Investigations; Construction; Operation and Maintenance; Mississippi River and Tributaries (MR&T), and again, the total Navigation there. You can see the Investigations account continues to be very constrained. And in navigation, typically, we're about $20 million, of which about half of that is for Remaining Items, a large part of which is Research and Development. A lot of that research and development is looking at our infrastructure on the inland waterways side of the house.

Things like the bull noses that we've been looking at recently. The use of composites and repairs. So, while it does take up a significant chunk of our Investigations program, they are doing a lot of good things that are going to pay dividends down the road for both our construction as well as maintenance of our inland navigation infrastructure.

CHAIRMAN HETTEL: Jeff, I'm sorry to interrupt. Marty Hettel here. Your O&M [Operation and Maintenance] number in FY 15 budget of $1.478 billion, does that include maintenance, channel maintenance dredging?

MR. McKEE: That includes all O&M. It's all the O&M of the locks and dams. It includes all the dredging.

CHAIRMAN HETTEL: Okay.

MR. McKEE: Surveys, anything associated with operation and maintenance.

CHAIRMAN HETTEL: Okay. Thank you.

MR. MCKEE: Sure. So you can see, for FY 14, I'll start there, and compare that to FY 15, you'll see a significant drop in the construction budget. Some of that is due to New York-New Jersey getting close to completion and a reduction in FY 15. But there's also a 75, excuse me, a $45 million reduction in the Mississippi River and Tributaries, and a reduction in the Regulating Works [Construction] account. And that's because in FY 14 we plussed up the MR&T account to do work on the rock removal, to continue what had been started last year.

So, and since there were carry over funds, bids came in under schedule and costs. Basically, we've only put a nominal amount for the Regulating Works project in FY 15. You see that increase of about $26 million in the O&M program, then in the Mississippi River and Tributaries account you see another big decrease. That again was because of additional funding we provided in FY 14 to account for the drought conditions and additional dredging that needed to be done. And then again for the total, you see a reduction of that almost $60 million.

On the inland side of the house, same general trend. You can see the Investigations, small amount again. The majority of that is Research and Development. One of the things we've done over the past couple of years is we've reduced the amount of funding for Pre-construction Engineering and Design (PED) on the inland waterways side of the house. If we cannot afford to construct a lot of these new work projects, there is no sense in investing our limited resources on doing Pre-construction Engineering and Design when we are not going to be able to construct these projects, if they get authorized, for another 20 or 30 years. So, we are not moving ahead, for the most part, for Pre-construction Engineering and Design projects.

Again, you can see a drop in Construction a little bit mainly because of the Regulating Works project.

You can see that minor increase in O&M on the O&M side of the account. And then again, that big drop in MR&T for maintenance for the shallow draft harbors on the inland side.

MR. DANIEL P. MECKLENBORG: Question, please. This is Dan Mecklenborg.

MR. McKEE: Yes, sir.

MR. MECKLENBORG: Just a question. On the $184 million for construction for FY 15, is that then, added to that the Inland Waterways Trust Fund contribution?

MR. McKEE: No, sir. This is a total of both Inland Waterways Trust Fund as well as General Treasury appropriations. We budget for both of those at the same time. So, all of these numbers for Construction do reflect the appropriate share of the Inland Waterways Trust Fund.

MR. MECKLENBORG: Okay. Gotcha.

MR. McKEE: And thank you for reminding me of that. In FY 14, we had budgeted about $95 million for the Inland Waterways Trust Fund, and then in FY 15, we're down to about $84.5 million. And those two construction projects are for Olmsted Locks and Dam at $160 million, $80 million of which would be Inland Waterways Trust Fund. General Peabody indicated earlier, in the FY 14 appropriations, that the funding split for that was changed to 75/25. That, however, was specific to FY 14 funds. And so, we would need language similar to that, either in a WDRA [Water Resources Development Act] bill, or an FY 15 appropriations bill, to continue that split between, that 75/25 split between the General Treasury and the Inland Waterways Trust Fund.

So, in FY 15 it reflects 50/50 and the other $9 million is from the Lower Monongahela River, and that is split four and a half [4.5] million/four and a half [4.5] million. Any other questions on the inland budget account?

Okay. This gives you a snapshot of the impact of the FY 14 appropriations. You see the top line is the President's Budget, which will line up with the slides on the previous pages. You see the conference amount from the Congress, a significant increase of $17 million in Investigations, $123 million in Construction, $240 million in Operation and Maintenance, and $5 million in Mississippi River and Tributaries, for a total of $385 million increase for the Navigation program, which is very significant.

And what that entails is on Olmsted, no change. No change in the overall appropriation of $163 million for the Olmsted project, although instead of being 50/50, it's 75/25. Significant increase in Lower Mon River Locks and Dams 2, 3 and 4. With the reduction in the Olmsted Inland Waterways Trust Fund funding, it freed up just under $41 million in Trust Fund dollars to be used on other inland waterways projects. And so, Congress gave us $81.5 million to spend on specifically on Inland Waterways Trust Fund projects. We've put $73 million of that on the Lower Mon project to move out with the river chamber construction of the monoliths at the lower end.

You'll also see there, Lockport. Lockport was in the budget for $11.4 million, originally proposed to be 100% Inland Waterways Trust Fund. There was no specific language identifying projects in the FY 14 appropriations. It was just a general category that all Inland Waterways Trust Fund construction and major rehabilitation projects would be funded 50/50.

And so, what we did we took some of the additional money that was left over in that $81.5 million funding pot for Inland Waterways Trust Fund projects, about $8.5 million worth, and then took another $8.5 million out of the general navigation account for construction and put that towards Lockport to complete Lockport, at least fiscally, in Fiscal Year 2014. So a total of $28.8 million for Lockport.

And again, total share for Inland Waterways Trust Fund is $92.5 million in FY 14, with those plus ups of Lower Mon and Lockport and a reduction in the Olmsted share. Yes, sir?

CHAIRMAN HETTEL: Jeff, Marty Hettel, again. The Lockport project, is that something, that's not actually on the lock itself, am I right? That's on the walls above Lockport?

MR. McKEE: This specific amount is for the forebay wall, yes.

CHAIRMAN HETTEL: Okay. And that is part of the project that did not get completed with the ARRA [American Reinvestment and Recovery Act, Public Law 111-5] funding; is that correct?

MR. McKEE: That is correct, yes.

CHAIRMAN HETTEL: And did they find anything new? At our last meeting they said that number was $10 million and now it's up $28.8 million. I'm curious why it's up.

MR. McKEE: That's based on the final estimates for completing the rehab of that forebay wall.

MR. EDWARD E. BELK: Sir, if I might.

COURT REPORTER: Sir, I need you to identify yourself for record.

MS. SIMMONS: We need you to take the mike.

MAJOR GENERAL PEABODY: Grab a mike there.

MS. SIMMONS: We need you to take a mike and state your name as well, if you could.

MR. BELK: Chairman Hettel, to respond to your question. Eddie Belk, Director of Programs, Mississippi Valley Division of the Corps of Engineers. The government estimate that was the basis for the cost estimate that we originally started with, when we took bids on this project, bids came in significantly higher than what our government estimate was. And so, we worked with the bidders to lower what they proposed down to at least within the awardable range, but we couldn't go any lower. The dollars that Mr. McKee described are those necessary to make the award once we opened bids.

CHAIRMAN HETTEL: Thanks, Eddie. Just a comment. And this is not meant to be derogatory. I don't ever recall the Board recommending funding through the Trust Fund for Lockport at all. So, I was just a little surprised to see it jump up to the $28.8 million. Thank you.

MR. McKEE: Sir, as far as that is concerned, Lockport was originally identified back in the mid-2000's. It was funded at 100% General Treasury appropriations. And then in Fiscal Year 2009, the Congress exempted all major rehabs from drawing on the Inland Waterways Trust Fund. And so, 2009 it was 100% General Treasury. And then we anticipated funding that to completion in ARRA, but because of the collapse of the wall and the subsequent need to rehab the forebay wall, it did increase the cost. So, that's why it's back in being shared with the Trust Fund.

CHAIRMAN HETTEL: Okay, thanks, Jeff.

MR. McKEE: Okay. Sure. The increased O&M funding was actually $50 million instead of $42 million. There was a funding pot of $42 million set aside strictly for inland navigation. There was an additional $8 million that came out of the General Navigation pot. Six million of that is going towards the inland harbors along the Mississippi River. And then lastly, on the MR&T, there was $5 million set aside specifically for dredging. And that's for along the Old River, the Atchafalaya as well as some of the inland harbors along the Mississippi River. And there's a website (http://www.usace.army.mil/Missions/CivilWorks/Budget.aspx) at the bottom there if you want additional information on the FY 14 Work Plan.

On the FY 15 budget, you can see, again, Olmsted taking up the majority of the funds. That should be $160 million, my apologies. And that would be 50/50. Lower Mon, $9 million, again 50/50. We had a deficiency correction for Mel Price for $3.8 million to continue work on that. This is along the levees. This is not being drawn from the Inland Waterways Trust Fund. It's strictly General Treasury appropriations. Again, as I indicated before, a total of $84.5 million from the Trust Fund.

And then you can see a breakdown here of the almost $600 million for the inland waterways operations and maintenance, and then a breakout for those projects that carry more than three billion ton-miles a year on the inland waterways system. Any questions on that particular slide?

CHAIRMAN HETTEL: Jeff, Marty again. I'm sorry for so many questions. Just in trying to reconcile your numbers, on this page you state the O&M project funding of $595 million, but here on page six, you present the O&M at $612 million. It just doesn't match up. Not that it's big number.

MR. McKEE: Yes. This slide here is total O&M project funding.

CHAIRMAN HETTEL: Okay.

MR. McKEE: That difference is for the Remaining Items that are done in the O&M account.

MAJOR GENERAL PEABODY: Jeff, would you please discuss, so that all the Board members understand, what "Remaining Items" are and the kinds of things that fall into that account?

MR. McKEE: Sure.

MAJOR GENERAL PEABODY: Thank you.

MR. McKEE: Remaining items are those programmatic type things that aren't assigned to a particular project. Anything that is assigned to a particular project has a specific line item in the budget for that project. But things like Research and Development for Dredging Operations and Technical Support, which also supports inland dredging as well as work on the locks, our program for Dredging Operations and Environmental work. In the Construction account, there are things like the Inland Waterways Users Board costs that come out of a Remaining Item, both for the Corps of Engineers as well as the Board's costs.

And again I indicated the Research and Development aspect. So these things that are very general in nature, not project specific, come out of a list of remaining items. And at the end of the appropriations, if you look at the Corps appropriations, you will see Remaining Items, and then it will have a list of all of these Remaining Items. And in fact in FY 14, that's where you will find those additional funding pots as well. Thank you, sir.

MAJOR GENERAL PEABODY: Unless there are any questions by any Board members. Go ahead.

MR. McKEE: Okay. Just in closing, navigation is essential for our Nation's global trade. We need legislation for both the Harbor Maintenance Trust Fund, which has a balance in excess of $8 billion, as well as the Inland Waterways Trust Fund which essentially gets depleted every year.

The [marine] transportation system must become a national priority in order to get adequate funding. We need a national commitment for our shipping, global trade and navigation infrastructure. And as Mr. Hannon [Mr. James R. Hannon, Chief of Operations and Regulatory Division, Headquarters, U.S. Army Corps of Engineers] and General Peabody have said at the last few meetings, our existing business model is not sustainable. We do need additional work from public/private investment. And General Peabody indicated the Kentucky River Locks and the Allegheny River Locks Divestiture Studies that we'll be looking at in FY 15. In closing, navigation is key to the economy, jobs and exports. Any questions?

MAJOR GENERAL PEABODY: Mr. McKee, I have one. You referenced the MR&T account, but you spoke about it with Regulating Works, so I think you're really talking about the middle Mississippi, and that's not formally part of the MR&T; is that right?

MR. McKEE: No. Sir, when I spoke of it, I spoke first of the Regulating Works in the Construction appropriation.

MAJOR GENERAL PEABODY: Okay.

MR. McKEE: And then I went on and talked about for the drought, we put in money to do dredging for the inland harbors and some of the lower Mississippi, the Atchafalaya, etc. in the FY 14 budget. That's why the Mississippi River and Tributaries account was plussed up in FY 14.

MAJOR GENERAL PEABODY: But the drought work in FY 14.

MR. McKEE: The drought was the previous year.

MAJOR GENERAL PEABODY: Yeah.

MR. McKEE: The decision was made in Passback.

MAJOR GENERAL PEABODY: But that work was not MR&T work, that was Regulating Works work.

MR. McKEE: On the construction side, it was Regulating Works and shows up in that $237 million.

MAJOR GENERAL PEABODY: Right.

MR. McKEE: That's the plus up that you see there, in FY 14.

MAJOR GENERAL PEABODY: I don't get how it relates to the MR&T.

MR. McKEE: Well, there was drought money also put in the MR&T account on the O&M side.

MAJOR GENERAL PEABODY: Oh, for the additional dredging. I'm with you now.

MR. MARK K. KNOY: Mark Knoy, American Commercial Lines. Just if you would, maybe elaborate a little bit on your FY 15 budget focus on navigation, focuses on high commercial use coastal harbors and channels with greater than 10 million tons of commerce. Would you just comment on how that, I was just looking at the coastal navigation split. It's maybe more like 60/40, if you will. How many of those coastal, how is that designated as waterways? And then, how does that apply, just curious as to what the tonnage is on the Tennessee, the Black Warrior, and I don't see the Arkansas on here. So, just maybe elaborate on those four different ones plus the coastal, Jeff.

MR. McKEE: Specifically on the MKARNS, that's considered a Moderate Use waterway. It's less than three billion ton-miles. It's somewhere on the order, if I remember correctly, 2 to 2.5 billion ton miles. Is that right, Jon?

MR. JOHN BALGAVY: About two and a half.

MR McKEE: Thank you.

MR. KNOY: So is it a combination of tons and ton-miles or one or the other?

MR. McKEE: No. It's tons on the coastal side because we do not measure ton-miles on the coastal side.

MR. KNOY: Okay.

MR. McKEE: Because you'd be bringing commodities from Europe or Asia or wherever.

MR. KNOY: Right. So, it's…

MR. McKEE: It's 10 million tons for coastal.

MR. KNOY: …tons on coastal and ton-miles.

MR. McKEE: Ton-miles.

MR. KNOY: Alright. I got it. It says that there. I'm sorry. I overlooked that. So could you just elaborate maybe on what are the tons on the Tennessee and the Black Warrior?

MR. McKEE: I don't remember off the top of my head on those.

MR. KNOY: Okay.

MR. McKEE: I can get those for you.

MR. KNOY: I'll look them up.

MAJOR GENERAL PEABODY: Mr. Knoy, if I could suggest at the next meeting let's brief the Board on historical trends on all the sub-components of the system.

MR. KNOY: That would be great. Because you know, you take a look at something like the Arkansas, which seems to me to be a model that we might want to emulate throughout the Corps, but they're kind of on a bubble there that we might be losing support for that waterway.

MAJOR GENERAL PEABODY: We'll follow up and have a review of that at the next meeting.

MR. KNOY: Yeah, thank you.

MR. McKEE: Okay. In terms of the coastal side there are about 59 High Use commercial deep draft projects out of the almost 1100 navigation projects.

MR. KNOY: These are mainly coastal ports, then?

MR. McKEE: Well, they're coastal projects that serve coastal ports, yes.

MR. KNOY: Okay. Gotcha.

MR. McKEE: And for both the inland and the coastal side of the house, about 70% of the O&M dollars go towards these high commercial use projects.

MR. KNOY: Thank you, Jeff.

MR. McKEE: Yes, sir.

MR. WILLIAM M. WOODRUFF: This is Matt Woodruff. I'd like to repeat a comment I made yesterday when we were getting the briefing about the MKARNS system. And I think it highlights a problem with focusing on our investment on the basis of tons and ton-miles of commerce. The documentation that we got in the MKARNS presentation yesterday suggested that the tonnage, since 2008, has been relatively flat in the 11 million ton range. But that the value of that cargo has almost doubled. And so, not all tons are created equally. Not all tons have the same impact on their communities, on the impact of the national economy. And so, I caution against making decisions solely, or even primarily, on the basis of tons or ton-miles without really going deeper into it and looking at the value and the impact that that tonnage has both on the local communities as well as the Nation, as a whole. I think the MKARNS is a very good example of why that can be misleading, based on the data we were given yesterday.

MR. McKEE: Yes, sir. I understand. The issue, primarily, is we collect tonnage. We do not collect the value of that cargo. So, we have to go to Customs and go through some gyrations to get that data. And that's why we've been using the tonnage as opposed to the dollar volume.

But the other thing that we look at, that's very critical, is the risk of failure. And so we look at, also, those projects that have the highest risk of failure and we fund those components, along with the normal operation and maintenance just to keep the locks running. And we are looking at transportation savings as a result of the economic piece of that, in the O&M program.

MR. WOODRUFF: And I'm certainly not criticizing the job you're doing with the data that you have available to you today. I'm just suggesting as we look to the future.

MR. McKEE: Sure.

MR. WOODRUFF: That we could, potentially, do a better job if we were able to capture some additional data that maybe is, I'd like to make a distinction between data and information. And perhaps we're collecting data, but we're missing the information.

MR. McKEE: And there's a lot of additional data that goes into this selection process, well beyond the tonnage. Any other questions? Thank you.

MAJOR GENERAL PEABODY: Before we move on, this is General Peabody, I'd like to make just a brief point and perhaps, Ms. Simmons, it might be worthwhile for me to brief a few slides to the next meeting and talk about the bigger picture.

And the big picture trends are the Corps' budget has been under increasing pressure for a very long period of time. And it basically peaked in the early 1960's. Came down a little bit in the 1970's, and then has been continuing to slowly decline, in general, since the early 1980's. I deduce that there are two primary drivers behind this. The first is that we built out a substantial amount of infrastructure in the middle part of the last century. Mostly between the 1930's and the 1960's to some degree, tailing off into the 1980's. We've had several construction projects since then, but not this huge building campaign that most people think of the Corps as having doing.

Now that infrastructure is starting to age, and at about the time we were kind of wrapping this up, the Nation started getting more serious, I should say, about fiscal pressures. Remember the debates in the late 1970's and the early 1980's in the Carter and Reagan administrations about the fiscal budgets.

This really started in the Johnson Administration, but got, in my judgment, a little more serious as a Nation in that period of time. And of course, continues on to today.

In the intervening years, of course, this infrastructure has continued to age and there's more and more of a premium placed on operations and maintenance. And so what we're starting to see is a fairly significant shift from the Corps as a primarily construction agency, which is what it used to be when I was a kid growing up, and what it is today, which is, in reality, primarily, an operations and maintenance agency. And you see that reflected, pretty starkly, in the FY 15 budget where the Construction proposal by the Administration is $1.1 billion. That's the lowest in; I'm not quite sure how many years, but a very long period of time. And the Operation and Maintenance proposal is $2.8 billion, which is two and a half, almost three times as much as the construction.

So, in truth, it is becoming more and more difficult for us to manage what we've got. We're seeing that reflected in recommendations and choices that we, as a nation, are making. And this trend is inexorably going to continue unless something changes. Whether we're able to devise public-private partnerships or the Nation, makes a collective judgment that we need to invest more money with federal tax dollars or whatever, or we just walk away from some of these previous investments that we've made.

But the choices are not easy. They're all difficult. They're all infused with political consequences, but we've got to make them. And we need your help in making these choices. And again, I'm just suggesting that perhaps I'll talk about some of the data, as Mr. Woodruff suggested, that leads to, if you put the data together in trends, you can gather information from that. So we'll try and do that, sir, at the next meeting.

MR. KNOY: General, Mark Knoy.

MAJOR GENERAL PEABODY: Yes, sir.

MR. KNOY: Just one comment to just buttress your statement.

MAJOR GENERAL PEABODY: Sure.

MR. KNOY: I was just looking up on our daily report, there are nine major lock facilities out of service in May, scheduled as of today for various maintenance issues.

MAJOR GENERAL PEABODY: Right. Yes, sir. Thank you. That's a good anecdote.

MS. SIMMONS: Okay. Any more questions on the budget before we dive into the details? No? Okay. I'd like to call Mr. Jon Soderberg up to the podium to go into a little more detail on the projects that are actually drawing from the Trust Fund.

MR. JON SODERBERG: Good morning. Jon Soderberg, Corps of Engineers Headquarters. I continue to be your point for the Inland Waterways Trust Fund with the Treasury. We'll go over a few slides. Some of this stuff is repeated from last meeting, but with the members and different people in the audience and we want to make sure that we cover some of last year's information, or last meeting's information as well.

Starting off with the ending of FY 13 Trust Fund status. You can see here, in general, there are two categories of Trust Fund money, those that still sit with the Treasury and those trust funds that are sitting in Headquarters' coffers or at projects for various reasons. And we've categorized them for you here and you'll see that as Inland Waterways Trust Fund or with USACE [U.S. Army Corps of Engineers].

If you look at a U.S. Treasury statement, they do not categorize it that way. They lump it all together, regardless of if it is at the Treasury or sitting on the Corps' books. So we help try to decrypt that a little bit for you in these slides.

In FY 13, the fuel tax revenue was down to a little over $75 million. Interest remains low during the year, only $43,000 of interest being made. So a total income, new money to the Trust Fund in FY 13, we're still at just a little over $75 million. We do like to retain somewhere between $15 and $20 million in the Trust Fund as a cushion or a buffer. That allows us during Continuing Resolutions at the beginning of the year where we're operating under that status to be able to draw from the Trust Fund. At that point, we still may not know what type of language would be considered in the bill. Our projects could be 50/50, 75/25, projects excluded or not. So we may be unsure so we do leave a little bit of money in the Trust

Fund to make sure we can operate early in the year. That's why you would see a transfer to the Corps. How much we drew off the Trust Fund, $87.5 million exceeds the income.

With that buffer, we have the ability to do that in given years, making sure that there's still some funds left to work with and not cut it too close and get ourselves into a fiscal bind. But years where we have the need to put a little more toward a project or authorizations increase the amount of money that we could put on projects, that there is some money in the Trust Fund to support that.

Also in Fiscal Year 2013, you see that we had the sequestration and the Across the Board recisions reflected and we'll articulate that again in a few slides. In total, at the end of the year there was $33.82 million in the Trust Fund and we had just under $7 million of Trust Fund money on the Corps' books.

So far, for Fiscal Year 2014, as of the end of the second quarter, you see here the beginning balance, that $33 million, that sat with the Treasury. Here you see the sequestration appear again. Because the sequestration and Across the Board recisions were temporary. The way the Treasury did it, even though we couldn't use it, they put it on our books for the temporary time being with a hold saying we couldn't use it, and then it eventually returned back to the Treasury and the Trust Fund. It's the way the Treasury did it, and it's the way it's scored, if you look at the Treasury and you look at our accounts. But, the bottom line is it was temporary and those funds are back at the Treasury and available. And then you see here the previous monies that we had were the $2.9 million. So far through the 31 March [2014], we have fuel tax revenues of $37,814,038. Interest of a little over $12,000 as income through, basically, half the year. You can see again the transfers to the Corps; some of the projects that previously had funds on them, when we transferred the money over, so we've only transferred $1.5 million so far to the Corps for expenditures. You can see the total activities at the bottom.

One thing it points out is we do not draw from the Trust Fund until the end of the year. The income in the Trust Fund sits in the Trust Fund until September. We internally score it on projects, which portion of the projects have Trust Funds that will eventually come from the Trust Funds. We use 100% CG [Construction, General] funds to work the project, and just internally, to account for the split until the end of the year. It's usually a one-time transfer. It allows us to account for it easier. Obviously, sitting there it's gaining interest the way we do it. But as we do one transfer, basically once a year, it's more accurate because then we have our actual expenditures from the Trust Fund by the end of the year versus estimates that we have to adjust and continually go back and adjust.

Just showing you some of the trends. Where we are at, the $37.826 million. You can see the projections out through the point in time where we are here. You can see the blue, the dip from last year. We stayed below, only getting to $75 million [FY 2013]. The good year of $89 million [FY 2012] and then $84 million [FY 2011]. What you can see here, when we look at just the time range, we're in the middle. The low number, the $34 million, was FY 13, last year, where you see that downturn in the income. We're actually on par for the middle of the road, the thirty-seven, if the income remains the same. We'll look back, that if we're in the middle now at $37 million, and we go back there, we should hit somewhere at that $84 million mark if we stay on path.

As Mr. McKee had mentioned, this is last year's FY 13, the projects that received money: Olmsted, Lower Mon, [Mississippi River] Lock and Dam 27, and Emsworth for the total draw of $83,673,702 from the Trust Fund.

In the FY 14 Work Plan, as presented, the three projects that will draw from the Trust Fund this year for a total of $92,487,900. This will dip into some of that buffer. If we're only getting to about $86 million in income, maybe higher to the $90 million, we will dip into that but then again this exemplifies why we keep that buffer there so when we now have the authority to spend up to $92 million for these projects that the Trust Fund can support it.

This just reiterates that the FY 13 sequestration was temporary. Its amount and those funds are now back in the Trust Fund and then we learned, as we started FY 14, that the Across the Board recision was first said to be permanent and then it was determined by law it would only be temporary. That was a good news story. Basically determined it was only temporary because it's not, it's the tax. It's not an appropriation, it's a Trust Fund. And you cannot permanently take money out of the Trust Fund unless you're spending it. So they re-categorized it as temporary. Again, it's back in the Treasury.

Now we will touch into the project updates. We're changing a little bit how we've done it from the previous sessions. Olmsted, Lower Mon, Inner Harbor, and Lock and Dam 27 will be discussed during their very specific presentations this morning, to save time and not duplicate the information for you, and I'll just cover the four projects that are not going to be talked about later.

We've changed our presentation a little bit based on questions and the way the Board has asked to see some of the information and making it as clear as possible for these projects. The Kentucky Lock, you can see that the total project costs and the Construction, General (CG) and Inland Waterways Trust Fund projected split. Obviously, depending on legislation in any given year, those may change and you're looking at the total cost. Since this is coming near the end, you can see the FY 13 allocation. What you see in the negative in the Trust Fund, like Mr. Belk said, as we go through and look at some costs, we go back and review these cost estimates to be more accurate either after things have come in or as we get closer to the end of the project, or through time, providing the estimates, we balance the books.

Here, you can see that there's a negative on the Trust Fund side for FY 13 and that's just balancing the books. Making sure that the accounting is right as we move to the end. It's a little bit of money, basically going back to the Trust Fund. Or, in essence, when we do the transfer at the end of the year, that's just $137,000 less that we'll transfer from the Trust Fund because it will really be in the Construction, General and General Treasury category.

Here we've asked previously, we've asked our folks in the field to talk about why remaining balances have changed and you can see here with that $5.2 million change upward, when we look at the updated fully-funded estimates, get to the end, balancing the books, accounting for all the costs, there was that $5 million change.

Right now, Kentucky's back to 50/50 cost share. They're [the Nashville District project team] working on the upstream monolith contract, which is a little over half complete and they're reviewing their cost-risk analysis for the future to refine their costs and be more accurate.

MR. MECKLENBORG: Question. Does this mean that? This is Dan Mecklenborg. Does this slide mean that there's no allocation for Fiscal Year 2014 and Fiscal Year 2015?

MR. SODERBERG: There is no allocation for Kentucky Lock in FY 14 and it's not in the budget for FY 15.

MR. MECKLENBORG: Okay and so is work stopping or stopped?

MR. SODERBERG: They will continue to work with the funds that they have. So basically, with the contract, as the upstream monolith contract complete, the contracts are funded fully, including the Corps' administration of that contract and supervision on the project at the time we award the contract.

MR. MECKLENBORG: Oh, okay.

MR. SODERBERG: So, we will continue to work through that contract.

MR. MECKLENBORG: Thank you.

MR. KNOY: Jon, I have a question, maybe not directed at you, but whoever can answer it. At this time, where funds are more difficult to come by all the time, is this an opportunity to really take a look at the tonnage that are flowing through Kentucky and Chickamauga? We've seen significant changes in the coal burn in this country with new emission regulations, and we've seen some pretty significant changes in aggregate movements and those are large commodity blocks that move through these facilities. I know we've got a fair amount of money sunk into this one, but when you look at Chickamauga, there's, you know, a lot less sunk cost already. Is it a time to really review these and potentially even review the cost-benefit ratios, with reality today? Because I think there's a significant change.

MAJOR GENERAL PEABODY: This is General Peabody. I mean, I think that the Corps would welcome any views the Board would have in that regard. And if the Board has, you know, if you want us to provide you an update, we can do that, a more detailed update, and if the Board wants to make a recommendation on perhaps changing an investment, current trajectory, that would be, we would love to have the Board's changed recommendations, given the changing circumstances.

MR. KNOY: I think if we could just see the historical tonnage on what the cost-benefit ratios were based on and what they're, they are today and forecasted to be going forward, then we might be in a position to even start a conversation. I'm not saying we should start one, because we don't really have the data to even say that, but.

MAJOR GENERAL PEABODY: Yeah, prospective.

MR. KNOY: But just getting the data would then let us understand whether we should ask a question or not.

MAJOR GENERAL PEABODY: Sure, sure. Again, Mr. Woodruff's point about data and information; sure, we can do that.

MR. KNOY: Thank you very much, General. Sorry, Jon.

MR. McKEE: Sir, in response to that. The Capital Projects Business Model report (http://www.iwr.usace.army.mil/Portals/70/docs/Wood_doc/IMTS_Final_Report_13_April_2010_Rev_1.pdf) was completed in 2010. And as part of that model, we indicated we would look at updating that every five years. So that's the type of thing that we'll be starting to look at over the next year.

MR. KNOY: Okay, Jeff. Thank you.

MR. McKEE: And revisit all of the Capital Project Business Model projects that are in there.

MR. KNOY: Okay, thank you.

MR. SODERBERG: And now the finishing the Kentucky update and it goes to the question before, with no funds, are we going to stop? You can see that the upstream, the fabrications, the contracts, were awarded in FY 13 and they will continue through FY 15. So with those contracts being funded, fully funded, including our administration of those contracts, the work will continue and then the remaining tasks will be dependent on funding and their estimate of how long it would take after funding is received.

Chickamauga, again you can see here, especially in the FY 13 allocations, as we closed out and looked at the books, the transfer of funds, either historically or because of balancing, the switch of Inland Waterways Trust Funds back to Construction funds and then a little bit that were actually returned to the Treasury in FY 13. You can see here, the FY 14 allocation, with Chickamauga being a 50/50 split, for a total of $1.8 million. The remaining balance, again, has increased since our last meeting. Here, like other projects, going back and looking at those fully funded cost estimates, it could be increases in materials, increases in labor, because of the time it takes to work the project, or bids coming in higher, reviewing those specific things for those fully funded cost estimates, and again, these are balances to complete and estimates for the future, as we look out. As with any estimate, the closer we get to the point in time, the more accurate it will be. And our cost estimators do a great job of doing that. That's why you will see these changes because we are on top of what the cost should be. And you'll see increases, and in some of the other projects, you'll see decreases.

Again for now, the future allocations are expected to be 50/50 cost shared. We are on hold for the construction. Again, the cost schedule risk analysis is underway and is going to be completed shortly. The work and some stabilization and seepage in the cofferdams and then the next step with Chickamauga is to begin the lock excavation.

MR. MECKLENBORG: Question. This is Dan Mecklenborg, and it would go to Jeff. You mentioned the review process under the Inland Capital Development Plan, and the question there would be would the Users Board have a role in the review process?

MR. McKEE: Yes, sir. We had planned to have the Users Board involved in that process. We will probably undertake it a little bit differently than we did last time, but you would certainly have a role in that process, absolutely.

MR. MECKLENBORG: Thank you.

MR. SODERBERG: Lockport, you can see that in FY 13, it was fully in the Construction account, the CG account, and based on the change in legislation, it is now back to 50/50 split with $14.4 million coming from each the Construction, General account and the Inland Waterways Trust Fund for a total of $28.8 million, as Jeff had articulated in his presentation. Here you can see that the changes in the remaining balance. Looking at the refinement of the scope, what needed to be done. And as Jeff answered before, the questions were asked and answered. Why was there an increase in Lockport? And in looking at the work and the specifics on the contract made that increase. The fully project completion, this one, you see it's not in the budget because we're estimating that that $28.8 million will take it to completion.

MAJOR GENERAL PEABODY: Can you go back, Mr. Soderberg? This is General Peabody. Could we start putting, I take it these are current year dollars, and could we start putting the original cost estimate and the 902 limit on these? So, for example, what is the 902 limit on this? Do you happen to know?

MR. SODERBERG: I do not. Jeff?

MR. McKEE: I'm sorry, I do not.

MAJOR GENERAL PEABODY: Are we close to the 902 limit?

MR. McKEE: I don't believe we are.

MAJOR GENERAL PEABODY: Are we above the, is the $149 million above the project cost estimate?

MR. McKEE: Yes, sir. It was above the original project cost estimate for that project.

MAJOR GENERAL PEABODY: But it's below the 902 limit?

MR. McKEE: I believe it's below the 902. I have not seen any indication where we are at or above the 902 limit.

MAJOR GENERAL PEABODY: Okay. Jeff, I would like you to follow up on that with me, if you would, please.

MR. McKEE: Sure.

MAJOR GENERAL PEABODY: Yeah, if we could have that. I'm assuming, again, you're using current year dollars, which is fine. But I think it's important that we all understand what the authorized cost is of these projects, and whether the total project cost, current total project cost estimates, are within or not those authorizations. Thank you.

MR. SODERBERG: Absolutely. Will do. Thank you. Then we get to the final one. This is Emsworth. The one thing we want to point out here, and we had discussed in previous meetings, is here in FY 14, the switch of prior year funds expended out of the Trust Fund that are now going to be switched to the Construction, General account. Basically, it's returning $3.9 million to the Trust Fund. You can see here under the status, the legal interpretation of when projects were drawing from the Trust Fund or when they were not drawing from the Trust Fund based on how the Acts, specifically in 2008 and 2009, were written, were included or excluded projects. We had asked the Office of Counsel to review that to see how that applies over time. Are they specific to any one given year, and did the law actually say that when you switch the balance you have to come back into 50/50 balance, or is the law specific just to the point of the Act?

Counsel came back with the opinion that it's just specific for the period of the Act, the fiscal year, or however long that Act, if you have a Continuing Resolution, the two years. That we shouldn't have re-balanced. There was nothing in the law that said you had to take it back to a 50/50 if you had gotten out of total balance. So Emsworth was the one that this impacted the most. So we went back and looked at those costs where, when we were getting back into balance, basically drawing 100% from the Trust Fund, to get the project back to 50/50 balance, and went through all the transactions and went through all the bills for that period of time and found that we used $3.9 million of the Trust Fund to put it back into balance, and Counsel said we shouldn't have done that and we had the ability to go back and correct that. So here's that correction where basically, that $3.9 million is being returned to the Trust Fund.

MR. KNOY: Jon, Mark Knoy. This is dam work, correct?

MR. SODERBERG: Yes.

MR. KNOY: Okay.

MAJOR GENERAL PEABODY: Dam safety, primarily dam safety remediation ---

MR. KNOY: Thank you, Jon. I remember when this project started. Mike White [Mr. Michael B. White, USACE, Chief of Operations (retired)] I think was there. He thought this funding would come out of the dam safety funds or something. No?

MAJOR GENERAL PEABODY: This is General Peabody. I don't remember the specifics, Mr. Knoy, but that discussion did occur at the time and there was a, as I recall, there was an Administration decision that was made based on an analysis of the relevant statutory language that this would have to come out of, be cost shared with the Trust Fund. But there was some ARRA [American Recovery and Reinvestment Act] money that went into this as well. Mr. Dale may know. Okay. He doesn't have them.

MR. KNOY: I thought it was about $75 million over all, wasn't it?

MAJOR GENERAL PEABODY: I think it was less than that, but it was on the order of $30 or $40 million; if I remember correctly. We'll have to follow up, sir, to confirm. So we'll take that as a do out and follow up.

MR. SODERBERG: It's good with that follow up. As you can see, the next step is they'll fiscally complete, they'll balance the books and close out the work, this part of the work at Emsworth next fiscal year in FY 15. That's why you see it's not in the FY 15 budget. And the schedule -- just to finish out Emsworth, the slides. Taking it into the final part of construction, would be that 30 April 2015. And then by the end of FY 15, they'll have it fiscally closed out.

MAJOR GENERAL PEABODY: And then construction will complete this fall. Fantastic.

MR. SODERBERG: And the final piece, the back channel scour protection, we'll complete this fall in October, you will immediately see those benefits. And then capitalize the cost and close it out in FY 15. With that, barring any questions on the Trust Fund, its status.

CHAIRMAN HETTEL: John, not a question for you, but Marty Hettel here. I think I just want to make a statement here, and I'm sure everybody's aware of this, but just for the record.

We hear how our current business model is not sustainable, and I'm just going to run through these numbers that you just gave us.

Fiscal Year 2013, we spent $44.4 million on Kentucky and the remaining balance is up $5 million. In Fiscal Years 2013 and 2014 on Emsworth, we spent $9.8 million. The remaining balance is up $2.7 million. And at Chickamauga, in FY 13 and FY 14, we spent $1.3 million and the final remaining costs are up $7.4 million. We are digging ourselves in a hole.

I've often wondered, I know Mark Knoy talked about looking at the tons. When are we going to stop putting funds into these that could possibly be well-utilized elsewhere and quit digging the hole? Thank you.

MR. SODERBERG: Thank you, Marty. Any other questions?

MR. ROBERT R. McCOY: Yes, Jon. Robert McCoy from Amherst Madison. Going through the project details, I think it's important to note that the project costs not only includes dollars to contractors for labor and materials, but it also includes the administration from the Corps of Engineers, and I would imagine, also, any environmental mitigation that is required in order to authorize or in order to proceed with the project.

MR. SODERBERG: Yes.

MR. McCOY: Is it possible to get those numbers on the projects that are funded by the Trust Fund on this spreadsheet?

MAJOR GENERAL PEABODY: Absolutely, we can do that.

MR. SODERBERG: Yeah.

MR. McCOY: Thank you.

MR. SODERBERG: And we'll work with the Board before the next meeting for a way to present that, either in these slides or addendum to your books.

MS. SIMMONS: No other questions for Jon?

MR. SODERBERG: Thank you for your time this morning. Appreciate it.

MS. SIMMONS: Alright. Now, I'll call Mr. David Dale up to the podium to discuss the status of Olmsted and Lower Mon, two projects that received funding this year.

MR. DAVID F. DALE: Good morning everyone. Thanks again for letting me come speak to you about Olmsted and Lower Mon, two really neat projects within the Great Lakes and Ohio River Division.

My name is David Dale. I'm the Director of Programs out of the Great Lakes and Ohio River Division. I've been there for about, going on six months now. And I've had the opportunity to work on Olmsted in my prior assignment in the Louisville District for a year on-site and then prior to that as the DPM (Director of Program Management) of the Louisville District. So, I'll keep this relatively quick to keep us on schedule.

What I'm going to focus on, I'm going to give you some background very similar to what we've done in the past, but really focus on what we're getting ready to do during the 2014 construction season. That's kind of a take-away for the presentation. Just a real quick orientation for you. You've seen this slide many times, but this side of the river, the land side where the locks are, is Illinois. This is Kentucky. The water flows from this side to that side of the slide.

This is the tainter gate portion of the dam, this is the navigable pass portion of the dam, and then these are the existing locks that we built about 10 years ago.

Just to give you a feel for what we have been doing, or what we've accomplished during the 2013 construction season, because it is significant. Let you look at that slide as we go through. But, really, we are positioned to finish up the tainter gate section. We have two pier shells left in the tainter gate portion of the dam. That's what you're seeing right up in here is that tainter gate portion. The locks are over here. We have piers, the last two lower pier shells that we need set. To be quite honest, we really had hoped to come to the meeting today and say we would do that next week, set our first shell; but, we got that big rain event that ran up through the basin, chased us out. We had about a 10-foot jump in the river there, so that will be on out. The schedule will be presented in a little bit.

But we really are moving a lot of off-site fabrications. The first set of tainter gates are being fabricated. So we're making really good progress relative to moving the project forward. This really gets at the schedule portion and there's a lot of stuff laid out here. But what you have laid down through there is what we plan on doing, and those are described over here in the legend, so you can kind of figure out the key. There will be graphics, I think, we'll pull some of that together for you also.

We have a baseline schedule. That's based on the contractual low-water season. The river doesn't necessarily constrain itself to contractual dates of the low-water season, so we work that. And then what we also do is, for the last about three or four years, we've been pushing the team down there very hard to kind of have an opportunistic management approach. What I mean by that is whenever they get an opportunity to pull the schedule to the left, which means do something sooner rather than later, they need to be prepped and ready to go because if the river drops out early, like we thought it was about to do, we were ready to go. So we're trying to look for opportunities to pull things to the left. And the reason we do that is that is allows us to buy down the risk out in the future, which is a good thing. So, you kind of see what we have stretched out there.

What you see in red here, the significance of the red, you can see what our baseline schedule that we had planned on accomplishing. Right now, what we know is we think we're on track to do it a little bit earlier than what we baselined. And then as we've been doing for the last several years also, we've kind of set ourselves some stretch goals. And what you're seeing there is that we're moving from the tainter gate portion of the dam which is deeper, more complex. The shapes are larger. They're more complex geometrically. They're harder to place, to what we believe will be a more repetitive and shallower portion of the river, the nav [navigable] pass. So, we're hoping, with good weather this season, we'll be able to get our stretch goals.

This is the graphic I was telling you about. And to just give you a feel for this, these are really, to get it on to one slide. This is the tainter gate portion of the dam, this is the navigable pass of the dam right here. Obviously, this portion of the tainter gate butts up to this portion of the nav pass. Water flows, generally, from up here to here. So these are the two pier shells that we need to set this season. We will do that in early June and July time frame. And so what you have in red, we have kind of color coded this to help. I think this was from the last Users Board, there was kind of a question of, so what's the big plan look like? How is this thing going to progress to completion? And so what we have is a graphic that tells you that this red is what we're going to do in 2015, or excuse me, in 2014. The yellow is the work we're going to do in 2015. And then you can kind of follow that out as the colors show you over here. It kind of takes us across the river.

We will be stretching out into the navigable pass pretty far in 2014. However, we do not anticipate impacting navigation in 2014. Starting in 2015, as we mentioned to you in the past, we will begin to impact navigation. There will be short outages where we will have to shut the river down so we can do some work, two or three days at a time. We're working closely with the industry to coordinate that to make sure you guys are aware when those things are going to happen. We've published some navigation notices, some new maps and different things. So, we're working really hard to coordinate that out in the future so you can plan for it. But there will be some disruptions, although we're not expecting any this season. Yes, Marty?

CHAIRMAN HETTEL: Dave, Marty Hettel here. So, why shut the river down? Can't we run the lock chambers?

MR. DALE: That's right. That would be the answer. There will be some cases where you might have to shut the river down because you have to pump concrete across the lock chamber and you can't pass a boat through the lock when we're pumping concrete across it.

CHAIRMAN HETTEL: Just a suggestion. Raise that pipe a little bit higher.

MR. DALE: It's a good amount higher. We'll look at that.

MAJOR GENERAL PEABODY: Mr. Dale, General Peabody. What kind of advance notice do we anticipate being able to provide industry when we have to, when we won't be able to entertain, you know, traffic through the navigable pass, open river traffic because of safety issues?

MR. DALE: It's a little bit of a, we plan to work with them to give as much as possible. Our goal is to make sure we can tell people, you know, a month or so in advance of what's coming. But then as you get closer in, it really depends on what the river's doing. So the river could push us back and forth. And so our real goal is to give you a pretty solid date about five days out. But to give you the plan, for planning purposes, about a month out.

MAJOR GENERAL PEABODY: So there will be a plan, in terms of a window, of what we're going to do, at least a month in advance, a rolling plan. But then as river conditions change, you'll have to adjust that and they'll have a few days notice.

MR. DALE: Yes.

MAJOR GENERAL PEABODY: Okay, thank you.

MR. DALE: In the big plan will be more than just a month. I mean, we'll have this laid out well in advance. Probably close to about this time of the year. We ought to be able to tell you what the next season looks like, what the season looks like in front of us. And then we'll update about a month out and then about a week in, so you've kind of got the idea. It's kind of a rolling plan. Yes, sir?

MR. KNOY: David, Mark Knoy. I thought we already had restrictions. Aren't we restricted to 15 barges right now?

MR. DALE: We've restricted to 15 barges, yes.

MR. KNOY: We're losing 40% of our capacity right there.

MR. DALE: Yes.

MR. KNOY: Some people, 50% of our capacity right there, and then there's conversation, at least I've seen it in email streams, about having to start locking on a permanent basis later this year or early next year?

MR. DALE: No.

MR. KNOY: When would that happen that it would be, you know, restricted to where we have to start locking on a regular basis? When is that anticipated?

MR. DALE: Two key terms you said. You said on a permanent basis. That will be out around 2019 before we're actually permanently.

MR. KNOY: No, during the construction of the dam.

MR. DALE: During the construction, in 2014, you should see no lockages required.

MR. KNOY: Okay.

MR. DALE: In 2015, you'll start seeing these little windows of time where you will be forced to lock through and then a little bit of time where there actually could be river shutdowns just for a few days.

MR. KNOY: I thought once you got, I don't know, towards closing the section off, working on the final section of this, that we'd have to start locking and I thought that was much sooner than when the dam was completed.

MR. DALE: No, it's not that much sooner. No.

MR. KNOY: Okay. But we are going to lose this capacity.

MR. DALE: You have. That's right. You've lost that capacity because what we have experienced is several incidents where we've had barges break loose and come down river. And there's a lot of infrastructure sitting in the river. If we take out a key piece of equipment, or worse case is, we take out a key piece of equipment with 100 guys or so sitting on top of it, we have a major issue. And we've had several incidents where barges have broke loose, come down the river uncontrolled, impacted the structures. Good news is they've not done any serious damage. But we have restricted. We work with the Coast Guard to look at how can we try to control that risk because it's significant right now. And what we were seeing is that incident goes way up when you start packing more than a 15 barge tow through there.

MR. KNOY: I don't disagree with that. I want us to manage the risk, but we can't sit here and say we haven't had restrictions because they exist today.

MR. DALE: That's right. And we've compressed the navigation channel to the Kentucky side already, also. But it's still manageable. When you come out of [Ohio River Lock] 53, it's a pretty tight turn to get over to the Kentucky side and get through, but it's doable.

So, I'm going to back up here. So, this is kind of the shells, the concrete shells we're talking about. Underneath those concrete shells, work has to be done in the river bottom. Which we've never really, we've talked about, we've never quite portrayed to you very well. So, this next slide is intended to try to do that. So, what you have on top here, this is the navigable portion of the dam. These are just four different views of the same portion of the dam, the navigable pass. And this is the actual excavation of the river bottom. So, you can kind of see what we plan to do in 2014 and 2015 on the river bottom. So, what that tells you about 2014 and 2015, the river bottom excavation should be essentially done.

Then we have sheet piling. We have to drive, we call sheet piles and master piles, we have to drive around the excavation. And that's what you're seeing laid out here. We're doing it in 2014, 2015, and 2016. And then you get down here is when you actually drive the foundation piles in the main body of the excavation. And this is when you put what we call the, this is the actual shell placements where you put a grout mat and stuff on top of it. So, just to kind of give you a visual because there's more going on here than just setting shells.

And you can see, based on the timelines, that pushes out, well out into the river, we're already doing work and it will continue. So, it's going to heighten and we're going to have to work closer together to manage the risks as Mark [Knoy] pointed out.

This is kind of a quad chart we use to give you kind of a high-level picture of the project. I'll draw your attention to the top left hand corner. The Budgeted Cost of Work Scheduled. That's what we had planned for the construction contract. To be subtle there, it's the construction contract, the dam contract we're talking about right here. Budgeted Cost of Work Scheduled, the Budgeted Cost of Work Performed, and then the Actual Cost of Work Performed.

You see a delta here, and normally that would draw you to say, gosh, are you falling behind? And that's really a measure of we've been doing some re-sequencing of work on-site as we, as the river does things to us we move it around. So, we're not too worried about these two numbers right here, because it s just re-sequencing of work on-site. This number here is really a good news story. That's the actual cost of the work that we've done. You can see us coming in lower than the budgeted cost of the work we thought that we were planning on doing. So, the cost is coming in lower. So that's all a good news story. And that's really the objective here of this slide is to kind of tell you how we're doing relative to expenditures.

When you go over here, we're talking about the schedule. And this one is very consistent with what you seen last time. We have two dates we've been reporting, kind of our firm commitment to the Users Board and others and that is what we put out in the PACR [Post Authorization Change Report], completion in 2024 for the project and operational in 2020.

And then we're tracking here, our current schedule. This is what the contractor on-site, if everything goes as planned, we don't have high water, we don't have funding interruptions, we don't have any unexpected things happen, we could potentially hit these dates right here, which you can see is a significant move to the left, which is a good news story. So, we're pretty pleased with where we're heading here.

This down here is a graphic that we use to try to track the Total Estimated Price, the TEP, for the project. The red bars are basically what we presented in the PACR, the $3.1 billion, and this is where we're currently tracking to be, based on the contractor's estimate with the work we're doing, projected on out to completion. As you can see, we're still substantially below. You will note down here in the table, you're seeing some cost growth in the estimated over the few years that we've been tracking, but it's not significant at this point in time.

This is just another chart to help you kind of see how logically the different stages of work progress out. This is a product of about a 5,000 activity schedule that we run on a weekly basis to track the project.

I'm going to turn this over to Mr. Soderberg in the next two slides. It's kind of his traditional piece to cover. And then we'll close out Olmsted after he gets done and move on to Lower Mon.

MR. SODERBERG: Thanks. As presented in the other, you see Olmsted, specifically the allocations in FY 13. In FY 14 is where you see the change because of the Trust Fund, where it's not 50/50, it's 75/25. And as Mr. McKee articulated, as we look to FY 15, we're budgeting it back at 50/50 because the language within the Appropriations bill is only good for FY 14. That language would have to be repeated or in some other Act adjusted. But the way it is written, it is good for FY 14. So we budget as 50/50 and based on how the appropriations law may be written, that would be adjusted. Zero remaining balance, that is gone down from the remaining balance that was presented before. Not necessarily because the $160 million that was applied to the project, but as you've seen on the slides, as good river conditions are upon us, hopefully, time and sequencing, you are seeing the cost of the project go down and continually refining those costs and looking at it and managing it as they are. You can see that the remaining balance would continue to go down. Hopefully, at a greater rate than the money we're applying to it. Not like some of the other projects where we, as Marty Hettel had pointed out, you apply some money to it and the costs still go up. The rest of the things, the current status, the next steps, and your specific schedule, were well covered in the previous slides.

CHAIRMAN HETTEL: Jon, Marty here. I was really hoping Dave, Mr. Dale, would be doing this portion so I wouldn't have to ask you. The $1.09 billion remaining cost, does that include the $160 million you're planning on spending in FY 15, is that correct?

MR. SODERBERG: That would be correct.

CHAIRMAN HETTEL: Okay. So, at our previous Board meeting, the estimated remaining cost was $1.45 billion. When you add the FY 13 allocation, the FY 14 allocation and the FY 15 budget to it, and subtract from the $1.45 billion, it doesn't end up at $1.09 billion. I don't have my calculator, that's approximately $480 million. If you take that off the $1.45 billion, we would be under a billion right now.

MR. SODERBERG: As you look at the schedule, and as you look at the continued refinement of the costs, there are going to be micro-adjustments. Some may be larger as we look, based on work in the river and the things that can get accomplished on the schedule.

Like any other industry or business, projecting out in years, it's just an estimate. The price of concrete, price of labor, that are going to be applied on that contract. The cost estimators look at it and see what's going on and give us the best cost estimate through the schedule. As you can see, even though there are those adjustments, were significantly or reasonably under what the PACR presented as a total cost of over $3 billion. And you saw in the previous slide in the bottom corner with the, if you don't mind jumping back to -

CHAIRMAN HETTEL: Jon, Marty again. I understand that. What I'm, here's where I'm confused at, we had $1.45 billion at the last meeting, projected cost to completion. FY 13 and FY 14 are $143 and $163 million, respectively. Now you're talking about $160 million in FY 2015. That would put us under, remaining costs would be under a billion dollars. It would be $990 million or something. So, while I said the costs, it looked like we were saving money, it's actually increasing.

MR. SODERBERG: Your $160 million for FY 15 would not be included in that.

CHAIRMAN HETTEL: In the $1.09 billion?

MR. SODERBERG: Right. Because that's not fact yet.

CHAIRMAN HETTEL: Yeah.

MR. SODERBERG: That's a budgeted number, not an allocation.

CHAIRMAN HETTEL: Then I would suggest when you say "Remaining Balance after FY 15", that "after FY 15" is not correct.

MR. SODERBERG: We'll have to get back to you.

CHAIRMAN HETTEL: Okay.

MR. SODERBERG: And verify with the district the specifics.

CHAIRMAN HETTEL: Okay. Thank you.

MR. DALE: I'm going to move on then with the last two slides here. First challenges facing Olmsted. In the item highlighted in red it was really a response to a question that was asked at the last Board meeting. And that question was, "So what is the optimal funding?" We gave you a number in the PACR, that was several years ago. What's the optimal funding as you look at the current estimate? And that's our informed decision at this point in time given the status of where we're at, given the cost estimate we've just completed, and the schedule we've got, is that we think the optimal funding will be $180 million a year. So, just wanted to highlight that. That was a question you'd asked previously and that's our answer. It's not the number that was in the PACR, previously stated. It's the $180 million now because some of the opportunities that were available in the PACR are behind us. So, $180 million a year is what could be efficiently used to help pull the project to the left some.

CHAIRMAN HETTEL: David, Marty here. And if you had that $180 million a year, how much sooner would you finish the project?

MR. DALE: We might get another year out of it.

CHAIRMAN HETTEL: A year sooner?

MR. DALE: Yeah. But the challenge becomes, there's a lot of risks built in there.

CHAIRMAN HETTEL: I understand.

MR. DALE: So, yeah, I am a little cautious; when you ask that definitive question, I give you a definitive answer.

CHAIRMAN HETTEL: Well, your estimate is you could save, you could complete the project a year earlier is your estimate. Thank you.

MR. DALE: Yes, sir. That's really the important part of here. Obviously, the $150 million is a very critical number for us. Anything less than that becomes inefficient funding and it starts to slip the schedule, which is not good.

And just an aerial photo and when we slid this one in, what was significant about this was we were hoping to be telling you that we've got low water, we're planning to set LP-5 [Lower Pier shell No. 5] next week, and normally this time of year, you don't see the lock walls down there. Normally they're under water. This is February when we took this picture, but we've had some low water down there and we were really hoping to begin to capitalize on it, but that did not present itself, so. That's really all I've got, subject to questions on Olmsted.

We'll move on to Lower Mon [Locks 2, 3, and 4, Monongahela River, PA]. The Lower Mon project was, as previously discussed, was a beneficiary of the budget process, the funding pots, and the 75/25 on Olmsted, which was a good news story. We leveraged the Capital Projects Business Model and we recognize this was the next project in the queue, and we put the money on it and we're moving forward at a very high level. So, we're putting about $73 million into this contract. That additional money that was made available is going to pull the project completion to the left about three years. That's good. That's about $600 million in benefits that we'll gain over that three year period that we're pulling it to the left. That's assuming that we fund it efficiently out into the future. But if we follow the Capital Projects Business Model, we think we will. And ultimately it reduces the direct cost of the project by about $10 million. So, this is a good news story. We've moved forward.

So just a real quick one on Lower Mon. It's a portion of the river we're doing three things. Part of it's already done at Braddock Lock and Dam 2. We constructed a new lock and dam. That's in place and operational. At Lock and Dam 3, we will remove this dam when we get done here at Lock and Dam 4, at the Charleroi Lock and Dam. So, ultimately, the work is; a new dam at Braddock, new locks at Charleroi, some dredging in the pool in between because we'll be lowering the pool by about three feet. There'll be some relocations. But that's kind of the project at a very high-level overview. We are just starting, we are going to schedule, kind of a partnering session where we're going to bring the Users Board reps into it and kind of go through this in more detail, with the schedules and all that sort of thing.

Here's an interesting chart. It talks about costs. I draw your attention to the big number right there. You'll quickly get to that. Fully funded costs for the full scope of the project as authorized, $2.7 billion. Kind of a challenge, well, how did you get there? And that's what we tried to get to down here. We've done a certified cost estimate and what we've done is, we've recognized that if we don't do anything differently, it's going to take us until about 2050 to finish everything that was in the original scope of this project. When you drag that project out that long, that's how you get to $2.7 billion.

Now, our plan is not to drag the project out. Our plan is that, right now we're doing a land-side chamber and a river-side chamber. We can achieve 90% of the benefits of the project by just constructing the river-side chamber. And kind of what you see down here is we can deliver the project under the 902 limit, which is our plan. So, we're going to essentially eliminate the construction of the land-side chamber. We have to do some work to work it through Congressional reports and all that stuff to justify it. But we do have a plan to deliver the project within the 902 limit.

MAJOR GENERAL PEABODY: So, this is General Peabody.

MR. DALE: Yes, sir.

MAJOR GENERAL PEABODY: First of all, I'm trying to understand your 902 limit which should be 20% above the authorized costs inflated to today's dollars, which should be something on the order of $300 million more than what you're indicating. I'm sorry, $200 million more. So it should be around $1.9 something, 1.95, 1.96, 7, 8, something like that. But you're showing $1.76 billion. Can you explain that difference?

MR. DALE: No, I can't. I'll go back and reconfirm and double check it.

MAJOR GENERAL PEABODY: Okay. I'm not anxious to go higher, I'm just trying to understand. So the second question is when will you be able to have some recommended options related to scoping this down so that we can complete it within the authorized 902 limit?

MR. DALE: I think we can take what we've got today, bring it to a level that we can at least bring it to the Board and say, here's what we're recommending.

MAJOR GENERAL PEABODY: The Cost Control Board or the Users Board?

MR. DALE: The Users Board, I'm sorry. The Users Board. And I think it's an important decision from the Users Board, is that what you recommend, what you support.

MAJOR GENERAL PEABODY: I think we need to put this through a Corps Enterprise Evaluation first. I definitely want, we'll have some Users Board reps, you know, that can be part of that. But before we actually brief the Board, I'd like to go through so that we have a Corps Enterprise recommendation first. If that's okay.

MR. DALE: We will build the schedule to support that.

MAJOR GENERAL PEABODY: Thank you.

MR. KNOY: David, if I could comment.

MR. DALE: Please.

MR. KNOY: Mark Knoy, at ACL, comment for just a minute with Jeff. Here's another one of these projects which, according to the Corps' 2013 data site, is less than a billion ton-miles, and here we are again investing just huge amounts of money in a project that you have to question whether or not it meets the criteria of your budget comments you made earlier. So, again, another example of do we need to go back and relook at some of this stuff today?

MAJOR GENERAL PEABODY: Great point.

MR. DALE: Let me highlight a couple of interesting, I think some important points here. You see the authorized amount, the authorized cost inflated to 2015, and then, ultimately, when you do this, you have to assume, when are you going to finish that. That number right there is assuming efficient funding, not realistic funding, efficient funding. When you get down to this number right here, that assumes a more realistic approach. That's what I've said, we've got to get to the point where we have realistic funding streams, otherwise you end up with this mismatch in numbers that appears they're moving all over the place, they're not consistent. And if you have an incomplete time line that's not consistent, it becomes a problem.

So, authorized, fully inflated to 2030, assuming efficient funding, and then a realistic estimate of what it would cost if we follow the funding streams we think is in front of us. And then ultimately, the 902 limit, based on the authorized amount. And what we're going to work through this study is an approach to kind of restructure the project so that we can keep it under the 902 limit and deliver, roughly, 90% of the benefits.

MR. SOMALES: If I could say something. Mike Somales. The five year window is what we talked about for re-evaluating, and I think that Mark [Knoy] has indicated we might want to go a little early, but I would counter that with you have significant regulations pending with the EPA [Environmental Protection Agency] CAIR rule [Clean Air Interstate Rule] and the second one --

CHAIRMAN HETTEL: the MATS [Mercury and Air Toxics Standards] rule.

MR. SOMALES: -- Yeah, that may impact coal movements greatly. So, I don't think we want to, I would suggest we would not visit too early because we're going to get a significant change in the coming year as they implement the new regulations at the EPA.

MR. KNOY: Which could potentially drive the ton-miles down even further than where they are today.

MR. SOMALES: Well, yes and no. I don't know where those are going to shake out, where those stations will be, but, yes.

MAJOR GENERAL PEABODY: This is General Peabody. So what I'm sensing from some of the Board members' comments is there is a desire to more routinely assess changes in barge traffic and commodity movements on various aspects of the waterway and use that information to inform judgments about what, if anything, to do to change current projected construction priorities. Is that fair?

MR. KNOY: From my perspective, General, it is, yes.

MR. SOMALES: My only comment, again, is we are on a five year schedule, which is next year. The new regulations are implemented in 2015, to go prematurely, we may have data --

MAJOR GENERAL PEABODY: I absolutely get that, sir, but what I am sensing is that it may be, not that we necessarily want to make decisions but we want to understand how commodity traffic trends are changing on a more continuous basis. And then as we see that a trend has perhaps made some kind of dramatic shift then that would be an indicator that we want to, at that point, evaluate whether to make a judgment on a changed construction priority.

MR. SOMALES: I don't want to change the five year look just to be project-specific.

MAJOR GENERAL PEABODY: Right.

MR. KNOY: And I want to clarify, I'm not asking to change that, I'm just asking to get the data so we can make an informed decision of what we should do going forward.

MAJOR GENERAL PEABODY: Yeah. So, Mr. Hannon, Mr. McKee, I think what we just need to do is to take this discussion under advisement and come back to the Board with a recommendation on how we do more routine updates on these kinds of changes. Just kind of a battle rhythm.

MR. McKEE: Yes, sir, this is Jeff McKee. One other thing to keep in mind is that Dam 3 has a dam safety issue there, is at risk of failure. And that's one of the driving forces with following through with this project. As Mr. Dale indicated, we'd be removing Dam 3 after we complete the Charleroi Chamber. So, without, if we were to stop now you would run the risk of that dam failing at some point in time and shutting down navigation on the Mon.

MAJOR GENERAL PEABODY: That's part of all the information that we need to take under advisement and brief the Board.

MR. McKEE: Correct.

MAJOR GENERAL PEABODY: Okay. Thank you.

MR. DALE: If you are following along on the hard copy on, I'm going to skip ahead two slides here and then we will jump back. Just got a little out of sequence. This kind of tells you in the near term what's going on, what we are working on, what we are about to award. The big key is the Charleroi Chamber, the award in 2014. The middle wall monoliths, I'm sorry, with completion in 2018, and then we will follow on with that with the Stilling Basin. You can kind of see down here it kind of, here is the monoliths that we're going to award in September or before, and then the other work on the project itself.

Back one slide kind of gives you more of a long term how you bring this thing to closure. In total, and you see this black one here, that's the one that, if we do nothing, we have a project that says we're going to do that. We would push it way out into the future. But, another alternative is to go through the exercise, working with you guys and potentially just delete some work. But, right now, we are tracking the project to get it to completion, as authorized. We would do that way on out into the future.

MAJOR GENERAL PEABODY: This assumes a 50/50 cost. This is General Peabody. This assumes a 50/50 cost share; correct?

MR. DALE: Yes. Yes. And the reason we would do that way out in the future is that eventually that would tie into when we would potentially do a major rehab on the new chamber we are getting ready to construct, and that way you would have a chamber in place and you wouldn't have a river closure.

MR. KNOY: David, Mark Knoy again. This better illustrates the point I'm trying to make. The significant traffic changes on the Mon River can be handled with one chamber there versus two. That's an exact example of what I was talking about.

MR. DALE: I concur. Mr. Soderberg, if you want to cover this one. This is your slide.

MR. SOMALES: Just one second. I would like to concur with Mark's point on one chamber.

MR. DALE: Sorry, I missed that.

MR. SOMALES: I said I just wanted to concur with Mark's point on the one chamber.

MR. DALE: I thought it was a question.

MR. SODERBERG: As we stated before, for Lower Mon being consistent in presenting across all the projects, you see in this slide that FY 13 and FY 14 allocations and the projection for the FY 15 budget, again as we articulated, assuming the 50/50, we do want to go back, as Marty [Hettel] has indicated, in talking about the changes in the balance, and beef up the information for the next presentation to account for cost estimates, adding the FY 13 and FY 14 allocations, the FY 15 budget, to see what the delta is and then reference what those -- if the change does not equal that, the delta, then justify or articulate what those cost changes were. We will definitely go back in these projects and do that for you.

One of the things here, as was mentioned, this was a benefit of the combination of the 75/25 at Olmsted allowing more funds to be used from the Trust Fund, and that came in combination with a not so technical term "funding pot," that gave us the additional authority to place those monies on a project like Lower Mon. And doing that significantly changed the schedule and moved things forward.

The rest of the information would be a repeat of what Mr. Dale did in his slides. Unless there are any questions on this, I don't feel we need to repeat the next steps that you've already seen.

MR. DALE: Let me correct a typo in one of my slides. Back to slide number four. This date 2018 should be 2019, 2019 not 2018. So if you would, if you are going to take it and look at it, pen and ink that in for me. Other than that, subject to any questions, that's all I've got. Thank you very much.

CHAIRMAN HETTEL: David, Marty Hettel here. Just before we leave, for you folks in the Great Lakes and Ohio River Division, Ms. Jeanine Hoey [Deputy Director for Programs and Project Management, U.S. Army Corps of Engineers, Pittsburgh District] sent me an e-mail, I believe it was yesterday afternoon, requesting the names of Users Board representatives for the Lower Mon Project. Mr. Somales and Mr. McCoy have both volunteered. Mike with his navigation and logistics expertise. And Mr. McCoy, with his construction expertise. So that would be a great fit to your team.

MR. DALE: Will be. So we will be setting up a partnering meeting in the next month or so to kind of go through much more detail, as I kind of mentioned in the slide deck. Our next Olmsted partnering meeting, which Mr. Hettel is a representative, is next week. So, we are trying to keep the Board in play in all that we are doing so we are as transparent and communicative as possible. Thank you very much.

MS. SIMMONS: We are running a bit behind schedule. What I am proposing is we have Jeff [McKee] go through his presentation on the closures and then take a quick break.

MAJOR GENERAL PEABODY: Yeah, Mr. McKee, if you can get it five minutes that would be wonderful.

CHAIRMAN HETTEL: Does that mean I can't ask any questions?

MR. McKEE: Any questions? [Laughter]

MAJOR GENERAL PEABODY: Mr. McKee, if you can get in five minutes that would be wonderful. No, sir, it does not mean you cannot ask any questions.

MR. McKEE: Good morning, again. What I've done here is put down the FY 14 closures we've had. Starting, for the most part, in chronological order, you see a number of these closures have already occurred and already been opened up again with the exception of the second one you see, Mel Price there, which will extend into August in order to replace the upstream cables.

If you remember the Inner Harbor Canal Lock we were at in January, looking at the bull gear that had fractured, and then the other ones also on this page were closures that have been repaired and back up and running. I don't think there are many questions on any of those, any on these previous closures that have occurred?

MAJOR GENERAL PEABODY: No sir.

MR. McKEE: Continuing more recent Little Goose just reopened a week ago Monday. These were for cracks in the downstream gudgeon assembly. These were things that were planned for replacement in the long term closure in 2016. So, fortunately, they had some of these parts already in the process of being manufactured. So that sped up the time for replacement there.

The next two are just the normal winter closures of two to three weeks on the Columbia-Snake Rivers. And then closures recently at Lock 52 and then planned or an ongoing closure for Smithland Lock on the Ohio River.

Any questions on these? This next slide gets into future closures. You can see Newt Graham a couple of days, nine days, coming up in the May timeframe. Similarly, with Ozark-Jeta. That will only be a daytime closure, though, to replace the pintle bearings. It will be open at night for movement. And Lock 18, a couple of days in May shutting down again during daylight hours to replace the miter gates.

And then a similar situation on the Gulf Intracoastal Waterway for the Brazos and Colorado River Locks, where we will have intermittent daily closures in the June to August timeframe for approximately 12 hours a day to repair machinery and components.

And then going out into the July-August time frame, for the South Atlantic Division on the Tenn-Tom and Black Warrior Tombigbee Waterway, you see the two locks, Whitten and Montgomery, 30 day closures for maintenance, and then Coffeeville Lock on the Tombigbee, again, 30 day closure in the late July to August timeframe.

And then I put a couple early closures out in, running out into, excuse me, Lock 52 again will be closed in August for a number of days for the main chamber repairs to the upper guide wall, and the chamber cells and then the auxiliary chamber will be closed in September.

A couple of closures going out into FY 15, Mayo Lock on the MKARNS at the end of the fiscal year for 21 days to dewater and replace pintle bearings. T.J. O'Brien this fall for the lower sector gates. Chouteau Lock on the MKARNS, Webbers Falls, Montgomery Point Lock, all next year. I put these on just to give some advanced notice for some of the work to replace hydraulic pipes, pintle bearings, et cetera.

And then one far out in the future on the bottom of the slide. This is the Columbia-Snake, roughly 12 to 15 week downtime during the winter months to replace lock gates and lock maintenance on three of the locks out there. Similar to what was done in 2011 where we shut down three locks at one time. They are working with the industry out in the Northwest giving them advance notice so that they can ship commodities prior to the closures and make arrangements with other transportation companies during the closures for those things that they can't ship in advance of the closures in December.

Any questions?

CHAIRMAN HETTEL: Jeff, Marty Hettel here.

MR. McKEE: Yes, sir?

CHAIRMAN HETTEL: I don't see a pretty major shutdown on your schedule. Four days from now Robert C. Byrd's 1,200 foot main chamber is going to be shut down for four months. I don't see that on your presentation at all.

MR. McKEE: It's not.

CHAIRMAN HETTEL: Okay.

MR. McKEE: I did not have visibility on Robert C. Byrd; my apologies for that.

MR. SOMALES: Dashields isn't listed there, two closures of Dashields, one next month, one later in the year, the August-September timeframe, both significant outages. Thirty days for the first, 45 to 60 days for the second, larger chamber.

MR. McKEE: Thanks, Mike. I will update this to reflect those closures as well. Any other questions? Thank you.

MS. SIMMONS: Okay. So let's take a quick 10 minute break. We will reconvene at 11:10.

[AT THIS POINT IN THE PROCEEDINGS A BRIEF BREAK WAS TAKEN; THEREAFTER, THE MEETING WAS RECONVENED AT 11:15 A.M.]

MS. SIMMONS: So we are going to move into some project specific follow-up items from our last Users Board Meeting. We are running a bit behind, as you guys know, so keep that in mind as we go through the presentations, and also with your comments. I don't want to discourage dialogue but I want to make sure we get through everything.

So, Mr. Steve Jones, from the Mississippi Valley Division, is up to talk about the Lock and Dam 27 major rehab project. And I will point out that there is a replacement presentation for the one that was in your book, so make sure you guys have that. It's got the corrected numbers for the Trust Fund, so it's actually a substantive change. Thanks. Steve.

MR. STEVE JONES: Okay. Very quickly, this is the slide that Jon [Soderberg] has been showing on the other projects. And you will see basically, what's there is that the project's completed, no further allocations. There was, it was not, I'm about to explain in just a few minutes. It was actually not completed completely under the ARRA, it actually started before. So let me just go to the next slide.

That, basically, if you just look at the simple timeline it was actually authorized and then started before ARRA, it got included in ARRA. Once it got included in that, that became 100% Federal, if you would, all CG [Construction, General] funded. However, we had a protest when we tried to award the contract for lift gates that delayed the work, and so the work had to go on the inspection and O&M manuals and stuff at the end ended up being in FY 13, which was subject then back to the 50/50 cost share and that's what you see there.

Basically, just to summarize it. We put new lift gates, new miter gates in the main chamber as well as the auxiliary, new culvert valves, high mast lighting. So that lock has been rehabbed first class, I guess you would say. It's one of the busiest locks on the system. And it is, by our opinion, one of the better conditions now, thanks to this rehab. That's all I have.

CHAIRMAN HETTEL: Steve, Marty Hettel, one quick question. Are you guys going to replace the protection cell on the lower end of the chamber?

MR. JONES: Yes, that is actually O&M funded maintenance in this fiscal year, this FY 14, I guess.

CHAIRMAN HETTEL: Good deal, thank you.

MR. JONES: Any other questions? Next would be Mark Wingate.

MR. MARK R. WINGATE: Good morning. It's certainly a pleasure to be here with you. My name is Mark Wingate. I'm out of the New Orleans District of the Corps of Engineers. And I am the Chief of the Projects and Restoration Branch. What that means is basically I work on the planning and delivery of projects for construction.

I've been asked to brief you this morning on the IHNC [Inner Harbor Navigation Canal] project and more specifically, there was a question about the sill depth as we move forward on this particular project at the last Inland Waterways Users Board meeting. So I will certainly hit on that.

Just to orient you back again with the project. You can see the lock location within the red box there on the screen. The lock itself is located just a little outside of downtown New Orleans, adjacent to the Mississippi River in the Inner Harbor Navigation Canal.

The lock was constructed in 1921. You know that probably better than I but understand that's a working antique. And is 75 feet wide by 640 feet in length and has a depth of 31 and a half [31.5] feet.

Just to hit you real quick with the bottom line up front. Recently the Port of New Orleans, who was our non-federal sponsor for the deep draft lock, has removed or withdrawn their support for the deep draft lock itself. So where are we with the deep draft lock? We are moving forward with a fiscal close out of that particular project. And you can see on the bottom of the slide here. We are now going to move forward with a shallow draft lock replacement feasibility study or actually a General Reevaluation Report [GRR].

We were fortunate enough to get money in the FY 14 Work Plan in the amount of $50,000. We have that money in hand so we will begin that GRR, General Reevaluation Report effort.

There is no money in the President's FY 15 budget for the shallow draft but at least receiving money in the work plan does position us to compete if in fact there is a work plan in FY 15 to move forward with the shallow draft lock replacement effort.

Very similar tables that we've been showing here this morning. These numbers are all for the deep draft lock replacement itself, a little bit overcome by events, but, where again, our focus is racking and stacking those numbers and doing the fiscal close out between Inland Waterways (Trust Fund), the Treasury, as well as the Port of New Orleans' funds that have been provided to date. And again, what work we are going to proceed on the deep draft, again, that's overcome by events.

So, just a little bit about the letter that we received from the Port of New Orleans in September of 2012. It encouraged us to do a few things. One, of course, remove their support for the deep draft. The Port [of New Orleans] had actually put $20 million up for the project, which was in escrow. They have requested those monies back as soon as possible. That's part of our fiscal close-out.

They also encouraged us to move forward with a shallow draft lock replacement study. So, that, in fact, is our path forward on this particular effort.

Now, the particular question I was asked at the last meeting. It was suggested that we had determined what the sill depth was going to be for the shallow draft lock, and I think a number somewhere 20 or 22 foot depth had been thrown out.

We do not have a sill depth at this particular time determined. The study itself, the GRR, will begin now with the $50,000 and we will certainly have to look at depths and economically justify and ultimately determine which project returns the best bang for the buck, if you will, through our NED, National Economic Development, analysis.

So I do know in 1997 we recommended a 22 foot depth as a shallow draft NED plan, but certainly the slate is clean and we will look at all various depths of the IHNC as we move forward on shallow draft.

MR. KNOY: What is the current depth?

MR. WINGATE: The current depth is 31 and half feet [31.5] on the Deep Draft.

CHAIRMAN HETTEL: Mark, Marty Hettel here. When you get to the GRR and you state here "lock dimensions will be determined during the GRR", who are you going to invite from industry in that conversation?

MR. WINGATE: We will certainly invite all the appropriate stakeholders from industry.

CHAIRMAN HETTEL: Good answer.

MR. WINGATE: I can't tell you exactly who all those folks will be. But certainly GICA [Gulf Intracoastal Canal Association], the Inland Waterways Users Board, and the Port of New Orleans.

CHAIRMAN HETTEL: I just wanted to make sure we are on the agenda during the GRR.

MR. WINGATE: Yes, sir.

CHAIRMAN HETTEL: Thank you.

MR. WINGATE: If I didn't know anything else I would certainly have said that. That's correct.

CHAIRMAN HETTEL: Thank you.

MR. WOODRUFF: This is Matt Woodruff. My observation, I think I was the one that raised this. The project depth of the GIWW [Gulf Intracoastal Waterway], for the most part, is 12 feet. I think there's some variability here and there to that. But that's the draft of the tows that we operate; and, obviously, we and our customers pay for half of the cost, and so if there's a consideration of going deeper to benefit somebody other than the people who are paying for it, I think that there probably should be some investigation of a cost share provision that, to the extent the cost is increased to accommodate them that they are the ones picking up that additional cost.

MR. WINGATE: I understand. It's certainly very good input as we move forward at the initial stage of this project. Okay. That would conclude, unless there are any additional questions on this one.

I believe I will also hit the next one, which is going to be on Bayou Sorrel.

Okay. I wanted to give you a quick brief on Bayou Sorrel and I think specifically on the economic updates. That's kind of how I've geared these particular slides.

Just the bottom line up front on this particular project. The lock replacement project at this particular time is not economically justified. The MVD [Mississippi Valley Division] commander on 6 January 2014 concurred with our findings that it is not, in fact, economically justified and he notified USACE Headquarters on the 26th of January of this year [2014].

So we are moving forward with inactivating the project. What that means is we have not deauthorized the authority. The authority remains open, and if conditions were to present itself in the future we could reactivate the study and go through the gyrations, if you will, to determine if, in fact, a project was economically justified at that particular time.

Just to give you some idea of the study area location. You can see Bayou Sorrel there in the middle in the yellow block. This particular project, lock, was constructed in 1951. It is 56 feet wide, 796 feet in length and 15 feet in depth. It is located on the GIWW [Gulf Intracoastal Waterway] alternate route and it goes from Morgan City, down at the bottom, basically hugs the East Atchafalaya Basin Protection Levee and then ultimately up to Sorrel and then on to Port Allen on the alternate route.

And it is a multipurpose project. And what do I mean by that? I will hit this very quickly on the next slide. It really serves two purposes. It certainly serves a navigation purpose, and you can see there, it provides that lockage. But also it provides a flood risk management component; I showed that it hugged, basically, the East Atchafalaya Basin Protection Levee.

It actually is an instrumental piece of our flood protection system. The south gates actually serve as flood gates in that Atchafalaya Basin System. Just as a note, those gates are about four and a half [4.5] feet below project flow lines. So we do have a flood risk management concern at this particular location.

In the Chief's Report, which was dated January 2005, it did make a recommendation. You can see the report recommended a replacement lock. It was in the blue patched area. You can see the dimensions of the lock, 75 feet wide by 1,200 long right adjacent to the existing lock. So this was recommended in the January 2005 Chief's Report.

I have already mentioned that the project is no longer economically justified. So I just wanted to give you some quick facts on that. Since January of 2005 construction costs for the replacement lock have gone up. In fact, they have gone up about three fold.

Also since that time the benefits, unfortunately, have gone down. In the feasibility report growth was projected to have a mid-growth projection. Currently there is no planned growth at this particular facility, based upon the latest information from the Department of Energy in 2012.

So as a result, with the benefits going down and the costs going up, the project benefit to cost ratio is below unity.

So how are we moving forward with the particular project? Well, as I mentioned earlier, as of January 2014, the project has moved to an inactive status. But we still have concerns there.

In terms of flood risk management, we are going to continue to budget for the project through the Atchafalaya Basin Levee Program to try to receive MR&T [Mississippi River and Tributaries] dollars to continue to move that project forward. But in the interim we will have to continue to flood fight it. In fact, we flood fought it in 2011 by welding four foot sheet plates on the top of it to help in the flood fight event, as well as had Hesco baskets standing by to flood fight that particular location.

The existing lock, of course, will continue under the O&M [Operation and Maintenance] phase. And, in fact, in January 2015 they have a planned job there to do some work on the north gates. And we will also move forward with effectively executing our communication plan and notifying stakeholders, user groups and the general public about the decision to move to an inactive status after this particular briefing here.

That would conclude my formal presentation, pending any questions.

MR. WOODRUFF: This is Matt Woodruff. Could you give us a little bit more color? You say the costs tripled. From what to what?

MR. WINGATE: Yes, sir. In the 2005 Chief's Report, the project itself was $100 million, that's approximately what it was estimated at. Of the $100 million, $90 million was going to be paid through MR&T for flood risk management and the navigation component would pay $10 million. And that's how the benefit/cost ratio was based on the $10 million.

Today, the project has increased from $100 million to $320 million. The MR&T flood control will pay $150 million. And the navigation side has to pay the increment, which is $170 million.

MAJOR GENERAL PEABODY: Mark, what is the root causes behind the cost escalation?

MR. WINGATE: There are a couple of things, sir. One, is we adjusted the flood flow line in the Atchafalaya Basin in 2011, which was approved. So that increased the height of the water, so the project had to become a little larger.

Structural superiority also came into play so the project got a little bit more robust.

As we started looking at the approach channels to the project, we recognized that the approach channel, through some ERDC [USACE's Engineer Research and Development Center] investigations, had to be redesigned. That increased dredging costs. We have seen costs go up in steel, concrete, other materials, unit costs. You start adding that up and, unfortunately, the lock itself has gone up about three-fold.

MAJOR GENERAL PEABODY: Thank you.

MR. WOODRUFF: Now, the other piece of this, you say, your benefit analysis suggests that the use is flat or could you give me some more details on that?

MR. WINGATE: Yes, sir. Again, in feasibility that resulted in the 2005 Chief's Report, the growth projections used a mid-growth projection. That's what we believed to be the appropriate way. Based on that, the benefits were run, based on mid-growth.

Today, and again as we were updating costs, we got the latest projections from the Department of Energy dated 2012, it looked at the petrochemical sector, as that's primarily the commodity that goes through this particular lock. Based on its projections, the economic analysis just showed a no-growth scenario over the next 50 years at that particular location.

MR. WOODRUFF: Are you aware that there's over $100 billion of investment in petro-chemical facilities either ongoing or planned for that region?

BRIGADIER GENERAL PETER A. DeLUCA: We are aware. This is General DeLuca. We are very aware. But they're not planning on using Bayou Sorrel, not today.

MS. SIMMONS: Please speak into the mike.

MR. WINGATE: I agree with the General. [Laughter/off record comments]

MAJOR GENERAL PEABODY: Very wise choice there, Mr. Wingate.

MR. WINGATE: Thank you, sir.

MR. WOODRUFF: Can you give me some idea of what the delays are at Bayou Sorrel today?

MR. WINGATE: What the O&M folks are telling me is we are looking about a four hour delay right now.

MR. KNOY: It's about 13 hours on average.

MR. WINGATE: So I will throw out the number. I'm hearing about a four hour delay.

MR. KNOY: Let me, maybe, enhance that a little bit.

MR. WINGATE: Yes, sir.

MR. KNOY: It runs about 13 hours. We've been tracking it through there a lot. And that's per lockage, which with this lock we have to make a double there all the time. And it takes pressure off the other two locks in New Orleans, which are not as reliable as they once were.

MR. MECKLENBORG: This is Dan Mecklenborg. In light of the very visible investment in petrochemicals and in equipment that moves petrochemicals in our industry, the growth has been huge. And maybe it's worth taking another look at that from the benefit side. Just a thought.

MR. KNOY: I think it's the same thing as what I was talking about on where waterways have gone down. The future growth of the Atchafalaya is going up. You may not be seeing it yet. But, I'm telling you, all that oil coming out of the Marcellus shale and the Utica shale and coming out of Canada Enbridge over through the Illinois. That's how it gets there, is through the Atchafalaya.

MAJOR GENERAL PEABODY: This is General Peabody. Mr. McKee, when we do our traffic analysis at the next session I'd like to have a focus on Bayou Sorrel because it has generated a lot of concern and attention by the Board members.

MR. KNOY: Thank you, General.

MAJOR GENERAL PEABODY: Yes, sir.

MR. WOODRUFF: One final question is how can we access the data upon which you are relying so that we can have our own commercial people look at it and see how our projections might match up with the projections that you were given by the Department of Energy?

MR. WINGATE: We would be happy to share it with the appropriate person. No problem.

MR. WOODRUFF: So you would be the point of contact on that?

MR. WINGATE: I can be the point of contact or get it to Mindy. I will certainly get that information to her and she can disperse it out.

MS. SIMMONS: Sounds good.

CHAIRMAN HETTEL: Mark, I know we are behind. Marty Hettel. One last question. The original estimate of $100 million was 10% nav. The new estimate of $320 million would be over 50% nav costs. Why the difference? Why wouldn't it continue at the 10%?

MR. WINGATE: Okay. I will apologize up front if I get into a little sausage making.

During the feasibility study where it was $100 million, what we had to do was determine what the most economically justified flood risk management project was. And that became basically you're without project condition. In the 2005 Chief's Report it basically said the flood risk management feature that would go out there would be a $90 million investment. Well, then, what's the total cost of the lock? We estimate $100 million. So MR&T [Mississippi River and Tributaries] is going to pay first. Their flood risk management feature is $90 million. So navigation gets a lock for $10 million, in essence.

Today, the flood risk management feature has gone up also in price. It's gone from $90 million to approximately $150 million. So that's what MR&T is willing to pay or can pay.

CHAIRMAN HETTEL: I understand.

MR. JONES: Explain the differences between a lock and a gate?

COURT REPORTER: What was your name?

MR. JONES: Steve Jones.

MAJOR GENERAL PEABODY: Steve, we need to get you to a microphone.

BRIGADIER GENERAL DeLUCA: There's one up at the table.

MR. JONES: Yes, Steve Jones from Mississippi Valley Division. I was just asking Mark to help him explain the difference in the flood risk management plan being basically a gate, not a lock, and the Nav is a lock and so the difference. He can explain it better than I can, I think now. But the cost increase on the gate went up but the cost increase on lock went up even more. And so it's not 90/10, it wasn't a percentage. It was a cost of one versus the other.

MAJOR GENERAL PEABODY: It was a component split.

MR. WOODRUFF: Should I assume or understand then that the $150 million is still going to get spent there for the flood control aspect of this?

MR. WINGATE: Well, I would assume it's going to be spent. The question is when.

BRIGADIER GENERAL DeLUCA: This is General DeLuca. The results of the flow line analysis of 2011 indicated a series of flood risk management problems in the Atchafalaya Basin. Of those problems, Bayou Sorrel right now is ranked Number Ten in priority based on the impact and the severity. And so clearly we are working through one through nine on the FRM [Flood Risk Management] side before we get to Number Ten. So it isn't even really at the top of the FRM concerns within the Basin in terms of its priority, and you should be aware of that today.

MR. WINGATE: Correct, it's correct.

MAJOR GENERAL PEABODY: General DeLuca, this is General Peabody. Are most of those issues related to construction requirements, I presume?

BRIGADIER GENERAL DeLUCA: They are mostly related, and Mark can go into much more detail, to elevation deficiencies throughout the system, which will require CG [Construction, General] construction.

MAJOR GENERAL PEABODY: Again, we are behind on time. Clearly there's a great deal of interest in this issue and Mr. Chair, what I would suggest is that we discuss off-line having a focus area on this at the next meeting and how to get after the Board's concerns. We definitely need to do that. It's a question of timing and scope of that discussion. If that's okay with you, sir?

CHAIRMAN HETTEL: I'm fine with that, sir. Absolutely.

MR. WINGATE: Thank you.

MS. SIMMONS: Thank you. I would like to call Mr. Bill Chapman up to follow up on the item that we had discussed at our last meeting regarding levels of service on the Allegheny.

MR. WILLIAM R. CHAPMAN: Thank you. My name is Bill Chapman. I am the Chief of Operations for the Great Lakes and Ohio River Division. I would like to thank the Board, Chairman Hettel and General Peabody for this opportunity to kind of address a concern that came up at the last Board meeting.

The issue was an issue of denied lockage and not being able to pull a double through, one of the vessels through there. And the other concern, there was two of them, was we had some cold weather during that time of year.

I'm not going to go over each of these details, but really part of it was a result from a tow alliding with the lock wall, which resulted in the delay, which resulted in a tow, carrying some critical cargo, to be delayed getting up through that lock until the next cycle, based on the well published times that we have.

And then concerns dealing with the cold weather and lack of a tow passage. I've got some bullets there. But just, the river was never closed during that period of time in the winter, neither by the Coast Guard or the Corps. The locks were always available but there was an informal agreement, a non-binding agreement that the area association [the Waterways

Association of Pittsburgh] got together with all the stakeholders and members and kind of said, "Hey, we are, may not navigate this time but it's not binding." So that was the two issues there that came up.

Just cover a little bit about the policy that came out. We have a Level of Service Policy that is published, based on Headquarters guidance. I'm not going to read through each of those details. But really the policy on the lower Allegheny system, it's a Level of Service one [1], which basically it's available 24/7 [24 hours/7 days a week] for lockages, based on some well publicized schedules there, especially when you're trying to pull doubles through. That's probably the biggest issue because it becomes a safety issue and it becomes just a resource issue for that.

But the policy is, also allows for the users to double trip at any time they want. That information has been vetted through the Coast Guard, the stakeholders, the industry, and it's well publicized. It just so happens that the incident resulted in being outside that window. That's what created the problem.

Way ahead actions. Here we'd like to kind of address this. This was coordinated with the Pittsburgh District, the navigation industry and other end users. Allegheny Lock 2 and C.W. (Bill) Young Lock were the locks that were really ones of concern. The agreement that we came up with was to staff those for doubles six days a week to address an issue. A critical issue that was brought out of this, it had to do with the power plant, the Cheswick power plant running low on stock piles of coal due to the extreme cold winter and the freezing of the Allegheny system.

That commenced on the 22nd of March and will continue through the 10th of May. Also, trying to address this thing should it occur again or issues. Any future or critical shipments or existing shipments that need to get there, we're going to kind of work toward accommodations and coordinating and address those as required. That's kind of way ahead with this and it seems, at least to this point, most people worked through it. We will just have to see how this plays out this year.

But we do address the levels of service on an annual basis. Go back and relook at those. And, there again, we will continue to do that based on Headquarters guidance. Pending any questions, that's all I have.

CHAIRMAN HETTEL: Bill, you know me better than that. Marty Hettel here. Just to make sure I understand what you just said. You got two more Saturdays you can pull doubles through this lock. If that power plant still needs additional fuel will you extend that?

MR. CHAPMAN: That's where the discussion and the coordination back and forth. We would have to talk about that. But at this point, at least what I'm seeing, that we should be okay. That was a window that was given and we should be able to build the stockpile up at that point. But there again, we will address those, because it is a critical power plant and critical issue, we will address those and accommodate where we have to.

CHAIRMAN HETTEL: Thanks, Bill.

MR. CHAPMAN: Are there any other questions? Okay. Thank you.

MS. SIMMONS: Thank you Bill. We are now going to shift into our discussion of the, the focus that was going to be the after-break discussion and, Jeff [McKee], if you want to stay at the podium that's great. If we are going to turn it into more of a conversation you can stay at the table. Either way. So, Jeff is going to do kind of an overview of the Capital Projects Business Model and how we are actually implementing some of the recommendations there to set the stage for kind of where we are going in the future, which we have touched on a little bit already in the beginning of the day. Jeff, go ahead.

MR. McKEE: Thanks Mindy. These are the recommendations down the left hand side that came out of the Capital Projects Business Model report in April of 2010.

The first one was requiring 'Project Management Certification'. The team up at Olmsted has that certification. The team at Kentucky Lock is working on that at this point in time.

The 'Risk Based Cost Estimates'. We've got a regulation out there that requires a risk based cost estimate for any contract in excess of $40 million. So that would cover most of the Inland Waterways Trust Fund projects anyway. We're catching up on those that did not have it when the original feasibility studies were done. For instance, the Olmsted PACR [Post Authorization Change Report] did a risk-based cost estimate. They just finished one in March on the Lower Mon, and as was indicated earlier, will be doing them for Kentucky and Chickamauga Lock a little bit down the road.

'Independent External Peer Review'. Again, that was conducted on the PACR produced for Olmsted Locks and Dam and any PACRs or feasibility studies produced in the future would have independent external peer review. It's a requirement in WRDA of 2007 [Water Resources Development Act of 2007, Public Law 110-114, signed into law on November 8, 2007] to have this.

MAJOR GENERAL PEABODY: This is General Peabody. If I could be clear. I believe that unless there is another provision in the pending WRRDA [Water Resources Reform and Development Act], should it pass, that current provision sunsets, I'm trying to remember, I think it's next year.

MR. McKEE: I believe it is next year.

MAJOR GENERAL PEABODY: In 2015.

MR. McKEE: I thought the intent was to extend that.

MAJOR GENERAL PEABODY: Yeah, we haven't made any internal decisions. Once we see what comes out of WRRDA then we will, be it statutory language, obviously we will comply. If not, then we will have to make an assessment and address how we will, and when we will, and under what circumstances we would apply IEPRs [Independent External Peer Reviews].

MR. McKEE: Right.

MAJOR GENERAL PEABODY: If I could just say one, kind of as important, kind of an important point.

So far on our study process we have executed 75, I believe it is, IEPRs at a cost of around $12.5 million. We have not seen any epiphanies that IEPR has found glaring issues.

What we have seen is in general, IEPRs are identified, what I would characterize as opportunities for better documentation. In other words, the IEPRs drew out some concerns that were largely concerns because the documentation wasn't adequately clear. So this is an issue that we've got to take on in how we do our documentation. So we are not convinced that the IEPRs are necessary in all circumstances. In some circumstances we do think they are appropriate. But pending legislation we are not making any decisions until we see what we get out of WRRDA.

MR. McKEE: And for the majority of those, our agency/technical review picked up anything that the IEPR ended up picking up.

Chairman Hettel indicated earlier that we will have two Users Board reps on the Lower Mon project, Mr. Mike Somales and Mr. Robert McCoy. Mr. Hettel, I believe you also got an e-mail from Nashville District from Mr. Ragan [Mr. Fredrick Ragan] who was looking for potential Users Board members to participate in the Chickamauga Lock and the Kentucky Lock projects. So that's moving along to have a Users Board appointed to the project delivery teams for each of the construction projects that are underway. And we will continue to, as we go down the road and new projects come on line, we will continue to have the Users Board participate on those project delivery teams.

'Project Status'. We've changed the format a couple of times but continue to report project status at the Users Board meetings and will continue to do that, and if there are additional things, as General Peabody, recommended this morning, we show the authorized costs as well as the 902 limit, we will include those on future project updates.

'Including the Users Board Chairman's signature on Project Management Plans' was something that our Headquarters Office of Counsel could not concur with because typically where we have a project delivery team and a non-Federal sponsor who was participating on that Project Delivery Team and is bringing non-Federal funds to the table, they are the ones that typically sign on the Project Management Plan. In this case, since the funds are coming from the Inland Waterways Trust Fund they did not believe that that was something that we could do.

So that is something that we are not moving forward at this point in time, but certainly the participation of Board members on the Project Delivery Teams, by the Board, will continue.

'Use of Early Contractor Involvement'. We really haven't had an opportunity to go out from scratch to do that. In the future, as new projects come on line, that's something that will be continued, or considered, as part of our contracting tool box.

Similarly, with 'Military Construction Principles'. It's difficult to get full project funding up front, given the constraints we have on Civil Works budgets. So until we can crack that nut and get additional funding up front it's going to be difficult to implement the Military Construction Principles of fully funding a project at the beginning of the project.

'New Start Recommendation Procedures'. Again, with the constraints on the Inland Waterways Trust Fund, it's something that we are not moving forward with at this point in time. But certainly we will revisit that when we start looking at the update of the Capital Projects Business Model.

The 'Capital Projects Business Model Regulation'. Rather than the regulation, we have drafted an operational order, an "OPORD" to implement a lot of the things that are on-going. That is still in draft. We will work to get that out over the next couple of months.

'Design Centers of Expertise'. We did stand up the Inland Navigation Design Center, so that's green. Standard designs are something that the Inland Navigation Design Center is looking at, as well as lessons learned, and they've already looked at some of the similar design and consistency and components for the Kentucky and the Chickamauga Locks.

'Revisit a Continuing Contracts Clause'. Currently that is prohibited by the Congress. And each year in the Appropriations Act they preclude the Corps of Engineers from using a Continuing Contracts Clause, specifically on the Inland Waterways Trust Fund projects. So we will see, we will try to work with the Congress in the future to see if there is any flexibility, but at this point in time it's something that they haven't been willing to budge on.

'Cost Sharing'. Obviously, it is something that the Administration is opposed to, and the Congress has not taken any action on. Right now, cost sharing for major rehabs using the Inland Waterways Trust Fund as a 50% share starts at about $16 million. The proposal in the Capital Projects Business Model was to look at $100 million as a threshold. At this point in time, for the FY 2016 budget, we are still at the approximately $16 million level. And, again, don't anticipate that the Administration is going to change that.

The same holds true with the use of Inland Waterways Trust Funds on dams. The proposal was to fund dams 100% out of the General Treasury appropriations. Again, the Administration opposes that, and so dams will continue to be funded 50% from the Inland Waterways Trust Fund unless there is Congressional legislation that changes that.

Similarly, with a cap on projects, this again would require Congressional legislation and it is opposed by the Administration.

And then an increase in the fuel tax that was recommended of anywhere between six and nine cents a gallon tacked on to the existing 20 cent per gallon fuel tax. That would require Congressional legislation, and the Congress has not taken that up or passed any legislation to date on that.

Any questions on where we stand with the recommendations from the 2010 report? Thank you.

MAJOR GENERAL PEABODY: This is General Peabody. We thought it was very important to come back to the Users Board and formally discuss the progress that we made. We are going to continue to push forward. In general, we've basically executed all the things that were within the Corps' authority to execute, with some modifications.

The bigger piece on the IEPR that I discussed earlier is that we've really modified and tightened up a much more disciplined and rigorous multi-echelon review process. So the IEPR is just one aspect of that. And we will continue to execute the review process we have.

We also did a fairly rigorous review of cost escalation associated with large transportation projects to see if we could find lessons elsewhere in the world where somebody had solved this problem and they are able to deliver on time and under budget.

And what we found is in general this is a problem industry-wide. There are very rare examples where, what we've dubbed "mega projects', that don't have significant cost escalation. The Boston 'Big Dig' was four times its original estimate. Olmsted obviously is about twice its original, all escalated from inflation, is about twice its original estimate. There is gosh, there was one example that was 20 times its original estimate. And this is due to a whole variety of factors. But they boil down to about a handful.

One of the key ones is inefficient funding. So there's an interruption in funding stream. Another one is what we categorize as design changes. That's generally driven by an underlying change in design standards like we had after [Hurricane] Katrina, for example, that very dramatically changed our design standards for flood risk management projects. We discussed that on the Bayou Sorrel. That's partly a victim of that, and a host of other issues.

Unforeseen site conditions, geotechnical circumstances that were not anticipated, things of that nature. So the real fundamental problem is when you scope a project initially you have to make assumptions. And you don't know what you don't know until you get into more detailed design and geotechnical investigations. Or sometimes truth changes on you and the applicable design standards are increased or the flow line increases. So there's a whole host of reasons, but this is not something that we could find anybody had found the magic solution to.

MS. SIMMONS: Anything else? Go ahead, Jim, I will turn it over to you, and, again, I will leave it up to you, if you want to stay seated or head up to the podium.

MR. JAMES R. HANNON: I will take Mindy's suggestion and stay seated during then, if that's alright.

MS. SIMMONS: Could we get someone to bring the clicker over?

MR. HANNON: I've got it.

MS. SIMMONS: You've got it.

MR. HANNON: I'm dangerous with it, but I have it.

What we wanted to do is really kind of tee up the further discussion today from what I have mentioned and what I went through at the Users Board meeting in New Orleans. I want to broaden this discussion beyond just looking at the total risk exposure that I kind of teed up back in New Orleans, to address how are we going to be making our Inland Navigation life cycle investment decisions in the future? I mean we've really talked about that throughout the entire day today in regards to all the conversations we've had, not just today but yesterday as well as Little Rock was teeing up some of the discussions that they brought in, as far as their presentations yesterday.

Here's the problem right there. You really look at that and we start thinking about a gap. And bottom line, and we've talked about it today, we have more needs for dollars to address the infrastructure requirements on our Civil Works projects than we have available to us under the current operating models in which we are working right now.

There's a gap. We spend most of our time, if not the biggest majority of our time, operating down on that lower layer, the appropriated Civil Works budget. That's where our primary focus has been in the past. That's where our focus tends to be, for the most part, today, as we talked about what things might we do different or should we do different.

There are other opportunities here to be able to close the gap. And so that's really kind of teeing up a few of these things here as we'll walk into this. And it feeds right into our infrastructure strategy, our USACE Infrastructure Strategy that I will get to in just a minute.

But, we are starting to employ some of these other ways and means to address how do we close the gap other than just the traditional appropriated Civil Works budget.

One of them being our O&M [Operation and Maintenance] Efficiencies and Optimization Review. Yesterday you heard John Balgavy [Program Manager, USACE, Little Rock District], they were talking about here at Little Rock, taking a review and evaluation of the MKARNS System, and the O&M requirements there and how that they are going to evaluate whether they have the right amount of staffing, looking at the fleets and evaluate how they are actually getting the work done.

We are going to put into play, and I mentioned this yesterday, for those that were here, this month, now that we are in the month of May, get a Request For Proposals out on the street this month, to have someone come in and help us to make that same evaluation, and LRD [Great Lakes and Ohio River Division], three of the districts there, Pittsburgh, Louisville and Huntington, and move into MVD [Mississippi Valley Division] for three of the districts on the Upper Miss, the Rock Island, St. Louis, and St. Paul districts, a similar evaluation, where we will evaluate our O&M efficiencies and how we optimize, even as much as wrench time. How are we actually performing the preventative maintenance out on the site? How are we utilizing the crews on the locks and the maintenance crews that we have to the most efficient and effective means? How can we balance work load? So those are the types of things that we are beginning to say we need to make that internal evaluation to determine where can we reduce costs in our operations and provide more funding to be able to put towards maintenance.

Non-Federal Investments are another opportunity for us. Alternative financing is one that's mentioned quite a bit, and I will talk about that in some more detail as we get into our infrastructure strategy.

In our hydropower world we have agreements with power marketing agencies and with the ultimate end user customers where they can provide some direct fund dollars. And we are, at this point in time, getting about $50 million a year. Are there types of agreements that we might be able to look at on how we can do some things within our navigation program.

Deauthorization /Transfer/Disposal/Caretakers. Another one of these ways to close the gap. Already we've talked about this morning Kentucky River Locks and we've talked about the Allegheny, are two of the studies that we have going on right now, or in Fiscal Year 2015, to evaluate a de-authorization of Kentucky River Locks or possible transfer on the Allegheny. And I think that Kentucky [Locks] is 1 through 4 and the Allegheny [Locks] is 6 through 9.

The question, though, that we should be asking ourselves is what else is out there? What are the other infrastructure, the locks, we talk about high, moderate and low use. What else is out there that we collectively need to tee up for opportunities to de-authorize, divest, or at least transfer to someone else to make that useful, still, to the public.

So, as we look at how we close the gap, it's all about what are we going to change in how we do business? What are we going to stop doing today? But it's really about employing all means to be able to provide a reliable service; but, most importantly, to meet the economic needs of the nation that we should be doing.

Our USACE Infrastructure Strategy. I talked about how are we, or what approach are we taking, to at least begin to address how do we close that gap.

Part of our Civil Works Transformation that I'm sure most everyone is aware of, our Planning Modernization, our Budget Modernization, our Methods of Delivery, the fourth tenant of that Civil Works Transformation, is our USACE Infrastructure Strategy. Within that strategy we have essentially three lines of effort. The Strategic Communications cuts across everything. But we have three lines of effort that shore up that infrastructure strategy.

'Life Cycle Portfolio Management'. And really this is addressing the Asset Management requirements that are taking place right now. We talked about yesterday the condition assessments, risk assessments, the maintenance management improvement philosophy that we are employing for a consistent approach across the Corps of Engineers at this point in time. We are moving towards a Life Cycle Investment Strategy through our Asset Management approach to addressing those critical components. How do we evaluate the risk that we see that's out there, the most critical risks, and assume some residual risks? And that gets to the discussion that I had back in New Orleans on Total Risk Exposure.

Optimizing O&M is a piece of this as well. How do we optimize our maintenance requirements, as I just discussed there a minute ago.

Our Maintenance Management Improvement Plans. Certainly, it's not that we haven't been doing maintenance across our entire enterprise, but how do we, and this is really moving us toward a consistent enterprise approach. As you heard Ashly [Ashly Zink, Civil Engineer, USACE, Little Rock District] talk about yesterday, we've done nine pilots. I think the question was asked, what other three navigation areas have we done the pilot demonstrations on? And, of course, [Mississippi River] Lock and Dam 12 is one of those in Rock Island, Dardanelle here. Then from a navigation perspective, the Chesapeake and Delaware Canal is another area of the three, of the nine. Others include hydropower, some of our recreation areas, and some of our flood risk management as well.

So these, as we look at our Life Cycle Portfolio Management, and we talk about Operational Condition Assessments, Risk Assessments, Maintenance Management Improvement Philosophy, it's looking at the entire system, which we will get to again in just a minute, and we are looking at it from a total life cycle approach of increasing service life, buying down risks, and providing a reliable system.

'Comprehensive Watershed Approach'. It's not just looking at our own Federal projects. How do these projects interact with others? Non-federal projects that are in a watershed? So, making decisions based on the interaction of our projects and other non-federal projects and investments that are required.

And then our Alternative Financing component that we are evaluating. Certainly, there are some existing authorities that we have right now where we can accept contributed funds. We do out-grants and leases. How can we maximize the use of those existing authorities and then what are the authorities that we don't have today? Where are the gaps where we can be able to leverage other resources?

One of the first things that generally comes from a discussion on alternative financing is public/private partnerships. We are evaluating kind of two methods right now of how we can move forward in public/private partnerships. We have a consultant, because we just don't have the expertise in this in the Corps of Engineers. That's not what we do. So we have reached out to people who do this that's helping us to evaluate what's within existing authorities where we could be able to package, if you will, projects together that would make viable packages and projects for a public/private partnership.

Right now, in my view, we haven't seen a navigation project that's been able to at least materialize or mature within existing authorities. I think that's the potential for future new authorities; however, that is still to be determined, as far as what that group is looking at.

But we do have another consultant that's working with us on what new authorities do we need? Where are some of the gaps? How do we fill those gaps?

So as we go through this process, certainly we will continue to evaluate, in all three of these kind of lines of effort, how do we maximize, how do we kind of link it all together, from an integrated approach, to be able to manage the assets and then do it not just on an annual basis, not just on a five-year basis, but look at this from a complete lifecycle portfolio basis?

Kind of a reflection back on what we discussed back in New Orleans. Capital Projects Business Plan 2010. We've talked a lot about that, even today. Five year review. As I mentioned then, we really need to be looking, not just at the kind of a singular approach to reviewing the Capital Projects Business Model, we need to move toward more system analysis, more of a life cycle analysis, and that's where we are moving.

Again, looking at the Total Risk Exposure that's out there in our inland navigation system. Again, another spectrum of investment strategies. This you saw in New Orleans. If we have high residual risks, low operational risks, we're probably focusing more in the Strategic Maintenance Management, more in the Preventative Maintenance Area, or other types of just maintenance required.

Where it's kind of half and half. We have to make some decisions on do we focus our attention on the maintenance aspects of it or do we move more towards a restore, recapitalize. Do we have higher operational risks, lower residual risks? It may drive us more to a major rehab as the best option. But then again, that's driven by how, when do we expect some of those high operational risks to occur and on what do we expect that to occur? And so I want to get into this slide here and kind of park there for just a little bit.

From our perspective, the way that we have to start looking at this from a total systems approach is we have to ask ourselves the questions. What do need to, how do we need to maintain and repair the most critical assets and components? What's in the worst shape and condition that's out there right now? And what have the highest likelihood of failing? I mean those are pretty basic, pretty simple things that you would say that we should be focused on. But I think often we get driven toward repairing more or trying to do more, trying to address, do we just need to go do, replace this lock? Do we need to do a major rehab, when we could focus more deliberately on those critical needs that are going to give us the highest risk of failure and operational failure, and then focus our attention on extending the service life of those.

What's going to cause the highest impact on the customers? And how do we extend that service life to build inherently the reliability that we need into the system? It's kind of a shift of focus from the recapitalization of all new locks and dams. And we heard that discussion already today to more of a, we need a reliable system. So what do we need to be focusing on to get to that reliable system?

The chart down at the bottom kind of gives you an example of what our evaluations of condition assessments, the service life. Certainly there may be on concrete, it's a little hard to see, over a period of a couple of hundred of years, you are going to start seeing that deterioration. So certainly a concrete failure is going to be a very operationally-condition that's going to shut down the navigation system. But when is that going to fail? And when do we really need to address replacing the concrete structures that are out there versus operating equipment, if you will, the second bar below that. What are the likelihood and what's the condition of some of those mechanical components and what types of consequences are we going to see from a failure of these mechanical components, and when do we need to address those to extend the service life, which ultimately builds in the reliability, keeping an eye on what we need to do in regards to the more costly, like the concrete structures, in making decisions out in the future.

We have failure curves that we have a baseline. As we start pulling this all together it will inform us of those areas where we need to deliberately focus our resources.

We've done more work on the Illinois Waterway than any of the other systems at this point in time. If you will look at the highest risk components for mechanical failure on the Illinois Waterway, while I don't have a slide to this, it's quoin and miter blocks. It's the hydraulic gate operating machinery. It's the pintle balls. It's the hydraulic valve operating machinery. Some tainter gate anchorage and tainter gates.

So as we start looking across that system and we start seeing, this is where we need to apply our dollars to increase the service life of these components to buy down that risk, then at some point yes, we do need to be keeping in mind, when do we need to replace one of the locks or do a major rehab. But improving the reliability by buying down that risk on these major components, I think, is going to get us to a system that we will be available when it's needed.

Now, here's the problem. That's O&M dollars. That's not the Trust Fund dollars in that regard. And, also, with this, going through this kind of analysis, this kind of review as we, it will inform where do we need to, along with other things that we've talked about today, where do we need to really invest and inform? How do we re-align or re-look at what the Capital Projects Business Model recapitalization projects look like today?

So I think looking at this in conjunction with each other will give us the total picture for where we need to go in the future.

Just kind of showing you where we were again as we move forward. The original Capital Projects Business Model was really pretty singularly focused. It was a great start, like we talked about before. We've done a lot of work to date, as far as condition assessments, kind of building up the steps.

The Risk Exposure Screening. We have some work that's continuing to take place in collaboration with our Planning Center of Expertise on Inland Navigation and our Risk Management Center. Right now, we evaluate economic benefits pretty much based on the annual economic impacts, shipper/carrier costs. We've had some discussions the past two days about, are there other economic impacts that we need to consider? So those are certainly some things, as we evaluate the risk and what's the most critical risk buy-down, those are some things I think that we should take into play.

Life Cycle Portfolio Asset Management. Kind of getting up to the end is our objective there. The things that you see under that from preventative maintenance to recapitalization. We have to look at the whole picture to be able to inform where do we use the dollars that we have available or how do we leverage other resources to bring to the table?

Kind of coming up in the near future, we have had some discussions with some of our industry partners already on the Total Risk Exposure, what I've talked about in New Orleans and here today. May the 22nd we have a webinar that we are scheduling, and I will get that information out next week, to the industry. I've actually reached out to folks to say, 'Give me some names of people to send out invites to.' I think we have about 100 lines that are available in this webinar, to kind of walk through, at this higher level, our Total Risk Exposure, our Infrastructure Strategy, and in looking at this from a systems approach, not just a Capital Projects Business Model, not just an O&M approach.

In the month of June we are going to have another webinar where we kind of drill down into what are the formulas that kind of back this up for those who are more interested in maybe getting into some of the more of the details.

So we are looking forward to having participation from the navigation industry, and others as well, and working along with us as we determine where, again, where do we focus our, not just our appropriated dollars but how do we bring other dollars to the table, how do we leverage other resources, but we inform our Total Life Cycle Asset Management approach to investment strategies for the navigation system.

The intent will be also in the August, at the next Users Board meeting, to give some results of, within each of their regions, each of the Divisions, here are these priorities that we see that we need to be focusing on in regards to the most critical components and start having some of that discussion. Not necessarily a "one to n" list but so you can start seeing, like I talked about on the Illinois Waterway there, where are some of the areas that we can, that we need to be focusing on based on the results of our reviews and our analysis and putting all of our tools together.

With that, I went pretty quick, but I wanted to leave some time for some dialogue, some discussion if there's any questions, comments.

CHAIRMAN HETTEL: Jim, Marty Hettel here. When we discussed this in D.C., a lot of time was spent on how your economic impacts, what they would be. I understand the Corps is used to shipper/carrier costs or carrier costs, not shipper costs. How do you propose to get into a more accurate definition of the economic impact?

MR. HANNON: I'm not sure I have the best answer to that question right now. I might just ask you, Marty, how would you propose that we get into a more accurate, better definition.

That is something that we are struggling with to kind of determine what are other economic impacts? What's the value to the Nation of our inland navigation system and look beyond just these shipper costs?

Without question, we have our Inland Navigation Planning Center that's engaged in some of that evaluation. We are working with IWR [USACE's Institute for Water Resources] to help us also begin to define values to the Nation for our different business lines.

Part of the struggle, really, from my view is that Jeff [McKee] made a point this morning; we don't see all the different types, understand the complete types of commodities. I know we get to see what it is, but what's the end use of that commodity and where it's headed. And you really start to have to think about the Walmarts of the world, the Targets of the world. How would it affect them? If they don't get the commodities, what's the economic impact to the Nation, in that regard, to the public? Certainly moving coal for power generation. There's a lot of factors there that we don't track. So I think it's, we need help working collectively together to help put some definition on that to help inform that situation.

CHAIRMAN HETTEL: So moving forward, are you going to use just the carrier impacts? Certainly this is what we've been after for a long time is a system evaluation on where our O&M dollars should be spent. So are you going to move forward with just the carrier impacts and maybe later define the total economic impacts?

MR. HANNON: We will move forward with carrier impacts for sure, as we move forward, yeah. But we do need to define what are the other economic impacts, and what are the other values to the Nation that we can define to address that.

CHAIRMAN HETTEL: So your end product would basically be, "This facility needs O&M first" and "This facility needs it last", and they may be competing divisions, river segments, whatever it is. Isn't that what you are going to end up with?

MR. HANNON: I think we very well will get to the point where we are making that very analysis and decision, Mr. Hettel. Where we are saying from a systems approach the entire, I mean, look at it first within the regions or the divisions, but when we look at this across the enterprise, where do we put that money? So, and it's going to be that, here is going to buy down the risks based on it's a high use system and what type of traffic is going through there. What are the commodities? Can we put a value on those commodities that will inform some of this decision, not necessarily on some of our other priorities that we have, but to help us to make some decisions based on the value of the commodity going through there. So, yes, I think you are exactly right.

MAJOR GENERAL PEABODY: This is General Peabody. If I can elaborate just a little bit. We do a reasonably good job today comparing like structures, because we can. And so we have reasonable confidence that the allocations associated with a type of structure, whether it's a flood risk reduction dam, whether it's a recreation project, or whether it's a lock and dam, that we are making about the right decisions on that specific type. Where we have less confidence is where we are trying to compare apples to oranges to red fruit to grapefruit to kumquats to whatever, when we are cutting across those different types of infrastructure. So, over time, if this gets to where we hope it will, then we will be better able to make those judgments as well, which it's really difficult to do today.

MR. HANNON: But here is where we need industry's participation in as we go through these evaluations. First, understanding and being a part of helping us, even in the development of some of the continued development of the tools that we are going to evaluate. Like we talked about other economic analysis, how can we be informed on what might be a better tool? But to be a part of these reviews with us in understanding, but at some point I still see, as we make decisions on here's an O&M decision that has to be made because it will improve the reliability, it will extend the service life up to a point, but it will begin to inform us as to future decisions and priorities that we need to make on the Capital Projects Business Review.

So it all works together. It's not one or the other. And so that's where this Board, then, as we start making decisions on well, it's kind of in that gray area. At what point do we say yeah, we need to move forward with the future as a capital reinvestment versus if we can buy more time, we can provide a reliable system to this point and extend that service life from an O&M investment but then inform that other decision.

So we will continue, as we mature this, the "we" includes all of us, the industry and the Corps of Engineers, and reaching out to others who can help inform some of these economic discussions that we've had. Matt, did you have a comment.

MR. WOODRUFF: This is Matt Woodruff, and I'm certainly not an economist or an accountant and so I may be missing some important concepts. But, I've had some exposure to the shipper costs calculations which, in my mind, are carrier costs. The questionnaires that I've seen come towards our company, one is to break down the cost of operating boats, how much do you pay for insurance on a boat? How much do you pay for fuel, for crew? Nobody ever asks us how much do we charge a customer to move that product? Which, to me, is what the shipper's cost is. How much does a shipper have to pay to move this kind of product from point A to point B?

I think that there are a lot of carriers out there that are scared away, and probably don't participate in the surveys you do, because of the cumbersome nature of the requests. Where probably everybody in this room knows how much they charge to provide their services, and that's a fairly easily ascertainable number. It varies greatly based on the kind of product that's involved. And so I think again, that's where just looking at tonnage, the cost to move a ton of gravel is different than the cost to move a ton of butadiene or other liquefied gas.

So I do hope and, like I said, it seems to me that there might be a better way to do it. There may be a host of reasons why it's not as easy as it might appear to the uninitiated, but it would at least be worth some discussion and some exploration as to how we can get a better and easier handle on what the costs side of the equation are, because we are doing these cost benefit analyses. And I think we saw earlier, it was sort of counter-intuitive to some of us in the room to say that the cost benefit ratio isn't there for Bayou Sorrel, where we see the cost of moving the products that go through that lock most regularly increasing pretty dramatically, the delays at Bayou Sorrel impacting those delays, significantly. I mean that requires, to keep that system moving and keep that product flowing at the rates it needs to flow, when you introduce delays, then that means there's that many more boats and barges that are required to move the same amount of product from point A to point B. I hope we could capture some of that.

MR. HANNON: Any other questions or comments? I solicit your participation and then the participation of the navigation industry as well to work with us. We will get the information out in regards to the webinar for the 22nd of May. It's going to be from like 1:00 o'clock until 3:00 o'clock in the afternoon. But we will get information out there and, certainly, as we put the information out, if you don't see your invite, don't feel slighted. It may be that we are only limited to a certain number of people. It's not like we can only do one. We may have to do more than one of these sessions, but we are more than happy to do that to continue to get as much engagement in our way forward as possible. Thanks.

MS. SIMMONS: Thank you, Jim. Any other comments? So now we will actually move into our public comment period. We do have two people who have asked to make comments. I'd like to call Mr. Marty Shell up to the podium and you will have about three minutes or so to make your comment and statement.

MAJOR GENERAL PEABODY: I think we are actually ahead of schedule now. So, I think you can probably take us, quite a bit more.

MS. SIMMONS: Three and a half minutes.

MAJOR GENERAL PEABODY: You are not on the clock, though.

MR. MARTIN SHELL: I don't have 180 seconds I can tune it down some.

MAJOR GENERAL PEABODY: Take the time you want, sir.

MR. SHELL: My name is Marty Shell. I work for Five Rivers Distribution in Van Buren, Arkansas. We have a private terminal. In Ft. Smith, Arkansas, we have a public terminal.

I'm a second generation terminal operator. Before I start real quick, I do want to thank this Board for utilizing the navigational system here in Arkansas for your meeting today. It's good to bring light to the McClellan-Kerr Navigation System.

I also want to thank Mr. Choate for having accepted the position on this Board and being a voice for the McClellan-Kerr Navigation System on the Users Board.

I have attended these meetings for quite some time for many, many years, and every time I walk away you just don't have that feel good feeling when you leave these meetings sometimes, of the challenges that we have. So I had to change my comment as we started speaking today and I started listening to several folks talk. And the question I might have for this Board is, today is May 1st, 2014. Do we know what happens in 60 years from today? Anybody out there?

The population of the world doubles in size within 60 years. We do a very good job in Arkansas and Oklahoma in producing a very good yield for an acre of crop to feed the world. We do another very good job in transporting those goods out of this area down into the Gulf and to across the world. Navigation is very important, not only to Arkansas and to Oklahoma, but to the surrounding states that utilize the McClellan-Kerr Navigation System.

There are three things that I want to leave with this Board today for this system right here. First of all, is the critical maintenance backlog that we have on the Arkansas River System. There's $33 million of critical maintenance backlog that needs to be addressed. In the next five years we can have a catastrophic failure at one of our locks and dams.

There's another $67 million that are unfunded that needs to be addressed as well for our 18 locks and dams. We have an aging system that's 45 to 50 years old that has moved millions and millions of tons throughout the world. We are truly a global trading facility in Van Buren and Ft. Smith, Arkansas, just alone.

The second part would be the 'Three Rivers Study' that we need to talk about where the White River and Arkansas River wanting to merge. During this Administration, the words "earmarks" and the words "new start" are not to be used. Earmarks account for about less than 1% of the Federal government's spending throughout the United States per year. You might could see an earmark as a bad word to say or something of that nature, but I consider it as economic development on the McClellan-Kerr Navigation System.

Thirdly, the last point I'd like to leave you with is the 12 foot channel. The 12 foot channel, in the state of Arkansas, is 95% greater already. That's using the Little Rock District's soundings already. If we had a highway that was 95% complete we would have politicians cutting ribbons and moving up and down the highway. I would encourage you to support the 12 foot channel. I would encourage you to support a 12 foot channel through the whole inland river system to move products through. But I would like to leave you with that. Thank you for your time.

MS. SIMMONS: Thank you, Mr. Shell. Now I'd like to call Mr. Gene Higginbotham up to the podium.

MR. GENE HIGGINBOTHAM: Good afternoon, everyone. Before I begin, I need to recognize a few folks. Here with us today is Mr. Clark Hall from Governor Mike Beebe's office, Mr. Russell Hall with Senator Mark Pryor's office, and Mr. Chris Caldwell from Senator John Boozman's office. I believe most of you yesterday met one of my counterparts, Ms. Jennifer Farmer from the Oklahoma Department of Transportation. I believe she was with you yesterday.

Greetings from Governor Mike Beebe and the seven commissioners of the Arkansas Waterways Commission. I am Gene Higginbotham, Executive Director. We appreciate you meeting here in Arkansas.

The Arkansas Waterways Commission is the sole state agency responsible for developing, promoting and protecting waterborne transportation on Arkansas' five navigable rivers: the Arkansas, the Mississippi, the Ouachita, the Red and the White Rivers, the third largest inland waterways system in the Nation.

I would like to comment today on the 'Three Rivers Study' and strongly recommend that an investigation be started to determine Federal interest.

As you may know, the study of this area began in 1999 to determine the feasibility of a permanent solution to this problem. This study, known as the Arkansas-White Cutoff Study, was suspended in 2009.

If the White River successfully cuts through to the lower Arkansas, the effects would be catastrophic. According to the Little Rock District, this breach would halt navigation on the system for over 100 days and would cause over $300 million in lost revenue. I feel these are very conservative numbers. Regardless of the amount to repair, once a breach occurs, a temporary change in transportation mode will occur. Reliability of the navigation system then becomes an issue for those who depend on reliable modes of transportation to move their products. The question I pose, "How much of that business will actually return to our navigation system once those repairs are made?"

In addition to Arkansas and Oklahoma, Colorado, Kansas, Missouri, Nebraska and Texas also ship products through various ports on the MKARNS to the world. The MKARNS is a vital part of our Nation's inland waterways system that keeps our Nation strong in a global economy.

I am asking for your support in creating awareness in Washington that we need to move this investigation forward now.

It is not an overstatement that we have a disaster waiting to happen. Each day that passes without a permanent solution is a day closer to a closure that would stop navigation on this system.

Thank you for the opportunity to speak with you today.

MS. SIMMONS: Thank you.

MR. HIGGINBOTHAM: Thank you.

MS. SIMMONS: And I did get one additional request to make a public comment. So, Mr. Steve Taylor, now is your opportunity.

MR. STEVE TAYLOR: I am going to limit it to just a couple of comments. Is that all I can do?

MS. SIMMONS: You might get us back on schedule. Is that what you are saying?

MR. TAYLOR: I like to hear myself talk. In this situation, I appreciate the opportunity to address this group. It's my first time to sit in on one of these meetings and always wondered what they'd be like. And I tell you what, to me, as I said to some of the people as I saw them, I'm very, very impressed in the way you guys handle this, study your work. And I want you to know, us on the MKARNS here, are very proud that David Choate from our MKARNS System here, was able to be appointed to the Board. I appreciate him serving.

Again, Steve Taylor, with the Oakley Company, just recently, and David [Choate] is my fellow employee now. But, also him taking the time to serve, I know how busy he is. Then also all of you people that take time to serve, we also appreciate it. I know it didn't happen by accident. I think David invited you to come to the big town of Little Rock to have your meeting. And in our back yard, I wish we had more representation here, but IRPT [the Inland Rivers Ports and Terminals] [Annual Conference in St. Louis, MO] is going on at the same time and I know a lot of our colleagues went there. So we appreciate you coming here.

There's been a lot of kudos given about the joint team effort between the Corps in Tulsa and the Corps in Little Rock. Again, that doesn't happen very easily. It's been over time. But between the good leadership of Colonel Pratt [Colonel Richard A. Pratt, District Commander, USACE, Tulsa District] and Colonel Paul [Colonel Courtney W. Paul, District Commander, USACE, Little Rock District] currently, and the predecessors, Colonel Teague [Colonel Michael J. Teague, District Commander, Tulsa District (retired) and current State of Oklahoma Secretary of Energy and Environment] and his counterpart down here, and even before that, including the stakeholders which, a lot of times we don't agree and a lot of the guys know in the room, the disagreements that we've been into, but the communications are what's superb. And then the watershed approach, and John Balgavy being in charge of that, and the efficiencies that will be coming out of that, I can sit on the sidelines and I'm glad I'm part of it.

Now, there's also a little bit of rivalry. I'm going to back up. Plus, there's two states, the state of Arkansas and the state of Oklahoma, have now become more so involved with the system and everybody holding hands and sticking together with Gene [Higginbotham] and then Jennifer [Farmer], her counterpart, Deedee [Ms. Deidre Smith], with the Oklahoma Department of Transportation. And it's just getting better and better and better communications and listening and very successful.

So one of the things that one of my good friends, Bob Portiss [Robert W. Portiss, Port Director, Tulsa Port of Catoosa] who couldn't be here today, he said, "Steve, are you going?" I said, "Yes, sir, I'm going, Bob." He said, "Well," he said, "Arkansas beat us again." He said, "They got the Users Board to Little Rock before they came to Tulsa." He said, "If you don't do anything else, please extend the invitation to General Peabody and the Corps, we want you guys to come to Tulsa to have a meeting." And you think Arkansas rolled out the red carpet, I promise you, Bob will go to great lengths. So, you've been duly invited.

The one thing I want to comment on, and I'm not sure, it's a sensitive question, because I've never got an answer from anybody. But I was careful who I asked, is the best way to earn more money without raising the tax, which we are all for on the fuels tax, is who is in charge of policing the collections of the fuel tax? And is it being done and how is it being done? Does anybody know that?

CHAIRMAN HETTEL: Steve, Marty here.

MR. TAYLOR: Yes, sir, Marty.

CHAIRMAN HETTEL: I can tell you in our shop it's quarterly paid into the Corps…

MR. KNOY: Paid into the Internal Revenue Service.

CHAIRMAN HETTEL: …well, all right, paid into the IRS. I have seen investigations on operators to prove their fuel usage. A lot of it stems from your generator uses. Our taxes are paid on propulsion fuel only; not generator fuel. So there are some discrepancies on how much generator fuel you use. But I've seen people audited through that process.

MR. TAYLOR: Marty, I understand everything you are saying. Our company does the same thing. I'm asking who polices it? How is it being done because I don't think it is? And I've not got an answer and maybe I ain't gonna get one today. But the Oakley Companies will volunteer to be your collections agency and I only want 25% of what we collect of people that (a) aren't paying it or (b) are not doing it correctly.

CHAIRMAN HETTEL: I guess my answer is I have seen the IRS audit people for their fuel usage.

MR. TAYLOR: They only audit the ones they know about. That's still my opinion. But again, that's something that I'm pretty sure there's a lot of non-collected fuel taxes going on out there. But, anyway, appreciate the opportunity to speak to you.

MS. SIMMONS: Thank you.

MAJOR GENERAL PEABODY: Mr. Taylor, if I could reply to the invitation from Mr. Portiss. We have the 37th President of the Mississippi River Commission here in the room, General DeLuca; and, if I'm not mistaken, the annual low water trip for the Mississippi River Commission will begin in the Port of Catoosa in Tulsa. When is it? August 10th or 11th, I think. And unless something else intervenes, I do plan to spend the first couple of days of the trip as General DeLuca's invited guest and look forward to seeing Mr. Portiss then. I know General DeLuca and the Commission do as well.

MR. TAYLOR: We are also very excited that you are coming for the second time in probably five years. So appreciate that.

MAJOR GENERAL PEABODY: Thank you, sir.

MS. SIMMONS: I will turn it over. Sir, did you have any closing remarks or Chairman Hettel?

CHAIRMAN HETTEL: Thanks to Jim Hannon for getting us back on schedule. I wasn't sure we were going to get this whole meeting in. But my point being is having the Board to have enough time to look at the presentations that we have and formulate our questions prior to the meeting I think is invaluable. I think that's what got us off schedule to begin with, was all of the exchange of information. So, yeah, please let's keep moving forward on that. Maybe these meetings are going to have to end up going longer than four hours. I don't know. But I don't want to cut anybody short on any questions or exchanges of information.

I know we put off the Bayou Sorrel discussion to try to get us back on schedule. But we may have to look at longer meetings. We will see in the future. But getting the data to us in enough time for us to digest it and be able to have a meaningful discussion here at these meetings is extremely important. So thank you for that.

MS. SIMMONS: Sir?

MAJOR GENERAL PEABODY: Mr. Chair, thank you very much. I personally thought it was a very constructive meeting. I took a lot of notes and I think the Corps has a number of do outs to the Board that we will engage you on at the next meeting, but also in between to make sure that the kinds of information and data that you've requested, that we put together is exactly what you need and leads to the kind of increased and improved understanding and dialogue that will help inform the judgments and recommendations that this Board will make to the Administration and Congress. So we will work very hard to satisfy your desires in that regard.

MS. SIMMONS: Anybody else have any alibis? Okay. I need a motion to adjourn the meeting.

MR. MECKLENBORG: So moved.

MR. WOODRUFF: Second.

MS. SIMMONS: All in favor?

BOARD MEMBERS: Aye.

MS. SIMMONS: I hereby declare the 71st Meeting of the Inland Waterways Users Board to be adjourned. Thank you.

[WHEREUPON, THERE BEING NO FURTHER BUSINESS, THE MEETING WAS ADJOURNED AT APPROXIMATELY 12:45 O'CLOCK P.M.]