Minutes
Inland Waterways Users Board
Meeting No. 72
August 14, 2014
The Marcus Whitman Hotel (Lewis Room)
Walla Walla, Washington

[Note: The following minutes of the Inland Waterways Users Board meeting No. 72 were approved and adopted at Inland Waterways Users Board meeting No 73 held on November 18, 2014 in Baltimore (Linthicum Heights), Maryland.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 14th day of August 2014, at the Marcus Whitman Hotel in Walla Walla, Washington, 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. MICHAEL T. SOMALES, Murray American Transportation, Inc.;

MR. WILLIAM M. WOODRUFF, Kirby Corporation.

Board member MR. BRUCE REED, Tidewater Barge Lines, Inc. was not in attendance at the Board meeting.

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

MS. JO-ELLEN DARCY, Assistant Secretary of the Army for Civil Works, Office of the Assistant Secretary of the Army (Civil Works), Washington, D.C.;

MR. JOEL SZABAT, Executive Director, 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.

MS. CRESCENT MOEGLING, Northwest Regional Manager, Office of Coast Survey, National Oceanic and Atmospheric Administration, U.S. Department of Commerce, Seattle, Washington.

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 was as follows:

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

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;

Program speakers in scheduled order of appearance were as follows:

MR. DAVID J. PONGANIS: Programs Director, Northwestern Division, U.S. Army Corps of Engineers, Portland, Oregon;

MR. STEVEN L. STOCKTON, Director of Civil Works, U.S. Army Corps of Engineers, Washington, D.C.;

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

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

MR. JEFFREY A. McKEE, Chief, Navigation Branch, Operations and Regulatory Division, Headquarters, U.S. Army Corps of Engineers, Washington, D.C.;

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

MR. KAREEM EL-NAGGAR, Inland Marine Transportation System (IMTS) Program Manager, Great Lakes and Ohio River Division, U.S. Army Corps of Engineers, Cincinnati, Ohio.

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

MR. STEVE JONES, Navigation Business Line Manager, U.S. Army Corps of Engineers, Mississippi Valley Division, Vicksburg, Mississippi.

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

MR. LINWOOD LAUGHY, Private Citizen;

MR. JAMES WADDELL, Private Citizen;

MS. KRISTIN MEIRA, Executive Director, Pacific Northwest Waterways Association;

MR. ROBERT D. RICH, Vice President, Marine Services, Shaver Transportation Company;

MR. BRYAN JONES, Private Citizen.

MS. MINDY M. SIMMONS: Okay. I think everyone is situated. I would like to welcome you to the 72nd meeting of the Inland Waterways Users Board here in Walla Walla, Washington. This is the second Board meeting that we've held in this city. We came here in this exact room six years ago in July of 2008. I wasn't there, but from what I heard, it was another good meeting and another good introduction to the projects in this region.

My name is Mindy Simmons, and I'm the Designated Federal Officer of the Inland Waterways Users Board. We have a very full agenda today, so I'll try to be brief.

I did want to give a big thanks to the Pacific Northwest Waterways Association [PNWA] for the social event last night and a big shout out to the Portland District and the Walla Walla District who worked really hard to put together a great tour for us and even managed to keep us on schedule in a pretty complicated trip that we had.

So we started -- as you most of you know, I'm from the Pacific Northwest. So it was great for me to be able to share some of that with you. And I think it's a great example of a very complicated system that we're trying to manage and how the Corps has to balance a lot of different competing needs in the system and also a complicated system, where we have kind of the linchpin of the system down at the mouth of the Columbia River and the jetties there, moving into the deep draft channel through Portland

and up to Bonneville and then moving into the inland waterway all the way up here. So I think that was a great story that we were able to tell on our way up.

Also, I wanted to thank the PNWA as well for providing our coffee and refreshments. It's a critical part of keeping our meeting going, so everyone appreciates that.

So before we start the meeting, we're obligated to read for the record that the Users Board was created pursuant to Section 302 of the Water Resources Development Act of 1986. The Board 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. And this is a “Government in the Sunshine” Act meeting and, as such, it is open to the public. We thank the public for attending. I know there are several of you out there.

The U.S. Army Corps of Engineers is the sponsor of the Board and provides the Executive Director, the Designated Federal Officer, myself; and all the normal activities associated with the meeting.

We do have five people on the docket today to provide public comment. Two of them have provided written comments that the Board has in front of them, and then everybody has asked to provide verbal comments, so we'll do that at the end of the meeting.

Just a reminder that the proceedings are being recorded and a transcript will be available shortly after the meeting. And just a quick reminder, you all have microphones in front of you, and if you would, please, speak close to the microphone and then state your name before speaking, that will help us with the transcript. Appreciate that.

And same thing, if there's anybody who gets called up to present, if you could just state your name.

A couple of housekeeping notes. Restrooms are out the door, down and the hallway on your right, if you need them. And also, just a reminder, we were not able to get late check-out for Corps folks. So if you have not already done so, if you could take care of that at the break, there is secure storage that the hotel provides.

And then if you do want a place to change before you head out, both I and Mark have rooms that we're keeping through tonight. So we'll make those available for folks, if you want to change before heading out and freshen up. So just let us know at the break if you're going to do that.

So I will now call on Mr. David Ponganis of the Northwestern Division [NWD] to provide some opening comments on behalf of NWD. And I'll just ask you to step over to the podium with the microphone and then state your name. Thanks.

MR. DAVID J. PONGANIS: As Mindy said I'm Dave Ponganis, I'm the Northwestern Division Programs Director for the Corps of Engineers. We welcome you to the Walla Walla District. We had a great tour yesterday, provided by both Portland and Walla Walla Districts.

Thanks, Colonel Aguilar [Colonel Jose L. Aguilar, Commander, Portland District, U.S. Army Corps of Engineers] and Lieutenant Colonel Vail [Lieutenant Colonel Timothy R. Vail, Commander, Walla Walla District, U.S. Army Corps of Engineers] and their team and did a great job doing that. I also want to thank Kristin [Ms. Kristin Meira, Executive Director of the Pacific Northwest Waterways Association] and the PNWA on the reception last night.

Brigadier General Kem [Brigadier General John S. Kem, Commander, Northwestern Division, U.S. Army Corps of Engineers] would be glad to be here, but he's running around a little bit right now.

We also welcome Ms. Darcy. Glad to have you out here, ma'am. Great to have you back in the Northwest. And, Steve Stockton, our Director of Civil Works.

As you saw yesterday, this system is vital to this region and to this country. And we juggle a lot of things out here, as you saw. It's not just the navigation channel, it's the power we produce, and all the environmental stewardship that we have out here. So I'm going to keep my speech brief and give it back to you, Mindy.

MS. SIMMONS: Okay. Thank you. Now, I'd like to turn the floor over to Mr. Steve Stockton, who is standing in for Major General Peabody [Major General John W. Peabody, Deputy Commanding General for Civil and Emergency Operations, U.S. Army Corps of Engineers, Washington, D.C. and Executive Director, Inland Waterways Users Board], who was not able to attend today.

MR. STEVEN L. STOCKTON: Good morning, everybody. I'm Steve Stockton, and I'm not John Peabody. He is practicing his flood risk reduction skills at a personal level. He had some severe sump pump issues earlier this week and is at home rescuing boxes from his basement, helping his wife out, which I think he's in the right place.

Regardless, I'd like to thank attendees, especially Northwestern Division, Portland and Walla Walla districts, for hosting this event and the numerous representatives from industry who traveled to Walla Walla. It's not an easy place to get to or get home from, but I think it's good to see the other parts of the system.

And thanks to the Pacific Northwest Waterways Association for the social event last night. It was excellent, Kristin. And it was a great tour yesterday, even though I, too, am a Northwesterner by birth and spent 20 years in the Portland District. It was a great tour, seeing everybody, seeing the projects, starting with the Port of Portland, along the deep draft channel at the lower end and ending up with some of the contributors to the inland navigation system at the upper end.

And a few key takeaways, I think it really illustrated the systems approach on how we have to balance multiple competing demands, trying to balance all the engineering, environmental, navigation, hydropower, water supply issues, and trying to balance those to benefit the people of the United States and the Northwest. It's a huge example of collaboration between industry and the Corps.

I'm really impressed with everybody looking forward to the 2017 closure, getting all the pieces in place, being able to execute that in a relatively short period of time. That requires a lot of coordination and collaboration. And I think we need to do more of that, taking the systems long-term approach to looking at what kind of inland waterways system we want to have in the future and start taking steps today to give us that reliable system.

It's been three months since our last meeting in North Little Rock, Arkansas. A lot of has happened since then. Most significantly, the Water Resources Reform and Development Act passed [Public Law 113-121, signed into law on June 10, 2014, also referred to as "WRRDA" or "WRRDA 2014"], and it included an important cost-sharing change for Olmsted Locks and Dam.

There are numerous other provisions involving the inland waterways and the Inland Waterways Users Board. Mr. Jeff McKee will discuss these changes in more detail later on.

Both the House and Senate have marked up their [FY 2015 appropriations] bills in subcommittees. And both have included additional funds for inland waterways construction.

We'll hear more on that from Mr. McKee as well. It's likely we won't get any appropriations bills passed before the start of the fiscal year on 1 October, so we are anticipating a Continuing Resolution.

Regardless, I think the additional funding indicated by both the House and Senate is a positive sign on the value of the system. Construction is progressing well on our two largest projects, Olmsted and Lower Mon, and we'll start our meeting discussing the recent activity and hear from the Board about how it will feed into their Annual Report.

We'll spend the latter half of the meeting looking forward and following up on the long-term infrastructure investment strategy. It's an important effort underway as we look forward to see what type of systems we want to have into the future. And we will ask you to consider what you want the system to look like into the future and what the tradeoffs we need to make.

This will play directly into the Corps' effort, in cooperation with the Inland Waterways Users Board and industry stakeholders, to update the Capital Projects Business Model and our long-term capital investment strategy.

With that, I'd like to ask our Federal Observers to make any opening remarks.

First we'll go to my boss, Assistant Secretary of the Army for Civil Works, Ms. Jo-Ellen Darcy.

MS. JO-ELLEN DARCY: Thank you, Steve. It's a pleasure for me to be here. I haven't been to a Users Board meeting in a while, and I don't want you to think that the only reason I'm here is because it's being held in a burgeoning wine country, which I'm told I need to visit as soon as the meeting's over, but because of the important work that the Users Board does in order to support what it is we do every day, and I'm privileged to be a federal observer here.

My office has come to most of these meetings, and we hope that we can continue to provide the support that is needed for us to continue to maintain the inland waterways system in the best way that we all can. So I'm happy to be here. Thanks.

MR. STOCKTON: Thanks, ma'am.

From the U.S. Department of Agriculture, Mr. Nick Marathon.

MR. NICHOLAS MARATHON: Thank you. Thanks for the opportunity to be here today. I'm here representing Mr. Arthur L. Neal, Jr., Deputy Administrator of the Transportation and Marketing Program of the Agricultural Marketing Service. The Columbia River System in Washington, Oregon, and Idaho is critical to the U.S. agricultural exports.

About 29 percent of the tonnage on the Columbia River and 60 percent of the tonnage on the Snake River is farm and food products. In 2013, Columbia River ports accounted for nearly 21 percent of all U.S. export grains, including 35 percent of the wheat and 17 percent of all soybeans. The PNW [Pacific Northwest] plays an important part in getting grain exports to Asia, as Japan is the number one destination for U.S. corn and China is the number one destination for U.S. soybeans. Grain exported out of Portland is half the distance to Shanghai than New Orleans to Shanghai via the Panama Canal and about $20 cheaper right now.

This is just part of our ongoing work at the Agricultural Marketing Service that includes a study of the overall transportation system and its impact on agricultural goods. 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.

Most of the study will be conducted by USDA staff; however, part of the project will be assisted by a cooperative agreement with nearby Washington State University. The study is an update of a previous report, and when the study is approved, I'll gladly share it with the Board. Thank you.

MR. STOCKTON: Thanks, Nick. From the Maritime Administration, we have Captain Robert Loken and Mr. Joel Szabat.

MR. JOEL SZABAT: Thank you, Steve. I'll speak on behalf of both Bob and myself. I bring greetings from Paul “Chip” Jaenichen, who last month was confirmed as the Maritime Administrator by the Senate and then appointed by the President. The Maritime Administration is honored to be partners here with the Army Corps as standing observers of the IWUB.

I note that many of the industry members here are also key partners of ours in our efforts to expand the marine highway system. And we'd like to remind those present that we're currently engaged in an effort to create a new national maritime strategy, of which the marine highway system -- increasing the size of the marine highway system would be a linchpin of that strategy.

We hope to have something that we can share, that we can send out for comment within the Federal government by the end of this calendar year. Prior to that, we're going to have at least one more opportunity for comments from industry and the public as to what our role should be there. So we ask you to look forward to that, probably sometime in the early fall.

As Steve [Stockton] mentioned, I'm joined here by Captain Robert Loken. Bob, if you can stand, for the folks who don't know you. The Army Corps has a number of offices and some great staff up here in the Pacific Northwest. In the Maritime Administration, we have one person, and that one person is Bob. He is the Director of our Gateway office here in the Pacific Northwest. If you have issues or concerns or recommendations, please work through him. Again, thank you. I look forward to the meeting today.

MR. STOCKTON: Thanks, Joel.

And from NOAA, we have Ms. Crescent Moegling.

MS. CRESCENT MOEGLING: Good morning. It's a privilege to be here today. My name is Crescent Moegling, and I'm the Northwest Navigation Manager with the Office of Coast Survey. And Admiral Glang, Gerd Glang, sends his regards, and he's happy that we have a seat here at the table today to participate in the conversation.

NOAA certainly does appreciate that the Columbia River System is certainly an integral part to our nation's economy, and we're happy that it's part of our region here.

Working with our partners with the Coast Guard and the Army Corps of Engineers, NOAA really takes seriously our goal of safe navigation of that waterway, and so I'm here to represent and discuss, if need be, any of those products and services.

MR. STOCKTON: Thank you, Crescent. With that, I'll turn it back to Mindy.

MS. SIMMONS: Thanks, Steve. Now, I'd like to offer Chairman Marty Hettel an opportunity to provide some opening remarks.

CHAIRMAN MARTIN T. HETTEL: Well, thank you, Mindy. And welcome all to our Inland Waterways Users Board Meeting Number 72 here in Walla Walla. Special welcome to Assistant Secretary Darcy. We're honored to have you join us today. We appreciate your taking part in our meeting.

I would also, too, like to thank the Northwestern Division for hosting our meeting today. While putting together the logistics for this meeting and site visits was certainly different from other meetings, we appreciate all the work that went into the scheduling and the site tours and the transportation. Nicely done.

Also, thanks to Kristin Meira and the Pacific Northwest Waterways Association for hosting the social event last night and our coffee service this morning. And then thanks to the Board members. Your participation here today, as it's been a while since the Board has met here in Walla Walla, is not an easy place to access. I believe it shows your commitment to this Board and the important work we have ahead of us with the passage of WRRDA 2014.

Speaking of the WRRDA 2014 legislation, it has certainly increased the responsibilities of this Board going forward. By my count, the Board now has to deliver five reports that contain advice and recommendations for commercial navigation features and components on inland waterways and inland harbors of the United States.

Those reports are (1) Advice and recommendations due prior to the development of the budget proposal of the President for a given fiscal year; (2) Advice and recommendations not later than 60 days after the submission of the budget proposal of the President to Congress for advice and recommendations to Congress regarding construction and rehabilitation priorities, along with spending levels; (3) Advice and recommendations to Congress regarding a feasibility report for a project on the inland waterways system that has been submitted to Congress pursuant to Section 7001 of the WRRDA 2014 legislation; (4) Advice and recommendations to Congress regarding an increase in authorized costs of commercial navigation features and components of the inland waterways and inland harbors of the United States; and, lastly, (5) Advice and recommendations on the development of the long-term capital investment program in accordance with Subsection (d) [Public Law 113-121, 128 STAT 1262].

Subsection (d) states:

"(1) "In general. - Not later than one year after the date of enactment of this subsection, the Secretary, in coordination with the Users Board, shall develop and submit to Congress a report describing a 20-year program for making capital investments on the inland and intracoastal waterways based on the application of objective, national project selection prioritization criteria."

"(2), Consideration. - In developing the program under paragraph 1, the Secretary shall take into consideration the 20-year capital investment strategy contained in the Inland Marine Transportation System (IMTS) Capital Projects Business Model, Final Report published on April 13, 2010, as approved by the Users Board."

"(3) Criteria. - In developing the plan and prioritization criteria under paragraph (1), the Secretary shall ensure, to the maximum extent practicable, that investments made under the 20-year program described in paragraph (1) –

(A) are made in all geographical areas of the inland waterways system; and

(B) ensure sufficient funding of the inland waterways projects."

And the fourth point is strategic review and update [128 STAT. 1263].

"Not later than 5 years after the date of the enactment of this subsection, and not less frequently than once every 5 years thereafter, the Secretary, in coordination with the Users Board shall –

"(A) submit to Congress and make publicly available a strategic review of the 20-year program in effect under this subsection, which shall identify and explain any changes to the project-specific recommendations contained in the previous 20-year program…"

So, needless to say, the Board will require extensive data from the Army Corps of Engineers to comply with the parameters of the WRRDA 2014 legislation in order to develop and make recommendations to the Secretary and to Congress. Some of this data will be initiated from the Secretary's office as spelled out in the WRRDA 2014 legislation [128 STAT 1263]. It reads as follows:

"The secretary shall –

(1) communicate not less frequently than once each quarter to the Users Board the status of the study, design, or construction of all commercial navigation features or components of the inland waterways or inland harbors of the United States; and

(2) submit to the Users Board a courtesy copy of all completed feasibility reports relating to a commercial navigation or component of the inland waterways or inland harbors of the United States."

With this Board governed by the Federal Advisory Committee Act, the Board will look to the Secretary and the Army Corps of Engineers for recommendations on how, when, and where we can accommodate -- or we can communicate in order to comply with the parameters of the WRRDA 2014 legislation.

We, again, have a busy agenda for today's meeting, so this will conclude my opening remarks, and we will look forward to the presentations and collaboration on what we believe to be a very informative informational exchange today. Thank you.

MS. SIMMONS: Okay. Thank you, Marty.

Now, I'd like to call upon the Board for a motion to approve our meeting minutes from Meeting Number 71. Do I have a motion?

MR. MICHAEL T. SOMALES: Yes.

MS. SIMMONS: Mr. Somales, thank you. A second?

MR. DANIEL P. MECKLENBORG: Yeah.

MS. SIMMONS: Thank you, Dan. All right, the minutes have been approved. Oh, we need to take a vote. I'm sorry.

MR. MARK K. KNOY: There's not going to be discussion on the minutes before they're approved?

MR. WILLIAM M. WOODRUFF: No. We need to --

MS. SIMMONS: We just need to take a vote. All in favor?

MR. WOODRUFF: We should have an opportunity for discussion with the motion and second. The next would be discussion.

MS. SIMMONS: Okay. So, apparently there's discussion. Mr. Knoy.

MR. KNOY: I'm Mark Knoy, and, Mr. Chairman, I'd just like to comment on the minutes, the content of the minutes. My comments dovetail with your opening remarks.

I'd just like to point out and highlight, throughout the minutes, pages 18, 19, 24, 41, 51, I'd like to quote from the minutes on page 39 from General Peabody that "…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."

My belief was that the General committed to prepare those and look at historical trends on all the waterways and big picture budget trends versus data and missing information. We talked about Chickamauga. We talked about Kentucky. We talked about Lower Mon. We talked about Bayou Sorrel. And I'd just like confirmation we're going to do that today, as stated in the minutes. Thank you.

MS. SIMMONS: Do you want me to respond or Jeff [Mr. Jeffrey A. McKee]? We do have some long-term budget trend slides that we'll be discussing later in the meeting. I'd suggest for the more detailed discussion, we don't have all of that information prepared, but we can follow up for the next meeting in November. Jeff, did you have anything to add to that with respect to the presentation that you prepared?

MR. JEFFREY A. McKEE: This is Jeff McKee from the Corps of Engineers. No, we have will have to follow up with all the detail on the change in the traffic. That's something we're still looking at pulling together.

MR. MECKLENBORG: I would like to ask a question. This is Dan Mecklenborg. Whether, Jeff, that you guys have made some progress towards what Mark's raising.

MR. McKEE: We are looking at the traffic, yes, sir.

MR. KNOY: Well, this is Mark Knoy. I want to say that's disappointing. It's been three months, and we really thought we were going have a look at that, Mr. Chairman. So whatever we can do to move the ball forward, we're continuing to spend dollars on projects that I think some members of the Board question whether or not the current data really supports that investment.

MS. SIMMONS: So we'll definitely have that as a topic at our next meeting, and we should be able to provide information well in advance that would provide the breakdown as something that we could discuss even prior to the meeting, if we need to.

There were two other follow-up items from the meeting last week, which we provided read-aheads to the Board. One was Bayou Sorrel. And so I wanted to give the Board an opportunity, if they had any follow up or if they would like to have follow up on those, to say so now.

CHAIRMAN HETTEL: Yeah, Mindy. Marty Hettel here, chairman.

I, again, would like to quote from the minutes last week from Mr. Wingate stating the Department of Energy and this concerns Bayou Sorrel. "The Department of Energy dated 2012, they looked at the petrochemical sector as the primary commodity that moves through this particular lock. Based on its projections, the economic analysis showed no growth scenario over the next 50 years at this particular facility."

I would like to mention at the Quadrennial Energy Review meeting, in a report that they sent out to us prior to the meeting, that in April of 2014, United States crude oil production was over 8.4 million barrels per day, and the EIA's [Energy Information Administration] high resource estimate projected growth through the mid 2030s has it reaching over 13 million barrels per day.

So it's obvious that the 2012 data that economically -- or did not economically justify Bayou Sorrel needs to be looked again. I would like to bring up a motion and a vote from the Board that we request the Corps look at those numbers on the 2014 EIA's estimated production.

Before I do, Dan --

MR. ROBERT R. McCOY: Shouldn't we vote on the minutes first?

MR. WOODRUFF: I think we need to vote on the minutes.

MS. SIMMONS: First.

CHAIRMAN HETTEL: We need to finish that vote, I agree, before we --

MR. KNOY: Mr. Chairman, Mark Knoy again. I hear Mindy committing to do this again at the next meeting, but that was the commitment at the last meeting from the General himself that he would do that. And here we're going to lose another three months. So it's disappointing that we're not having that conversation, just for the record.

MS. SIMMONS: And, as I indicated, I think we should be able to have that information -- and, Jeff, correct me if I'm wrong – in advance of the meeting, so that we can even start that discussion before. So I'll put that down as an action item for more immediate follow-up than just at the meeting.

MR. KNOY: Okay.

MS. SIMMONS: So, at this point, we'll actually vote on the minutes and get that taken care of. I think we had a motion and a second, so all in favor, say aye.

ALL: Aye.

MS. SIMMONS: Any nays? No.

Okay. So, with that, the minutes are approved.

Any further discussion needed on Bayou Sorrel, or did you want to move into making the –

CHAIRMAN HETTEL: Yeah. I'd just like to bring up a motion that we ask the Corps to look at updated numbers on the economic justification of the Bayou Sorrel.

MR. WOODRUFF: I'll make that motion.

MS. SIMMONS: Okay. And a second?

MR. McCOY: Second.

MR. WOODRUFF: And just in the way of discussion -- this is Matt Woodruff -- I think I recall the discussion that we had at the meeting in Little Rock on this. And it's not simply a matter of increased domestic oil production. It's the increased movement of petroleum and petrochemical products that will result from that.

What we're seeing as a result of not just oil, but gas production, is a renaissance in petrochemical production along the U.S. Gulf Coast. I think if you look at some of the reports that are out there, suggestions of upwards of $100 billion of investment along the Gulf Coast in petrochemical facilities.

We're seeing methanol plants that were disassembled and taken to foreign countries some years ago being taken apart and re-assembled again on the U.S. Gulf Coast. This is increasing the number of barrels that are moving between the Western Gulf and the [Mississippi] river, the Port Allen route and the Bayou Sorrel lock are key links in the chain between the Western Gulf and marketplaces throughout the Mississippi Valley.

And so, when you talk to the people who we talk to in the tank barge and the chemical business, they're simply incredulous to hear our suggestion that the movement in that supply chain is going to be flat for the next 50 years.

So I do think we very much need to look at this vastly and rapidly changed marketplace. You know, 2012 and before, we simply just didn't have the visibility we have today as to what's happening on the Gulf Coast. And so for us to make the right decision, I think we need to look at current data, current projections, to ensure that we do the right thing. So that's why I support a re-examination of this project.

MR. KNOY: Mr. Chairman, Mark Knoy. I'd just like to buttress Matt's comments. We happen to own a shipyard as well, an inland river shipyard, where we're building, as an industry, 250 to 300 new tank barge units annually, the majority of those being 30,000 barrel barges that run in one and two piece unit tows along the Gulf Intracoastal and up into the mainstem system.

And they use the Port Allen route specifically for that purpose. It also takes pressure off of Algiers [Lock] and Harvey [Lock]. And so I think when we take a look at that, we need to be a little bit more holistic, not only in the growth going forward, but with the challenges that we have with Algiers and Harvey as well.

And we've kind of pinned ourselves against the wall on the other side of the [Mississippi] river going east. If we have a lock failure there now, we have no other alternatives. At least going west, we have three other alternatives. And I'd hate to see us lose one of those.

CHAIRMAN HETTEL: Well, Mr. Knoy, I agree with you. And to justify that, your remarks, is the closure that we went through in 2013 with Algiers, where the Corps projected $146 million of shipper and carrier additional costs during a 112-day closure at Algiers, just shows the importance of the Gulf Intracoastal Waterway (GIWW) and having another route. But even when one of those routes is shut down, there's a huge economic consequences. So I certainly agree with your comments.

So we have a motion and it's seconded. I guess we need to vote.

MS. SIMMONS: All in favor, say aye.

ALL: Aye.

MS. SIMMONS: Any nays? Okay. The motion is recorded. We had a second topic as well, for which we distributed a read-ahead, which was a list of the closures that we know of.

So I would ask at this time if there's any discussion or comment needed on that read-ahead.

Nothing from the Board?

MR. KNOY: Mark Knoy. I hate to take the lion's share of this, but, again, I think this is exactly what we were referring to at our last meeting, that we really need to understand where the system is being challenged. And I think a look into the data and the information that I talked about earlier is right in line with this.

We have such a challenge and reliability throughout our systems that we really need to react to where the system is overloaded, overburdened, where maintenance is an issue. And when you look at the closures, just along one piece of the system on the Ohio River and the challenges that we have moving cargoes there, I just want to make sure that we're putting money where it needs to be spent.

And we seem to be more inclined to spend money on new projects that were authorized and approved in some cases decades ago without looking at the change in mode, modal transportation, and not just the tonnage, but the value of those cargoes as well. I just don't feel like we're directing our resources where they need to be.

MR. MECKLENBORG: I would just like to add -- this is Dan Mecklenborg -- that the situation on the Upper Mississippi in June and July and even through August was a near crisis situation, as far as the need for dredging and the obstruction of the channel. There were, I think, over 40 days where barges were not able to move out of the St. Paul area and down to the Gulf with their agricultural products. And it's an area that, I think with some focus on the part of the Corps and this Board, perhaps we can identify proactive steps to be taken to prevent that type of situation from happening wherever possible.

CHAIRMAN HETTEL: Marty Hettel here. I'd like to just make a comment on Jeff's report on FY [Fiscal Year] 14 and 15 lock closures.

By my count, that's 60 lock closures in 2014 and 2015. So that's about 25 percent, if my math is correct, of the Corps' locks that have been out of service or will be out of service in the next 20 – last year and this upcoming year. So all the more reason to make sure we're spending our O-&-M (operations and maintenance) dollars where they need to be and whether or not we continue on with building new projects. Thank you.

MR. WOODRUFF: This is Matt Woodruff. If I could also dovetail onto the report, one of the things that I noted in here was the intermittent closures. For example, if you look at the Brazos Floodgates in Texas, up to 12 hours a day for a couple of month period of time.

One of the things that I've noticed, and I haven't attempted to run the numbers on it, but it seems like we'll get into some of these intermittent closures and, invariably, we'll get them extended. It was supposed to be a month. Then it becomes two months. Then it becomes three months. And that puts a significant drag on the system when we're not able to use a very important lock for multiple hours a day for months on end. And I just wonder, at some point, whether we are using the most efficient construction methodologies and why it is that these things tend to get started and then seem to take twice as long.

I know that we've got to pass traffic at some point, so I'm not necessarily suggesting, adding shifts, because that would just further choke down navigation. But I would hope that somebody is looking at that after the fact, as we've had some of these projects that have gone significantly longer than anticipated, to see if there are lessons we can learn from that to try to get those things run through more quickly.

I don't know if others have had similar observations on some of these projects.

MS. SIMMONS: Any additional comments from the Board or responses from the Corps?

MR. JAMES R. HANNON: This is Jim Hannon. I think one of the things that we will talk about later today will address, to some degree, the direction we're moving in evaluation of the highest risk, based on the consequences of failure and this more holistic systems approach to evaluating and developing a long range O & M [operation and maintenance] strategy as well as our capital investment strategy.

So I'll just make that point to some of the discussions. And we'll get into more of that discussion later in the presentation that I will be leading. Thanks.

MS. SIMMONS: Okay. Mr. McKee.

MR. McKEE: This is Jeff McKee. Just one more point. A lot of these closures are planned closures for reliability improvement. So we understand the criticality of the unscheduled closures and the impact on industry. But also, some of these planned closures are necessary so we can make those improvements.

And a classic example is the FY 17 closure of some of the Columbia-Snake locks, in order to make those reliable improvements. So you're going to see some of these. But the point is well taken on tracking lessons learned and making sure that we commit to the time frames that we're going to be closed.

MR. KNOY: Mark Knoy. Jeff, just one question. Could you tell me if Bayou Sorrel in 2015, the February through April and then again the April through May, are those complete closures? It's on Page 6 of your report.

MR. McKEE: I'm going to have to call for a lifeline. Mr. Jones, can you please respond to that one?

MR. STEVE JONES: Yes. Steve Jones, Mississippi Valley Division. My response is, I'm not sure if they're complete closures or not, Mark. We'll get back to you. That came in from New Orleans District that that is what they plan, so I'm not sure, but I can follow up, whether they will be complete closures.

MS. SIMMONS: Any additional --

MR. McKEE: We'll get back to you on that, Mr. Knoy.

MR. KNOY: Yeah, thank you.

MS. SIMMONS: Okay. No further comments? So, with that, we'll move into our discussion of the status updates for each of the Inland Waterways Trust Fund projects, and I'll turn the floor over to Mr. Jon Soderberg.

MR. JON E. SODERBERG: Good morning. Jon Soderberg, Chief of National Programs and current Inland Waterways Trust Fund Manager. We'll be reading from the handout slides. And, for ease, as you flip, it will go left to right instead of top to bottom.

We'll start out with a “FY 14 Status of Trust Fund.” You see in the top block the beginning balance that was brought into the Trust Fund or retained with the U.S. Treasury, $33 million. You also see the remaining FY 13 Sequestration and Across the

Board rescission funds. The way the Treasury manages those actually place those funds with us on Corps accounts, however restricted their use.

And then the Previously Transferred Authority, which relates to funds that we brought over to the Corps from the Treasury for use, which totals $44,770,000. Since the end of FY 13 and beginning of FY 14, the U.S. Treasury changed their accounting practices with the Trust Fund, no longer accounting for funds that we have onboard at the Corps. It all remains at the Treasury in the Trust Fund.

As you recall in previous meetings, we attempt to only transfer the funds from the Trust Fund to the Corps once a year. The Treasury has agreed that is a good method. So they're accounting for it during the year, and we typically would only do one transfer a year. So you'll see the beginning balances and the revenues only scored on the Trust Fund side, not the Corps side, until we transfer it at the end of the year or if there's a critical need during the year to make a transfer.

In that block, you see the beginning balance, and through 30 June, the fuel tax revenue, $54,905,000, and a small amount of interest being made on that while it resides at the Trust Fund, giving us an available balance, the total in the Trust Fund of $95,701,000 as of 30 June.

Below that, you'll see we did one transfer during the year, as we moved forward and reported previously, to line up the accounting with the Treasury to match some of the new requirements in standard lines of accounting that all federal agencies do.

We're working to make sure any of the legacies in the waterway trust funds that were transferred to us or authority transferred to us in the past on older projects where we're closing out the work and we do those fiscal closeouts, that's where you see we may be required to transfer funds during the year to do those fiscal closeouts.

That's where you see the $1.5 million transfer that occurred earlier this year. So, with that, the balance as of 30 June residing in the Trust Fund, subtract that $1.5 million, leaving $94.201 million in the Trust Fund and then the $1.5 million on the Corps books, which has been executed and expended.

CHAIRMAN HETTEL: Jon, Marty Hettel here, the $1.5 million that was transferred, was that for a closeout?

MR. SODERBERG: That was for a closeout or some of the cost transfers that we've done with rebalancing as the Corps' legal opinion of what balance, 50/50, or some other balance based on legislation, the time frames in which they applied. So as we go back and balance those books, part of that $1.5 million is for some closeout balancing as well as those transfers.

CHAIRMAN HETTEL: Could that information be available to the Board as to what projects were closed out?

MR. SODERBERG: Yes.

CHAIRMAN HETTEL: Okay. Thank you.

MR. SODERBERG: Any other questions on the balance of the Trust Fund through 30 June? Continuing forward to the next slide, please.

Here you see as we've been reporting in the past and will accumulate the fiscal years so you can see the trends of the income. The red line is where we are in Fiscal Year 2014 through June with that $54 million in income. It drops just slightly below the lowest year, which was FY 13. And you can see that compared in time with FY 12 and FY 11, FY 12 being the larger income year to the Trust Fund for a total.

So we're remaining within a certain range; however, we did see that May to June downturn. This is based on the Treasury's reporting of the income to the Trust Fund. It may be corrected by the Treasury once the IRS [Internal Revenue Service] receives the actual tax payments. So there may be adjustments, but this is as reported from the U.S. Treasury monthly. And they do report every 15 days on the projected income.

There is not often a rebalancing, but there may be one so that $54 million could go up or down. Typically, if they rebalance, it's about a million to a $2 million rebalance, based on actual income when the IRS transfers it to the Treasury.

Next slide, please.

MR. KNOY: Jon, Mark Knoy. Is there any estimate on what you think the year is going to bring?

MR. SODERBERG: I would say somewhere between the lowest year in FY 13 and the best year, 2012. Watching the income and watching over the past couple of years, having the pleasure to work with the Board and understand a little more about the times of year transiting in the waterway, when income is being generated based on river conditions. We're probably on target for that $75 to $80 million range.

The Treasury predicts a little more, but we all know that we're getting into hurricane season. We're getting into certain parts of the country that may come into flood season, and that definitely changes the way you all operate on the river, which ultimately affects the income.

So somewhere between that $75 and $80 million range. This goes to when you'll see some slides we go through where we like to try to keep a balance within the Trust Fund, $10 to $30 million depending on needs.

That's a twofold reason, as you can see. During the beginning of year, continuing resolution, making sure that we have enough funds in the Trust Fund to continue the critical work on the projects, such as Olmsted and Lower Mon, as well as this time of year, where you may see that downturn in income over a month- or two-month period, we like to have that $10 to $20 million within the Trust Fund so we can continue the projects working and that downturn does not necessarily affect the projects directly. A cushion, if you will.

CHAIRMAN HETTEL: Jon, Marty here. I think a follow-up note on what you stated as far trends in inland waterway industry, I'm going to bring up the unfortunate Mel Price closure that was a little over -- well, almost seven and a half months.

By my count, looking at the LPMS [the U.S. Army Corps of Engineers’ Lock Performance Monitoring System], over 2300 tows were delayed 12.75 hours on average for that closure. When we're not -- when we're sitting, waiting for 12 and a half hours on 2300 some odd tows, were not burning fuel and we're not delivering product, I think it's important just to note that these closures have an effect on the balance that comes into the Trust Fund.

MR. SODERBERG: Agreed. And as we work towards your questions earlier on the data, tying not only the river statistics and the things for the investment, but looking at the income to taxed waterways and where our projects fall, closures, tied to that income. We don't want it to be an income-focused review, but the income, along with the closures and the status of the waterways will help us look at the system as a whole.

Slide 4 is just a close-up of the April, May, and June time frame. So you can see a little better than a whole year review where we're just about a million dollars less than the FY 13. And that's why I bring up the -- earlier in the conversation, that that could be adjusted by the Treasury. That is their estimates. We receive actuals about three months after the estimate. So it's there, so you can see a little better. Hopefully, I color coordinated between the slides.

Next slide, please.

MS. SIMMONS: Jon, this is Mindy.

MR. SODERBERG: Yes, ma'am.

MS. SIMMONS: I'll interject here for a second. One option that we have is to perhaps get the IRS to come to a meeting to discuss what their process is. So I was thinking that that might be something that would be helpful to folks as we try and figure out some of these discrepancies. Is that something that the Board would be interested in, perhaps at our next meeting?

MR. KNOY: Not I.

MS. SIMMONS: Okay. Stay away from the IRS as much as possible.

MR. KNOY: Mark Knoy again. No. I think we're going to see that uptake. I think, unfortunately, June, July, we lost a lot of traffic on the Upper Miss. And I think most of us in the room feel like we're in a very strong market, and tons are going to move the rest of the year. So fortunately, I think we'll have a really strong remaining calendar year. So the first quarter of the next fiscal year, I think, will be very strong for us as an industry.

MR. SODERBERG: Yeah, and that's why we like to project that and started showing you the multiple years and the fluctuations during the year as the users of the waterway and the specific parts of the waterway that are either closed or weather dependent, we have a pretty good hold now at the continuous trend of the range we see in the year helping us project where we can put those funds on projects.

CHAIRMAN HETTEL: Mindy, Marty here. Pertaining to your suggestion, I think Jon does a great job on delivering this information to us. I don't think we need the IRS here also. Thank you, Jon.

MR. SODERBERG: I don't know how to take that.

CHAIRMAN HETTEL: It's a compliment.

MR. SODERBERG: Yes, I will take that as a compliment. I appreciate it.

CHAIRMAN HETTEL: That's what it was meant as.

MR. SODERBERG: Equating me to the IRS, huh?

The next slide here, the FY 13, we give you the historical context of the projects. So the next slide, you can see where we are and what that draw would be for the Trust Fund and how we manage that balance.

As you can see that the FY 13 funds from the Trust Fund applied by the end of the year when we do that final transfer, was $83,637,000. And that would have been the final total being pulled from the Trust Fund last year.

As we overlap in the meetings and we see how time may adjust, those are the final things for the year. With all federal agencies changing accounting practices to what they call standard lines of accounting, which now the year we receive the funds, they're appropriated, all accounts are tagged by that fiscal year, so this will become more important as we manage the account over fiscal years, in which years we draw from the Trust Fund based on the appropriation.

It is possible that funds appropriated in one given year would not draw from the Trust Fund until the next year, based on the availability of the Trust Fund.

So we're moving toward that fiscal year look, and we'll start presenting a little more crossover of those fiscal years, based on when we draw from the Trust Fund and keeping with the Treasury and our plan to draw once a year at the end of the year.

Next slide is FY 14 Inland Waterways Trust Fund funds that have been applied as of 30 June [2014]. You can see we've applied more funds than $92.843 million within those three projects. The reason I put this as 30 June is we do have opportunities in the year, and specifically the last quarter, as certain projects or bids come in cheaper, that we have the potential to increase dollars on one project and potentially decrease on another within our authority, or as situations happen or other projects where we could move money between projects.

So this would not be a final accounting for FY 14. There are potential changes here. The point I show this is at the $92 million, we've already have $94 million within the Trust Fund, assuming we will make another $30 million in the Trust Fund over the year, managing that balance so we have money early in the year and for potential downturns next year.

We do have room, as an organization, to draw more from the Trust Fund over the next three months or commit those funds over the next quarter as we look at good river conditions, be able to put good work in the ground, and you'll hear some of those things as we get into project specifics from other folks.

CHAIRMAN HETTEL: Jon, Marty here, if I may. These are your projections for the end of Fiscal Year 2014?

MR. SODERBERG: No, sir. They are actuals through June.

CHAIRMAN HETTEL: Correct. However, the numbers you're stipulating here are the 25 percent of the $165 million for Olmsted; the 50 percent of the $72 million for Lower Mon, and 50 percent of the $28.8 million for Lockport?

MR. SODERBERG: Right.

CHAIRMAN HETTEL: So it may change a little bit, but it shouldn't see any drastic change? Am I right in that assumption?

MR. SODERBERG: Correct. If we were to increase funds on Olmsted over the next couple of months based on work that could be done, we'd follow the 75/25, so there would be more funds applied, but it would follow the current thing.

CHAIRMAN HETTEL: Okay.

MR. SODERBERG: And you bring up a good point with that 75/25. That takes us through the end of the fiscal year. And then based on legislation as we change fiscal years, we'll go down to the 15 percent draw from the Trust Fund.

CHAIRMAN HETTEL: Thank you.

MR. SODERBERG: Any other questions on the fiscals for the Inland Waterways Trust Fund?

Next, we'll quickly go into project updates. Your packet that was handed out goes in a different order than the slides that will be presented on the board. So we will try to coordinate appropriately based on the handout you have in front of you. I will wait for the person running the slides. I will read out the project we're talking about so you can find it in the presentation for those in the room that do not have a handout and will be reading from the screen.

We're actually starting with MVD [Mississippi Valley Division] this time, and the Lockport slide will be the first one. As you can see here and as the Board has requested in our format, for most of the changes, there have been no changes in the reporting for Lockport since our last meeting.

The construction is scheduled to be completed in FY 16. The project's currently at a 50/50 construction split with the Trust Fund; however, in FY 14, we provided the project the remaining funds. So there will be no more draw from the Trust Fund, or no more anticipated draw from the Trust Fund to get us through FY 16 for the construction completion.

MR. KNOY: Mark Knoy. The last piece on the forebay wall at Lockport, isn't that somewhere around $25 million, $30 million that you mentioned down below here?

MR. SODERBERG: As we look at the -- looking out, the capitalized cost of benefits and the construction completion, the way it works for the contract award being in 2014, those funds for the contract award are placed on the project at the time of solicitation. So we funded that contract for that work. That will take two years to accomplish, but those funds are already placed on the project. That's why you do not see future budgeting for the project.

MR. KNOY: So they're already included in this total construction funding?

MR. SODERBERG: That is correct. That's the plan.

MR. KNOY: So what happens -- I mean, the last time they bid that, they got no bids. This time, I understand they got a bid or bids, but it's double the amount the -- what am I trying to say? The scope of the budget went from, what, $10 million to $20 million to $20 million to $30 million. So is that increase estimate in here already?

MR. SODERBERG: I'll have to defer to the Division or District on specifics.

MR. McKEE: My understanding is, yes, this would include it.

MR. KNOY: Okay. All right, good.

MR. SODERBERG: The next one from the handout would be IHNC [Inner Harbor Navigation Canal Lock Replacement]. There we go. For the slides, the MVD ones should follow in order, and then we will go back to the LRD slides.

Here you can see, we report the changes. The changes from last meeting was a correction, as the District part of the information, the total project was reported in error. So that has been corrected.

Here, there's no change in the construction and the Trust Fund costs at this point that are anticipated. You can see that, for this, it's an administrative change for your information. We're in the process of fiscally closing out the older project, as we met last time, the deep draft lock replacement, and any of that fiscal close out will use funds that are on hand.

So we do not anticipate providing the project any funds from the construction account or the Trust Fund. And it will continue to move forward with the re-evaluation report on a shallow draft replacement.

And I believe when we were there, we had some good discussion on the specifics. And from an accounting standpoint, that has not changed.

CHAIRMAN HETTEL: Jon, Marty Hettel here. Do we know the amount that the Trust Fund had funded on this project prior to it changing from a deep draft and closeout? Do you know what those numbers are?

MR. SODERBERG: If you look at the top, until the point we closed out or stopped with the deep draft lock replacement, the draw from the Trust Fund, based on its percentages and balancing, would have been at 609 [$609 million].

MR. McKEE: Jeff McKee. That 609 hasn't been drawn from the Trust Fund.

MR. KNOY: No, but --

MR. McKEE: I think if you subtract the $543 million from the $609 million, you would get what has been expended today.

MR. KNOY: $66 million.

CHAIRMAN HETTEL: So $66 million from the Trust Fund has been expended on something that isn't moving forward, then? That's a correct statement?

MR. KNOY: Yes.

CHAIRMAN HETTEL: Okay.

MR. WOODRUFF: This is Matt Woodruff. Just to follow on to that, of that $66 million, I'm curious, and perhaps if someone in the room can answer this -- was some of that for real estate acquisition or other investments that might help reduce the future cost of replacing that lock, or is that all lost money?

MR. McKEE: We have to get back to you on that, sir.

MR. JONES: Steve Jones, Mississippi Valley Division again. Yes, they did demolition. They prepped the site. So, if and when we ever proceed with the shallow draft lock, that will still provide benefits. Does that answer your question?

MR. WOODRUFF: Yes, sir.

MR. MECKLENBORG: Steve, does the Corps of Engineers own some of the property that was acquired, or the United States Government? Did we take title to it?

MR. JONES: I'm not sure of the actual real estate document, whether it's actually fee on property or wherever the Port was actually provided that. That will have to be cleared up, too, because, obviously, the Port will not be a sponsor.

MR. MECKLENBORG: Thank you.

MR. KNOY: Jon, this is Mark Knoy. Maybe just to kind of close this out for us. The last thing that doesn't make sense is this was one of those projects where it wasn't going to be a 50/50 split because deep draft was going to pay a greater share. But, yet, when you take a look at the dollars that have been expended, construction spent $55 million and the Trust Fund spent $66 million.

That seems to be reversed. And, actually, it should be significantly less -- I forget the ratio – it seemed like it was 60/40 or two-thirds/one-third. So why did the Trust Fund spend more than construction general?

There should be an adjustment there of something that -- you know, the total expenditure of, if you add those two numbers together, $120 million, seems like the Trust Fund should have only paid about $40 million, I think. So we're kind of looking for nickels these days. And those are pretty good size nickels.

MR. SODERBERG: We'll check with Division, the District, and our folks back at Headquarters and get back to you with that, and we'll see if we can't make some of those nickels into quarters.

MR. KNOY: Yeah. Thank you very much.

MR. SODERBERG: Next on the slide presentation would be [Mississippi River] Lock and Dam 27, Major Rehabilitation. Again, the correction was a total project cost reduced. The reporting, based on the time of reporting as the project was closing, you do see those total costs come in.

Usually a small amount there, that $340,000, as things are being finally built, we projected what a bill would be from a contractor as things close out. And as those final bills come in, there are cases where the bill is lower than we projected, and we do those adjustments as we close it out.

So, you can see that total project costs would be reduced as those allocations and as those bills came in. It just so happens that the allocation we've corrected to reflect the ARRA [American Recovery and Reinvestment Act, Public Law 111-5] funds at the same dollar amount. They're not specifically the same number. It just so happens they're $340,000. I just want to make that point.

But, as you can see, all the contracts are completed, and any of the carryover funds that we have would be for those internal administration processes in which we need to do to fiscally close out and put the final reports together on the project.

And those final costs you can see as we talk about the reports, the completion of the manuals, and any of those cost share percentages that we need to balance. So we'll look to see some final reporting. You may see the numbers adjusted a little bit. But like any project, that's just the final closeout.

MR. KNOY: Jon, Mark Knoy again. I know this will surprise you, I have another question. When they balance the cost share part of the closeout on these ARRA funds, do the ARRA funds get subtracted off the top from the project and then the split, or is it the original dollars, split, and then ARRA goes against the CG [Construction General] funds?

MR. SODERBERG: If the ARRA dollars have been -- in a case like this where we put ARRA dollars on, if those ARRA dollars are expended, we leave that accounting, because ARRA has expired.

MR. KNOY: So ARRA is included in the Construction General piece, then, if you will, of the split?

MR. SODERBERG: Correct. It's on top of.

MR. KNOY: Okay.

MR. SODERBERG: Because if we used ARRA dollars, we did not need to take from the Trust Fund to match ARRA dollars.

MR. KNOY: Gotcha. Okay.

MR. SODERBERG: So it was on top. So you wouldn't see a true 50/50.

MR. KNOY: Right.

MR. SODERBERG: Or a split in a total sense because ARRA dollars are included on top of that on the construction side.

MR. KNOY: Okay. Thank you, Jon.

MR. McKEE: Sir, you will also see that there were FY 09 funds that were appropriated, and those are not going to be split between Construction General and the Inland Waterways Trust Fund.

MR. KNOY: Thanks.

MR. SODERBERG: All right. The next slide in the handouts, and for the presentation you go all the way back to Olmsted. For consistency in your handouts and packages, the Olmsted Lock and Dam slides, as well as Locks 2, 3, and 4 on the Monongahela River are included in this packet for consistency. However, Mr. Dale will be covering those in his presentation as the Board has requested. But we wanted to make sure you had the same format.

Actually, they may not be on the slide for the viewing in the room on the screen, but they are in your handout.

MS. SIMMONS: And they will be in the presentations that Mr. Dale has, so it will be visible on the screen.

MR. SODERBERG: Yes. So the next one from an in-the-room-on-the-screen standpoint would be Emsworth. And moving to the group of slides now into LRD [Great Lakes and Ohio River Division], you can see here – and Mr. Knoy asked about the ARRA -- we've had these projects identify, as you see, the total CG there. It includes their FY 13 ARRA allocations and those specific dollar amounts.

We'll make sure for future reporting that if a project received ARRA on top of that CG, we identify it across the projects in the same format. But here you can see how that would look.

The authorized costs, the actual project cost less than the approved cost. That's a good thing. You can see the breakout. And as we look to meet your request from the last meeting of the breakouts and as we see these projects, which ones are the internal cost to the Corps, the Engineering and Design [E&D], the Supervision and Administration [S&A] costs, you can see the breakout under the funding summary.

And we had specific questions last time on mitigation costs and if these projects are incurring specific mitigation costs. We've looked at LRD to start presenting that to the Board, and we'll continue that through all the projects as we move forward. But meeting your requests on presenting those things, you see for the first time here.

MR. MECKLENBORG: Jon, this is Dan Mecklenborg. So the total authorized project costs $160 million, and you've got remaining balance, a total of $4.352 million. Does that mean we've already spent how much?

MR. SODERBERG: We'd have to look to see the total project cost because this only shows you the $160 million total project cost, which is the authorized. To get a full accounting as you're looking, we'd have to show you all the fiscal years of what we've spent.

MR. MECKLENBORG: Right.

MR. SODERBERG: This presentation doesn't show you the total so far to the project based on the split. This is only the current couple years.

MR. MECKLENBORG: Right. So it says actual project costs will be less than approved costs, which was $160 million, but it doesn't really say how much less, does it?

MR. SODERBERG: Yes, it doesn't tell you how much less. That's correct.

MR. McCOY: Jon, Robert McCoy. Since this is a new disclosure that we're not familiar with, can you take the time to explain each of the components under the funding summary for everyone, including myself? The "Wedge Funding", for example, the "EDC/S&A", what are those acronyms, what do they represent?

MR. SODERBERG: The -- we'll go from the bottom up.

MR. McCOY: Sure.

MR. SODERBERG: The mitigation costs, as you requested those things, it would specifically go into requirements in environmental mitigation based on the project.

The next that we should spell out is the design work that we may do and the supervision on those contracts after we award the contract. So, that's your EDC and S & A, and you see the split there. The $14.1 million noted, that includes all the Engineering Design during Construction. So that's the work we would be doing, in terms of the Corps. And then managing the contract for the work on the ground looks to be that $8.6 million.

Wedge funding -- and correct me if I misspeak here, Jeff [McKee] -- going back to the Dam Safety Wedge funds, construction dollars and our Dam Safety Program, for those initial things we do in the dam safety, looking at the project, checking the dam safety, and any immediate action we need to do for the safety of the dam would come out of what we call our Dam Safety Wedge funds.

It's a specific line item budgeted within Construction to allow us to do those things, that is managed by a risk center and applies to all projects. When we're using those Dam Safety funds, since that is a specific fund within Construction that does not tie to the Trust Fund. So if you see that $3.5 million coming from Dam Safety to a specific project, there need not be a match from the Trust Fund at any percentage for those specific safety items of the Dam Safety Wedge.

The [Section] 902 limit, we've had great discussions at previous Board meetings on 902 limit. We will not bump up against the 902 limit or have a concern on the 902 limit because we're going to come in under that authorized cost. And, again, you see the original cost.

And you can see with Emsworth, the next steps, we look to fiscally complete that by the end of FY 15.

The next on the list would be Kentucky Lock and Dam. We've had no changes in the remaining balance of the last meeting. Here again, the additional info, a little bigger print on the slide than the last one, but you can see, authorized costs. Because we've had discussion of costs on Kentucky Lock and Dam, and as we look forward on status within the system and we've had questions in the past when we talk about authorized costs or revised costs, what year dollars and how much inflation plays on that. So we've asked Kentucky to show you those authorized costs and the year dollars that was generated. So you can see that the authorized cost is in 1991 dollars when they looked at it in October of 1991.

The original limit; and then you can see the current limit, if we're looking at it in 2014 dollars, which is that adjusted amount based on inflation.

And then real time, the E&D and S&A here is split out specifically into two lines, so what is projected through FY 14. And specifically mitigation costs as we look and determine how we're going to move forward with the project.

Those alternative analyses with this project would also come, if there is mitigation needed, what those costs would be, as we look forward to how we're going to work the Kentucky Lock project in the future, since the work is temporarily suspended based on the need for additional funding, that does play with the Trust Fund and potential use of Trust Fund monies, since we're back to a 50/50 cost share and working with our partners what we really want to do with Kentucky Lock as we move forward.

MR. MECKLENBORG: Jon, so when Kentucky Lock, if we receive funding this coming fiscal year through a Continuing Resolution, does that afford the Corps of Engineers the flexibility to apply certain of those dollars to Kentucky Lock or because they weren't applied during the prior fiscal year, are we prevented from doing that?

MR. SODERBERG: It will depend on how the Continuing Resolution is written on what we may or may not do. There would be the potential during Continuing Resolution to apply funds to Kentucky Lock. But we would have to also make the withdrawal from the Trust Fund, and in the event that it was not funded in appropriation later in the year, where we would reconcile from.

MR. MECKLENBORG: Okay. Thank you.

MR. KNOY: Jon, Mark Knoy. But the project is essentially demobilized right now?

MR. SODERBERG: Correct.

MR. KNOY: Okay. Thank you.

MR. SODERBERG: We put it into a safe condition or as safe a condition as possible so we could during that pause.

MR. KNOY: Thank you.

MR. SODERBERG: The next, Chickamauga Lock. Here, you can see the total project costs and remaining balance has increased. As we go through our occasional certified cost updates with our Cost Center out here on the West Coast. So that FY 15 certified cost has brought that balance up significantly. And looking at the history, the District reports that that increase is due to the delays and the constraints on funding; that as we've not been able to apply funding to the project and time delays, cost of materials, cost of labor have increased. So as the Cost Center here in Walla Walla has relooked at the cost for the future, it has increased.

MR. MECKLENBORG: This is Dan Mecklenborg. This just looks like another potential Olmsted, only it's not as significant from a navigational standpoint by any means, and it may be -- is the Corps reexamining the justifications for this project at this point?

MR. SODERBERG: I would defer to Mr. Dale.

MR. DAVID F. DALE: David Dale. No, we're not reexamining at this point in time. I think it's something we need to look at. Right now we're not doing anything there. But we're not actively performing any type of reevaluation of that justification at this point in time.

CHAIRMAN HETTEL: Marty Hettel here. I'm sorry, Mark. I find it difficult that we can say the Bayou Sorrel project is not economically justified at a $324 million price tag, but here's almost a $1.1 billion facility that I know ships less tonnage through it than Bayou Sorrel does. I would think you would find that this project, if you looked at them again, Mr. Dale, probably is not economically justified. My assumption.

MR. KNOY: Mr. Chairman, Mark Knoy. This is an exact example of what I talked about when I commented on the minutes from the last meeting. I think at one time, maximum tonnage through that facility was around 4 million tons. I think it's down below a million tons now because of a change in traffic patterns, specifically coal, as much as anything, and it's a lot of money to spend to move a million tons of cargo a year.

MR. MECKLENBORG: This is Dan Mecklenborg. I think that it will be interesting if you go down that road to see the reactions that you get from the other beneficiaries of that project and whether there are ways to handle this or approach this different from the original plan that satisfy those interests.

MR. KNOY: Mr. Chairman, Mark Knoy. I think, at this point in time, I'd like to request that we suspend spending money on this until we look at it again. I don't know what it takes to do that. But, you know, I know we only spent $1.8 million last year. But, again, it's $1.8 million.

CHAIRMAN HETTEL: I think that should be part of our Annual Report, Mr. Knoy --

MR. KNOY: Okay.

CHAIRMAN HETTEL: -- along with our report due to the President before his budget proposal. I agree, we can include something in our report on the Chickamauga project.

MR. McKEE: Sir, Jeff McKee, Corps of Engineers. We have not been given any additional funds for Chickamauga Lock. What you're seeing here is funds that were provided, for instance, in ARRA, at that time. So, the last couple years we have not been budgeting for Chickamauga Lock.

MR. KNOY: Thank you Jeff.

MR. SODERBERG: And to point out, as Jeff said, the ARRA funds, we'll make sure that we have a consistent reporting for you at the next meeting; that the funds listed in FY13 – FY14 as provided, the source, be it the appropriation, be it the Trust Fund, or what portion of those may have come from ARRA or other places, so we have a better hold on whether those funds are coming, especially the critical projects that you're interested in having us look into further.

Subject to your questions or any additional questions, that will end my portion with the Trust Fund status and the project updates. Thank you.

MS. SIMMONS: So thank you, Jon.

Now we'll move into the project specific presentations, and I'll bring Mr. David Dale with LRD up to the podium to discuss Olmsted first and Lower Mon.

MR. DALE: Thank you very much. I appreciate the opportunity to come talk to you about some really neat projects, really good projects.

First of all, you see on the program I'm the Director of Programs. I did note on the agenda, it listed me as the Director of Regional Business. I'm not the Regional Business guy; I'm the Programs guy. And why that's important is that means I'm the one who's responsible for executing the program.

So these are very near and dear to my heart. This is what I worry about. In addition to my just kind of general duties as Program Director, I'm also the Senior Executive under the Corps' mega projects that is personally accountable for delivering these projects.

So that's why I'm here. This is not something that I bone up on once a quarter. I track these projects almost weekly, every month for sure. We have weekly phone calls. So, with that, I'm not going to spend a lot of time on that, but I did want to let you know that we're spending a lot of effort to make sure we keep these projects on track.

Next slide. Just a real quick agenda. I did note that I'm about 20 minutes or more into my presentation time, so I'm going to go along fairly quickly. So don't hesitate to stop me. A lot of this stuff you've been before, and I'm just going to try to touch on those things that have changed or are of significance that I want to draw out. But don't hesitate to slow me down.

Next slide. This is one we've given you in the past. Really, the only new one is the very last one at the very bottom, and we've already talked about that. And that's the 85/15 split for the cost share.

Next slide. Here's a nice slide that gives you the overview. We've added a little bit of verbiage to this. You've seen this before. No significant changes. The one thing I would tell you of significance is the tainter gate portion is complete with the shells.

So all the shells for the tainter gate have been set, and the cast in place for it to go on top is making very good progress.

Next slide, please. You've seen this slide before. The intent here is to give you a visual of how the dam goes together. And what you have in the lower left-hand corner is the tainter gate section. The two red shells that you see are the two pier shells that we had to set this season. They have been set, those are done.

So that's why I say all the shells for the tainter gate section are in place and set. And then what you see, as you drop down, kind of in the center and up to your upper right is kind of an isometric of the navigable pass portion of the dam. And you see what we color coded, what we plan to execute by year.

Again, nothing significant here. The one thing we added to the slide to give you a little bit of a visual is the hash marks up in the upper right hand is to give you a visual of where the navigation channel will be this fiscal year. So, as you can see, the navigation channel is on out towards the Kentucky side of the river. The tainter gates are on the Illinois side. So this area here becomes a navigation channel. We're going to be focusing all our work this year down in this area here. So it should not have any impact on navigation this year.

MR. KNOY: Mark Knoy. David, we talked about this last time. It's had a significant impact on navigation. It's reducing our tow size by, like, 40 percent. So is that going to be for the remainder of this project, this reduced tow size?

MR. DALE: I believe so. And the only tow size reduced is the very large tow size. We're still allowing the full 15 barge tows to pass. It's when they get the larger ones. And the reason why we did that because we had some significant safety challenges down there.

MR. KNOY: No, I understand, but I think there's a misalignment between industry and the Corps because everybody that can leaves there with 25 to 40 barges. Everybody that can does that, and now we can't.

MR. DALE: That's correct.

MR. KNOY: So there is a limitation. We just need to understand that.

MR. DALE: Fair comment. Yes. So we've reduced the tow size to 15 barges, 15 is the limit. Within that package, no impacts to navigation. We're not going to ask you to lock through or anything this season. Next slide.

CHAIRMAN HETTEL: Marty Hettel here, one minute. Just to clarify Mr. Knoy's position, am I wrong in thinking southbound tow size is reduced, but it's still 24 northbound? Is that right?

MR. DALE: I'll have to check on the northbound. I don't believe so.

CHAIRMAN HETTEL: I thought I read somewhere where we didn't reduce the northbound tow size.

MR. DALE: I'll double-check and get back with you.

So, just as we close out that slide, if you would back one, the point being is this is the navigation channel. The last time we talked, there were questions about where is the navigation channel, what are you doing, are we really going to start locking through. And there will be more to come on the next slide I'll cover.

But this is a graphic we do. Looking down, what you have is the navigable pass portion of the dam representing four different phases of work. So this is the foundation construction work, this one being the master/sheet pile driving operation, the foundation pile driving, and then the sheet -- excuse me, the shell and paving block setting process.

It's color coded. Red is what we plan to do this season. So what you see is we are way up here, bumping up against where the navigation channel starts over here, doing foundation work, excavation, setting the grout mat. We are, over in this portion, driving piles. We're kind of working our way in this direction, sheet piles around the excavation. And then we're driving piles here, foundation piles, the piles that the shells actually sit on, there right in that area.

And then down here, the shells that we plan to set. Significance here is, so these are the shells, in addition to the two LP [Lower Pier] shells that we've already set, Paving Block 4, PB-4, which is this one right here, is set in place. That one was accomplished.

This one, Paving Block 3, PB-3, should happen tomorrow, unless something strange happens. That one should be set. And then we think we're on a good track to accomplish these two. And the fact is the team, as we constantly look to how we pull this job to the left, has got a kind of stretch goal for themselves that they'd like to get these two paving blocks and possibly that block set this season.

We're having a really good season. The water conditions are great. Hopefully, that will continue out, and we'll get that accomplished, which will help us along. Again, you can see the navigable pass out through here.

MR. MECKLENBORG: David, Dan Mecklenborg here. Have we periodically test the lock chambers operationally so that we know that, when that's – when it becomes necessary, that they are going to be functional?

MR. DALE: Yes, we have. We've passed boats through. We routinely operate the lock. So, yes, we're doing that. And we're actually doing some work to make sure that they are ready. As we look toward the future -- it's not on your graphic here -- one of the keys, once we start getting out here and doing work in this portion of the navigable pass, clearly it's going to require you guys to go someplace else.

Last time we talked, the thought was you would be locking through, which is a challenge for all of us.

What the team has worked out is, as we start getting out in this area relative to work, we'll get you passing over the navigable pass, actually start passing the navigable pass so you won't be locking through.

The one exception to that would be there's an elevation of about 290. You get below 290 on the river, you can't pass over the navigable pass. You’ll have to lock through. So those should only be in low water conditions. So to kind of answer to your question last time, a little more explanation on what we're doing.

Next slide. Yes, sir.

MR. SOMALES: Mike Somales. The question was, a couple years ago we had what was described as the 100-year flood two years in a row. And we had lost a lot of time and ground there, but you guys were optimistic that we were going to be able to make some of that up. Have we gotten back on track timing wise?

MR. DALE: Yes, we have. And I'll touch on it in a couple other slides relative to dates. But, yes, by taking some proactive actions, we were able to pull some of those things back. And so it's a lot about making sure we have a good solid schedule. We're looking at the risk and trying to mitigate those risks out in the future. And then, very honestly, making sure that we're positioned to take advantage of opportunities as they present themselves. So if the river presents itself in a position that allows us to get out there early, we're there.

Sometimes we're there and it doesn't allow us. We spend a little money because we're proactive and we didn't get it accomplished, but in the long run, it's really paying dividends for us.

MR. SOMALES: Thank you.

Mr. DALE: Yes, sir.

CHAIRMAN HETTEL: David, Marty here. Let me digress back to the tow sizes for a minute before you move on.

MR. DALE: Okay.

CHAIRMAN HETTEL: Looking at the current LPMS data for Lock 53, there are 20 and 24 barge tows that have passed through there, so I don't think there's anywhere we can pick up barges between Olmsted and 53. So I think the restriction was 24 barges, if I remember correctly, northbound through for Olmsted. Just for the industry's knowledge.

MR. DALE: Okay. I'll double-check that. Appreciate that.

And that really takes us into this slide. Last time we talked, we talked about the navigation charts that we were putting in place and how we're controlling traffic at Olmsted. And, obviously, not anticipating that you guys are able to digest those navigation charts, but the intent is to share with you that we have, in fact, looked at a series of different navigation charts for various conditions at Olmsted.

We've shared that with the industry. We have what we call a tactical team that's working through that with protocols. That team's got the Coast Guard on it, has the Corps on it, and has the industry.

Mr. Steve Southern is kind of the focal point for us. He's on the ICE team, and he does a lot of coordination with the RIETF [River Industry Executive Task Force] folks. So I believe we have a plan in place to do a lot of coordination with industry to make sure you guys know what we're planning on doing. And the fact is, if you don't think we are; please let me know, because our intent is to do that.

What we've got is these are published charts, and the idea is once we go into different conditions, we'll say to the industry, we're going into chart so and so, so that you know which chart we're operating at.

The other is that we have taken the control of this portion of the river from Lock and Dam 52 and put it at Olmsted. So the Olmsted control tower is now being used to pass traffic through that portion of the river.

Next slide. Again, kind of a summary of all the stuff we plan to do. I'm not going to read that to you. It's pretty much intact from the last time I briefed you. These are all the things that we plan on doing.

Next slide. Some pictures. Significant ones. We have the wicket gates that are fabricated off site, they are now on site. So as we get ready to set that first navigable pass shell, the tainter gates will be mounted on it. You'll see this is the Paving Block 3 that we're getting ready to move out into the water that we have successfully set.

The team here, this is kind of an interesting -- it may not be all that interesting to you guys; it's very, very important to us -- we do a lot of dives down there. We've done 5,000 on-site dives in the river. And we've done that without any accidents. And that's a very threatening environment, if you watch those guys do that. So we're very, very proud of that. 5,000 dives to date and done it successfully without anyone getting injured.

The pile driving operation is ongoing. And then, ultimately, this picture here is -- Number 6 gives you a feel for the tainter gate. Now, that's probably the one area of less than positive news in that we're having some troubles with that fabricator. Our goal would have been to set that first tainter gate this season. The fabricator is not necessarily -- he's having some trouble. I'm not sure he's ever done anything quite this big.

And I think we have about a 30 percent chance that we'll actually set that tainter gate this season, as we previously told you we would. Now, the good news is that's really not on the critical path of the project. So if that slips into next year, it's not a problem. We have the capability to do multiple tainter gates in a year, so that won't be an issue. So that will slip the schedule, but it is kind of just in transparency, an issue that we're struggling with right now. Other than that, the job is going very, very well.

Next slide. Some milestones, I've kind of talked to you about this, we set LP-5 and LP-6. We set paving block -- our plan is to set Paving Blocks 1 through 4. We've got Paving Block 4 in place; Paving Block 3 will be set tomorrow.

Talked to you about setting tainter gates. The reason that is red is that's the one that is at risk, the first one, about a 30 percent chance we'll get that done this year. But no schedule impacts associated with that.

And then, ultimately, the stretch milestones that I talked to you about, setting Paving Blocks 5 and 6 and Navigable Pass Monolith Shell 2.

Next slide. This is a dashboard we present. Let me give you a couple of things, I think, of significance here. If you look at the schedule slide, if you look at the -- what we try to brief is, ever since we produced the PACR [Post Authorization Change Report], we use that as our – we established our baseline. That's our performance baseline that we're judging ourselves against. So when I talk about on schedule and on budget and all that kind of stuff, I'm talking about how it compares to the PACR number.

So in the PACR, we said we'd be project complete in September of 2024 and dam operational in September 2020. Where we're at today is we think we'll have the project complete in March of 2022, and the dam operational in October of 2018.

If you go back to our report last month, you'll see that we've pulled that to the left. So right now, we're on track to deliver the dam operational in October 2018. I believe it was in March of 2019, the last time we reported to you. And then this was March of 2023 the last time I reported.

So you asked the question, what are we doing with -- we are getting efficient funding. We are recovering from what we experienced early on, on the project, and we're pulling these things to the left.

And that's significant, because every year of delay on that project is $50 million of overhead just to sit there and do -- whether you do anything or not. So that's a $50 million savings, that one-year savings.

Marty, you had a question?

CHAIRMAN HETTEL: Yeah, David, Marty Hettel here. That's an important -- October 2018 -- piece of this puzzle for us. Is that your projection based on previous river stages, or is that your projection based on a norm -- what I would call a normal navigable set season or navigable -- or shell placement season?

MR. DALE: That's what we consider our normal navigable pass season. So we're always trying to look to the future and schedule against our normal season, but we want to make sure we're positioned to take advantage or any early seasons or late seasons. So this is assuming a normal season.

CHAIRMAN HETTEL: Yeah. So a high water event, then, could delay it? This is barring Mother Nature?

MR. DALE: That's right. Absolutely correct. And that's kind of why we say it's our current schedule. So our performance baseline is, our commitment is we're going to deliver in accordance to what we said we're going to do on the PACR. And we're well on track to do that.

Let me jump to another significant issue here, is when you look to the bottom left-hand side under the TPE, “Total Estimated Project” cost, the trend, you see this little jump right here. That's about -- I did the math -- about $47 million, I believe.

And so you kind of -- that makes you nervous because that's a big number. But let me explain what we did. That's a very conscious decision we made on site.

As we look to take advantage of things in the future, as we look towards trying to mitigate risk, we recognized that on site we were constrained by our crane, our heavy lift capacity.

And then we had some very critical pieces of equipment that, if we lost them, it immediately would impact the schedule. So we went out and made kind of a strategic buy of some additional cranes, some additional barges, so we could, in fact, have some duplicated capability in case we lost our heavy lift crane, essentially our ringer crane, that's a very expensive crane we bought and some barges to support that.

We bought a couple of other less -- not quite as large cranes, but a crane that would help us so we could do things simultaneously. So that pulling the schedule to the left doesn't come at no cost, but I really truly believe it's an investment in avoiding future cost because what it does is pull us to the left, we mitigate the risk, then what happens if we lose a good season?

If we're out there in good water conditions and our ringer crane goes down, we've lost a year, basically. So this is really about buying down that risk. So that $47 million that's tied to that, there's about $10 million where the contractor proposed an approach to some work, and it was a more expensive approach, and we're having them to go back.

So that $47 million should drop back down to about $37 million. And that $37 million cost increase is driven by us, looking at how we mitigate risk in the future.

Any questions on that?

MR. WOODRUFF: This is Matt Woodruff. I just want -- this may be a semantics issue, but when you say that you're buying cranes, barges, and stuff like that, are you chartering that equipment in for the term of the project, or are you actually, physically purchasing that equipment?

MR. DALE: Before we do any of that, we go through what we call a lease-buy alternative, straight-up analysis, and we make that decision. The vast majority because of the longevity that we’re on that site, we're buying that equipment. And we buy it.

It becomes government equipment because of the nature of this contract. So those we actually bought, but we do a tradeoff analysis.

MR. WOODRUFF: You know when we're talking about turning nickels into quarters, at the end of the project, if those things have residual value, what happens to those and can we -- to the extent that the purchase of those was cost shared and they go somewhere else, can we sell them back to the government and get our -- a little bit of money for the Trust Fund?

MR. DALE: That's a great question, and we've been thinking about that very hard. We actually have a property manager on site. And if we wait until the end and we close out the project and try to excess the equipment, it goes back to the Treasury and you kind of lose out. That's not what we want to do.

What we want to do is, as we get closer to the end, begin to sell these things off so we can roll that cost back into the project and, obviously, reap the benefits for the Trust Fund.

Now, I temper that with we think we have that agreed to with all the attorneys and everybody, but we still have concerns one of these days somebody's going to raise their hand and say, you can’t do that. But our current plan is to proactively work that so we can try to buy down the project.

And, very honestly, what you see is the entire team looking at schedule and budget, trying to figure out what we can do to drive that down every day.

And we're having success.

Next slide. This is a slide, a graphic we tried to give you just to give you a visual. Let me explain this real quick. I think you've seen this before. The blue line at the very top represents the PACR number, $3.1 billion. The -- kind of the duration to the far right shows you the 2024 date that the PACR said we would deliver on. So what we have here is a green line that's kind of tracking where we think we're going to end up.

And so what you see here is, right now the project team thinks we're going to end up here. We've got some risk built on top of that for both the dam contract, there's some follow along contracts that we have some risk built into. With all that said, if all that risk comes to fruition, we still think we'll deliver about $60 million under the PACR number and ahead of schedule. But we don't think all that will happen, but we're carrying it.

Yes, sir.

CHAIRMAN HETTEL: David, Marty Hettel here. Looking at on your dash line here on when you project the dam being operational, is that the $2.795 billion?

MR. DALE: Should be, yes.

CHAIRMAN HETTEL: Okay. So if the project was authorized at $3.1 billion, that's leaving some $300-plus million left to remove Locks and Dams 53 and 52 and additional mitigation to the site, is that correct?

MR. DALE: Yes. Yeah, you have to be careful with what you said. The project wasn't authorized at $3.1 billion. It was authorized at some number lower than that.

CHAIRMAN HETTEL: Okay. The 902B increase number, the 902B number, that's what I'm after.

MR. DALE: Yes.

CHAIRMAN HETTEL: So the cost to remove Locks and Dams 52 and 53, what's your estimate of that $300 million left over at that point when the dam's operational.

MR. DALE: Right now we're tracking Locks and Dams 52 and 53 demolition is in the ballpark of $123 million. So it's a significant number. I don't think you can eliminate all that, but we can certainly look and we are actively got the team looking at what's the minimal amount of demolition that we have to do.

Clearly, our objective is to provide for safe and efficient navigation through that portion of the river. And we're actively looking at, do we have to do more than the absolute minimum and what can we save.

CHAIRMAN HETTEL: And that's a great idea, because we certainly could use those quarters elsewhere. While we know Locks and Dams 52 and 53 eventually are going to have to be demolished, it may be something that would be available to delay it another time when the Trust Fund can better support it. Although that's only 15 percent of our costs, it would still be somewhere in the neighborhood of $17, $18 million.

So could you have that evaluation ready for us at the next Users Board meeting on the safety protocols if you were to leave Locks and Dams 52 and 53 in?

MR. DALE: Yes.

CHAIRMAN HETTEL: On what you would have to take out?

MR. DALE: Yes.

CHAIRMAN HETTEL: Can you present that to us at the next meeting?

MR. DALE: Can do.

CHAIRMAN HETTEL: Thank you.

MR. DALE: Any other questions?

Next slide. Future challenges, we've talked about all this before. The one thing that has changed I wanted to update you on is, previously, we were seeing FY 14 and FY 15 -- or, excuse me, FY 16 and FY 17 for that $180 million number. Because we pulled the schedule to the left, clearly that means we're going to expend more money sooner.

So it's now on FY 15 and FY 16 that we'll need that $180 million. Working very closely with Jeff [McKee] to make that happen. I think we're on schedule, that won't be an issue. But I just wanted to at least make sure everyone was aware of that.

The other is that -- and I talked to this bullet previously, but we are working on a way - we have a way in place to try to minimize the number of passages where you'd have to lock through by having you go over the navigable pass, and kind of the key elevation is that 290.

Next slide. I'm not going to talk to this one. We've seen this all before.

Next slide. So when you look at this and try to match all the numbers up, it gets a little tough. And the reason is, is these numbers represent essentially the fully funded number with the PACR with all the risk actualized; the previous numbers don't do that. So it's kind of hard to go one to one comparison.

The one thing of significance here is you might ask, wait a minute, how come they've changed since the last meeting, went up by $21 million. That's a few nickels. The reality is the way -- kind of the process -- we go through, we just went through a cost update. And when we do cost estimates, we're constrained to certain escalation factors by I believe it's OMB [Office of Management and Budget]. So we're constrained to what inflation factors we can use.

But then when we go and actualize some of that work over a couple year period, we get -- the real inflation rolls in into materials. So that's really what you're seeing in the $21 million. We're still, in the big scheme of things, at $3.1 billion. But that's the reality of what that number is.

It's just a rationale that you're artificially constrained for estimation purposes, and then when you actualize the work, you get the real inflation factor.

Any questions?

Next slide. This kind of lays out – it really gets to Marty's plan. We do have a thought out plan of exactly how we plan to execute this. We need a wicket lifter boat to lift the wickets once we go operational. That's scheduled so that it will be available when needed. Some buildings and grounds work. The demolition of 52 and 53, that's what we owe you a report on and we will deliver that at the next Users Board.

And then this last one here, that's a – I forget the exact number -- 100-plus-million dollar line item. And when we did some of the design studies at ERDC [U.S. Army Corps of Engineers Engineering Research and Design Center in Vicksburg, Mississippi], we realized that's there a potential for some sedimentation and some challenges relative to getting in and out of the lock with currents. So kind of the results of those models were that you need to wait until you get this thing built to really see what the real world says, talk to the industry, and you might need these dikes.

So that's about a 100-plus-million dollar line item that could happen. We might get out there and realize that, in the real world, it's not an issue. But it's a number we've got covered in the budget right now.

Any other questions? Yes, sir.

CHAIRMAN HETTEL: Yeah, David. Marty here. I'm sure you're looking at this. On the previous page, you said dam operational in October of 2018. Here you've got construction complete in 2021, June 30, 2021. Are there other pieces of the dam after its operational?

MR. DALE: That's correct. Yes, sir.

CHAIRMAN HETTEL: Thank you for that clarification. And one last point, I'd hate to see that dam operational in October of 2018 but your wicket lifter not completed construction until February of 2019.

MR. DALE: Gotcha. I did detect that. I will work on that and clarify it next time.

CHAIRMAN HETTEL: Okay.

MR. DALE: Next slide. That's all I've got on Olmsted, subject to any additional questions.

We'll go on to Lower Mon, if you would. Not quite as much detail on Lower Mon. Part of it is we're still developing the slide deck and getting the team spun up into this thought process. But the other is it's just a different phase in the cycle of the project.

Again, I'm going to move fairly fast. Most of this you've seen before. Not a whole lot has changed.

We've completed Lock and Dam 2. That's done. The plan will be, once we have Lock and Dam 4 done, we will remove Lock and Dam 3.

Next slide. Kind of a summary of the cost estimates. The one thing I'd like to clarify, this statement is a little bit misleading because it says we're $1.1 billion below the 902 limit. That's a true fact, where we're at today.

But the reality is, if we complete the full scope of this project, we would exceed the 902 limit. And I'll talk to you more about that. But I don't want to mislead you to think that we're under the 902 limit for the full scope of the project.

And then, ultimately, when you look at, so what drove the cost, you got the Olmsted schedule, the Trust Fund revenues, the deferment. Right now, this represents deferment of the land chamber until 2050, which clearly drives the cost way up. So that's some of what you're seeing here.

Next slide.

MR. SOMALES: David, Mike Somales.

MR. DALE: Yes, sir.

MR. SOMALES: The deferment of the land chamber, which would be the auxiliary chamber once the riverward nine barge chamber, the new nine barge chamber is completed, the 84 foot by 720 feet chamber is completed, that would be the auxiliary chamber, which is deferred or delayed until 2050. So, actually, in economics, it looks like it's more expensive because, the time value of money, we're pushing that thing out in the future. But, in reality, it's --

MR. DALE: Very good point. So, the real calculus here is how we bring the most benefits on the soonest. And the reality is, by deferring the land chamber -- excuse me – the land chamber deferment to 2050 that allows us to bring 90 percent of the benefits of this project online.

So it makes sense. It's a good plan. But it does, in fact, drive the total cost of the project, when you do the math, up. Just the reality of the situation.

MR. SOMALES: At some point in time in the future in reevaluating the entire project, it might not even be worth putting a second chamber back in there, an auxiliary chamber. Some systems do function well with one chamber.

MR. DALE: Kind of in the line of how much of the Olmsted demolition do we do, we also are actively looking at how do you go about making this change. Because it is a change. Congress authorized the full scope of the project. Do we change that, or do we just defer it? Right now, we're deferring it.

Next slide. This slide gives you a feel for the overall schedule on the project, the sequence of work. I don't think any of this is new to you, so I'm not going to dwell on it. This is the point I was making earlier, that over 90 percent of the project benefits are achievable within the 902 limit.

And that's kind of where we're heading as our goal is to deliver the project and bring those benefits online as soon as possible.

This also does not reflect the 85/15 change in the Olmsted, which changes the cash flow analysis that says when you pick these things up. It also doesn't reflect the move of Olmsted's completion up a year. So we're actively in the process of taking the schedule that you see here and reworking it to address all those cash flow issues for the program as a whole because it changes.

So we're working that. We should be in a position next time to give you a much better layout of where we are at now, given the Olmsted schedule change, the 85/15 state of the Trust Fund, and all that stuff. That's where we're at.

Next slide.

MR. MECKLENBORG: Yeah. Dave Mecklenborg. On the land chamber, is that a decision to -- the recommendation to defer it, or can it be just eliminated? There was some discussion to that effect.

MR. DALE: Well, let me -- from the Corps' perspective, we're just saying, in order to deliver it, we would defer it. So we're not taking an active decision to recommend deferment -- or, excuse me, recommend deletion.

MR. MECKLENBORG: Okay.

MR. SOMALES: Because the project was approved by Congress with the chamber there, to change it, to take the lock out, you'd have to go back to Congress, right?

MR. DALE: Yeah.

MR. MECKLENBORG: Okay. Got it.

MR. SOMALES: So they're just deferring it.

MR. DALE: I'm not sure we'd have to go back to Congress. I think we'd need to go through a deliberate process of what we're doing.

CHAIRMAN HETTEL: And Marty Hettel here. To touch base with Mike and Dan, I think this is going to also be certainly part of our 2010 Annual Report on what our recommendations are, whether it's deferment or completely don't build the landward chamber, will be part of our 2010 Annual Report. Or 2014, I'm sorry. I've got the IMTS [Inland Marine Transportation System report dated 2010] on my mind.

MR. SOMALES: As far as the recommendation goes, it doesn't cost anything to defer it or take it out of the project, so I don't think I would recommend taking it out of the project yet.

CHAIRMAN HETTEL: Well, we need to make that determination as a Board for our Annual Report. Absolutely.

MR. SOMALES: Right. Deferment doesn't cost anything.

CHAIRMAN HETTEL: And let me make sure I got this right, Dave. Your 2028 schedule for finishing the river chamber at Charleroi, doing the dredging in Pool 3, and removal of Elizabeth is based on a 50/50 split on Olmsted, so that doesn't incorporate the fact that you may have more dollars to work with going forward?

MR. DALE: Correct.

CHAIRMAN HETTEL: And how soon do you think you'll be done with that calculation that you guys are going through on this project?

MR. DALE: We should certainly be ready to brief the Users Board on the plan next time around.

CHAIRMAN HETTEL: Okay.

MR. DALE: Maybe sooner, if you really needed an IPR [interim progress report], but we're working in that direction.

CHAIRMAN HETTEL: Well, the sooner we can have it, the sooner we can make our recommendations. And before we get into the financial side, is there an estimate for finishing the river chamber at Charleroi and the dredging and the removal of Elizabeth [Lock and Dam 3]?

MR. DALE: Yeah, let me run through some numbers. As you look at this chart, one thing that's missing is just a feel for the magnitude of the cost. The Charleroi Dam stilling basin is about a $36 million cost. The river chamber completion, that's $475 million. The dredging of Pool 3 is about $150 million. Now, that $150 million is a relatively conservative number because it includes the assumption that most of that material, it assumes that all that material retrieved is a special material that has to be disposed of in a special way. And we don't think all of it will be. So that could come down. But for planning purposes, that's $150 million.

Relocations, there's about $140 million in there for that. Lock and Dam 3 removal is about $24 million. And then the deferred to 2050 land chamber is about $1.4 billion.

CHAIRMAN HETTEL: What is the -- what did you say, relocations? What is that expense for?

MR. DALE: It includes the Port Perry Bridge and some water supplies and things such as that.

CHAIRMAN HETTEL: I think your next slide is going to address the Port Perry Railroad Bridge. But just adding that up -- and I don't know what that whole total $140 million is, it would be nice to know that breakdown -- but looking at the river chamber at Charleroi, the dredging, and the removal of Elizabeth is about $650 million. Very rough estimates on the 85/15 -- or 85/15 split at Olmsted, barring any other projects that may get funding, that would be about five years of funding at $127.5 million annually for the Lower Mon.

So if you could spend that money, we could have 90 percent of the benefits in five years. Am I wrong in that estimation?

MR. DALE: I'm not ready to commit to that precisely because the team needs to go through the analysis. There's some construction related logistics about access to the site and how you move around it. I think what I am comfortable with is we're looking at very closely how do we pull that to the left, if we had, quote, unconstrained funding or efficient funding, what would we do to change that.

So we're working towards that. I should be better to answer that next time around, but I'm not ready to answer that right now.

CHAIRMAN HETTEL: Well, that's going to go into what our recommendations are at the end of year, based on whether or not you can spend the $127.5 million, or about that number, each year on Lower Mon. Because before we can move on to any other projects, this one needs to be finished as soon as we can, along with getting Olmsted operational. I'm sure you're aware of that.

But we can't come up with our recommendations until we know what you can spend on an annual basis and how quickly you can get --

MR. DALE: My sense is what you're telling me is the next meeting is too late for you? When do you need it by?

CHAIRMAN HETTEL: No. And I was going to touch base on this. We might skip over it on the 2014 Annual Report. My goal was to have that finished by the next Users Board meeting. It's obvious we're not going to. But we need all this information so that we can finish our Annual Report within 30 days of our next meeting.

So that's the essential part of it. And that might give us a little bit of time back. But this is all great information that we really need so we can make a recommendation not only on how we spend the Trust Fund dollars, but how we save public money in reducing the costs of a facility.

MR. DALE: I understand. You let me know when you need it, and I will work towards that goal.

CHAIRMAN HETTEL: I would say no later than our next Users Board meeting.

MR. DALE: Got it. Can do. Will do. Really, I just wanted to give you a feel here of if you went out on site and said, what's going on, what's about to go on, the river wall is about 99 percent complete. The emptying basin is about 25 percent complete. The middle wall is about to be awarded, probably in the next two to three weeks we should award that contract.

And then the next contract after that would be essentially completing the chamber and the rest of the center wall. Any questions?

Next slide. This one, there are a lot of questions about the Port Perry Bridge. Just some facts. Some of these facts are not absolutely intuitive. For example, the number of boats that passed there that have a greater than 42-foot clearance, I'm not sure how they do that. So we need to deal with this a little bit, work with you guys.

But I wanted to at least get you some information on the Port Perry Bridge, which is something we're looking at. We're working with our Headquarters, Mr. Hannon, to coordinate with the Coast Guard about do we have to or do we not have to raise the Port Perry Bridge. So we're actively working that.

CHAIRMAN HETTEL: I would think you'll get a recommendation from us on our Annual Report on that also. I'm sorry, Mike, you had something to say?

MR. SOMALES: Yeah. I was actually looking at it, as we speak. And the charts we have, the most recent charts we have from 2004 are showing that bridge at 45.6 feet [vertical clearance]. And I think the original plan was to lower that or raise that a full five feet, which would bring that down to 40.6 feet, which is nearly two feet, just shy of two feet lower than the current lowest bridge on the Mon River at Smithfield Street at 42.5 feet.

So I think, if I'm not mistaken, you've already raised that pool a little bit to take head pressure off the Dam at Lock 3. And I was looking for when we would get an updated chart. You and I spoke at breakfast about that. I'm looking at the charts right now, and they're the 2004 charts which are the latest available online.

MR. DALE: Okay. Thanks.

Next slide. Not a whole lot has changed here, other than we've got a cost update. I have to be honest with you, I need to go back and double-check that 2015 cost update because that sounds like a typo. Because I'm not sure how we did a 2015 cost update when it's 2014. So I need to clarify that one.

But, ultimately, what we did is we got a certified cost estimate. We've redone the 902 calculation, and that's what you see reflected there.

Next slide. We're going to try to populate this with a little more detail by the next Board meeting, make some assumptions relative to funding and all that and try to at least give you guys a little better feel for not just funding plus three years, but what we think is at least a plan for funding, given cash flows that we assume, and share that with you.

Next slide. That's all I got.

Any questions for me? Thank you very much. I would ask one thing in closing. A lot of good work going on in both those projects, along with lots of other places in the Corps. When you're out on those project sites, please find somebody and shake their hand because they do a lot of hard work every day.

Thank you very much.

MS. SIMMONS: Thank you, Mr. Dale.

Marty, I'll turn it over to you. You mentioned shortening your discussion of the Annual Report, but I'll give you the opportunity to do that now before our break.

CHAIRMAN HETTEL: Well, absolutely. As I stated, I was hoping to have our Annual Report done by the next Users Board meeting. But in light of this meeting, we need some more information before we can recommendations, which alludes back to my opening remarks on how we're going to have to depend on the Corps for information moving forward on our advice and recommendations.

So I'll just cut it short with that, and we can address some of the 2014 Annual Report recommendations at our next meeting.

MS. SIMMONS: Okay. Thank you. And what I'll do is actually postpone the discussion about WRRDA until after our break, and go ahead and call our break now, because I think we won't get through that discussion in five minutes.

So let's reconvene at 11:15, please.

(WHEREUPON A SHORT RECESS WAS TAKEN).

MS. SIMMONS: We postponed the WRRDA discussion until after the break. So, right now I would like to call on Mr. Jeff McKee. And he has got his presentation up there for you to follow through with.

And you should have a hard copy in front of you for the Board members. And there are extra copies available out in the lobby as well. So, Jeff.

MR. McKEE: Good morning. Before I start on the WRRDA presentation, just to respond to the Chairman's question before on tow restrictions on the Ohio River, we have confirmed that upbound tows are restricted to 24 barges and downbound tows are restricted to 15 barges, in response to Mr. Hettel's question before.

The Water Resources Reform and Development Act guidance that the Corps is responsible for drafting, execution of the law that was passed by Congress is an Executive Branch responsibility. The Corps of Engineers, as well as the Army, are under the Executive Branch.

Our implementation guidance is going to determine how the Administration or the Corps of Engineers will proceed with the requirements of the new law, looking at both our current policies and procedures, as well as developing any new policies and procedures that we need in order to implement the law.

We want to ensure, of course, that it's consistent across the board between all the Districts that are out there working, and then typically what you see is our implementation guidance is issued either via a memorandum that comes out and goes to the field or our Engineering Circulars or our Engineering Regulations that we publish. And then one thing to note is not all provisions that are in either this WRRDA or a previous WRDA [Water Resources Development Acts] law is necessarily implemented as a matter of policy.

Next slide, please.

MR. WOODRUFF: This is Matt Woodruff. If I could interrupt there, that kind of sounds unusual to me, because when I took government in school, policy was secondary to law; law wasn't secondary to policy.

So if Congress says and the President signs and it's the law of the land, how can, as a matter of policy, there be a determination not to do it?

MR. McKEE: There are a couple of things that would, in one instance, there may be requirements in there that require a significant amount of funding in order to accomplish those requirements. And WRRDA is an authorization, not an appropriation law. So if we do not receive funding to implement some of these changes, then we would not implement those changes.

MR. WOODRUFF: You wouldn't be able to implement them until you have the appropriate funding.

MR. McKEE: Until we were given appropriate funds. And, typically, the guidance that would go out would be, we can't do anything on this until Congress provides funding specifically to accomplish this work.

MR. WOODRUFF: But if it was something that was not funding dependent, then would there be a policy decision by the Corps not to implement a part of the law?

MR. McKEE: There could be some policy decisions with respect to budgeting, for instance. We may not submit a budget for something that we did not feel -- or, excuse me, the Administration would not feel was policy compliant with the Administration's proposals.

MR. WOODRUFF: Thank you.

MR. McKEE: Sure. Of course, everybody's aware that this was passed on the 10th of June. Overwhelming margins. It authorized 34 new projects, eight of which are navigation. The value of those is $12 billion. And in order to offset that, there's a requirement to deauthorize $18 billion in older projects that haven't been constructed or portions of older projects that haven't been constructed.

Sets forth a new process for providing projects to the Congress for authorization. States, as well, could do this. It's not only limited to the Corps, as well as other local public entities.

The smart planning, the “3x3x3” rule, the three years, $3 million, three levels of vertical integration at the District, the Division, and the Headquarters is now codified in law.

And so now where we would have had to – or the Districts would have had to come up to the Headquarters to get a waiver of that “3x3x3” rule, that would have been under the auspices of Major General Peabody to approve or deny, now if we exceed that, we need to go back to Congress with an explanation of why we cannot adhere to the “3x3x3” rule.

Congress also eliminated the need for the Reconnaissance phase studies. These were typically $100,000 to $150,000 studies that were done to determine the Federal interest in advancing or moving forward with a Feasibility study.

And so now without those, we would move directly into a Feasibility study. Of course, there's some drawback there where now we have to do some of the work that would have normally been done in the Reconnaissance study, as well as the Feasibility, within that “3x3x3” requirement.

And as Mr. Chairman Hettel referred to this morning, there are significant reporting requirements, not only for the Users Board, but also for the Corps of Engineers and other agencies.

Non-federal contributions. It provides authority for non-federal entities to provide contributed funds for Corps of Engineers or congressionally authorized water resources projects. As long as the Corps of Engineers approves the plans and an environmental impact statement or the appropriate NEPA, or National Environmental Policy Act, documentation is filed.

It can be contributed for any of the authorized studies or projects that are in a public interest or in federally-declared disaster situations where you may have had a hurricane, tornado, or something come through there.

There's a five-year pilot program, which allows non-federal interests to fund the operation of locks. This is something that we did not need authority for. We've got three separate cases that we're working through the system right now for contributed funds on the Upper Allegheny River, on the Upper Monongahela River, as well as the Calcasieu Saltwater Barrier. So while this kind of helps us with that, it wasn't necessary there.

A five-year water infrastructure financing and innovation authority pilot program for a variety of water infrastructure projects, and then public/private partnerships. Mr. Hannon, I believe, has spoken on that at past Users Board meetings with some of the things that the Corps is doing in looking at public/private partnerships.

And then the authority to enter into agreements, at least in the Navigation program, was limited to public entities. Now, we can extend that to additional non-federal interests, private entities. And so I know this has come up on the McClellan-Kerr Arkansas River in the past, where if there was a lock that went down and there was a private interest that may have had a crane available or welders available or there was funding available, under the previous law we could not accept that work. But now this gives us the authority to accept either funding or work by other non-federal entities besides just the non-federal sponsor.

In terms of specifics, if you look at Title II, which is Navigation, Subtitle A addresses the Inland Waterways Trust Fund projects.

Somewhat disappointing that there was no actual increase in revenues authorized by the Water Resources Reform and Development Act. But it does provide for review of ways to increase those revenues and look at other methods of generating revenues.

So it's both an efficiency of collection, as well as new revenues. One of the most significant ones that Chairman Hettel discussed this morning was the change in the Olmsted draw on the Trust Fund from 50 percent down to 15 percent. And that will have a significant impact on freeing up Inland Waterways Trust Fund dollars for use.

However, there is no increase in the Corps' budget as a result of that. So we will still have to compete within the Corps' overall Civil Works budget for additional funds. And I'll discuss later on today the work plans where Congress actually gave us additional funds to do that. But that would be the necessary mechanism to get significant increases in funding for other projects. Because if Olmsted is drawing $160 million or $180 million at 50/50, that $160 million is coming from the Corps' budget.

The fact that the shares change has no impact in terms of a total overall draw on the Corps' budget.

Major rehabilitation threshold has increased. Right now it's about $16 million, it increased to $20 million based on the Act. And that would continue to be escalated over time in accordance with the provisions of the 1992 Act [the Water Resources Development Act of 1992, Public Law 102-580] that set forth the major rehabilitation thresholds.

Project delivery process reforms. These were largely taken from the Inland Marine Transportation System Capital Projects Business Model report that was done in April of 2010. You see the project manager certifications, the risk-based cost estimates, the best management practices. It does provide for a pilot project using these best management practices.

And then Chairman Hettel reiterated the Inland Waterways Users Board requirements this morning in terms of meeting at least semiannually, a number of reporting requirements to provide advice and recommendations, both to the Secretary of the Army, as well as to Congress regarding budgets, feasibility reports, post-authorization change reports and the long-term capital investment program.

And Mr. Kareem El-Naggar will talk later on what we're doing in terms of the long-term capital investment program. It also provides for participation and signing of the project agreements that are being used to guide the project delivery teams.

There is a requirement for the Secretary [of the Army] to communicate the status of projects at least quarterly. And so, that can be done via quarterly Inland Waterways Users Board meetings or another method, if we were unable to meet on a quarterly basis, as well as provide copies all completed feasibility reports that have bearing on Inland Waterways Trust Fund.

The capital investment program, we are required to, within one year, which would be one year from 10 June [2014], when the Water Resources Reform and Development Act was enacted by the Congress and signed by the President, provide a new capital projects business model plan.

It would be based on some of the work done in the original IMTS Capital Projects Business Model report, and, of course, needs to be geographically distributed across the country; look at efficient funding and then, as much as we proposed in the Capital projects business model report, updated every five years.

I already indicated the project management plans would be signed by the Chairman and appropriate members of the Users Board.

A little bit more guidance on the Federal Advisory Committee that Mindy discussed this morning. The Users Board members would not be considered Special Government Employees. That was one of the hang-ups we had in getting the Board reconstituted over the past couple of years and there is an allowance for travel expenses.

Efficiency in revenue collection. The Comptroller General of the United States is responsible for looking at compliance with the current law, as well as alternative methods and options of collections.

There's also a look at additional revenue studies, use of bonds, other potential revenues, to increase funds going into the Inland Waterways Trust Fund.

The establishment of a Stakeholder Roundtable and a report on Olmsted lessons learned to move forward in the future.

And then an annual fiscal review that needs to be submitted to the Congress on those projects that cost more than $500 million in total.

And then an assessment on the O-&-M [Operation and Maintenance] needs of the Atlantic Intracoastal Waterway. The Atlantic Intracoastal Waterway runs from Norfolk down to Florida. It's a low commercial use waterway carrying less than one billion ton-miles of traffic a year. It gets very little funding for dredging, except in the North Carolina reach, where you've got a significant amount of cargo moving on that into the ports there. So we're responsible for providing a report there.

Yes, sir.

MR. WOODRUFF: Mr. McKee, I hate to interrupt you. While we're on that point – Matt Woodruff again -- was there not an addendum to the language when it came out of the conference, it also added the GIWW to that so that the O-&-M assessment is for both the Atlantic and Gulf Intracoastal Waterways?

MR. McKEE: Yeah, I thought I heard that. I don’t remember reading that. So I may have had an older version, so yes.

MR. WOODRUFF: I think that's the case.

MR. McKEE: Yes, the Gulf Intracoastal Waterway would be assessed. But that is provided a significant amount of funding a year to maintain that, but yes.

MR. WOODRUFF: I see Mr. Jones in the back nodding, so --

MR. McKEE: Thank you.

There are provisions for looking at determining the feasibility of river bank stabilization on the inland waterways.

There's also a mandatory closure to protect the Great Lakes. This would require closure within a year of the Upper St. Anthony Falls Lock and Dam.

Provisions for energy development on the McClellan-Kerr Arkansas River Navigation System at the Mayo Lock and Dam.

The Freedom to Fish Act that was passed had a two-year provision in there. That's been extended to four years.

And then there are requirements for the federal government to operate floodgates on inland waterways. Since the floodgates are under the flood risk management business line, the requirement, typically, is for the non-federal interest to operate those. This is particularly down on the GIWW. This provision would require the federal government to operate this.

CHAIRMAN HETTEL: I'm sorry to interrupt. Marty Hettel here. I want to touch base back on the Users Board not being governmental and special government employees.

Currently, when we reconstituted the Board and membership approved, I think May 28th of last year [2013], and I was speaking to the Secretary on this, can we make sure at our next Users Board meeting that we are all valid for two two-year terms, I believe is what this Board is for right now?

MR. McKEE: I believe you are, but I'll defer to the --

MS. SIMMONS: Yeah, it was a two-year term, with reappointment, for a total of four years. So we're verifying that with our backup folks within the Department.

CHAIRMAN HETTEL: If we can just make sure we have that verification at the next meeting.

MS. SIMMONS: At the next meeting.

CHAIRMAN HETTEL: That would be good. Thank you.

MS. SIMMONS: Certainly.

MR. HETTEL: I'm sorry to interrupt, Jeff.

MR. McKEE: No problem, sir. That's the preponderance of the inland side. I threw just a couple points up on the coastal side because, one, obviously, as everybody was aware and was clearly pointed out on the trip yesterday, that the coastal and inland systems operate as an overall system, and some of the changes that you will see in the WRRDA 2014 will have impacts on the inland work as well as the coastal system.

So the first one I bring up is the change in cost-sharing of operation and maintenance of coastal projects going from 45 to 50 feet. They did not change the cost sharing for construction. That threshold, that 45 feet for a 50/50 cost sharing is still there. But in terms of picking up the incremental increase in O-&-M costs, that doesn't occur until you get down to a depth of 50 feet, where it would be cost shared 50/50 instead of at 45 feet.

And so that is some incentive for some of the coastal ports to deepen their projects. You know, we've got requests from the Port of Mobile, as well as the ports along the Lower Mississippi, wanting to deepen those already authorized ports from 45 down to either 50 feet or maybe, ultimately, to the 55-foot authorization that both of those ports have. And you may see that elsewhere as well.

The rate of utilization of the Harbor Maintenance Trust Fund is going to increase from roughly 67 percent in Fiscal Year 2015, increasing by two to three to four percent per year over the next 10 years to 2025. This is direction given to the Congress. It is not given to the Administration. So it's up to Congress to appropriate the additional funds, ultimately, up to 100 percent when you get out to 2025.

What that's going to mean is that's going to put additional pressure on the overall budget for the Corps, as well as the overall Energy and Water Development Appropriations Act. And so it's going to have to come from somewhere. The sense of Congress is it would not come from the Corps. And that's clearly articulated in the Act.

But, certainly, it'll have to come from somewhere, so some of the other agencies in the Energy and Water Development Appropriations Act may look at losing some funds.

And then the 10 percent for “emerging harbors.” A lot of the inland harbors along the inland waterways are harbors that carry less than a million tons of cargo. And so this requirement to fund at least 10 percent of the total appropriated based on the FY 12 level will give some additional funds to some of those emerging harbors.

The next slide, I'm not even going to go through.

MR. KNOY: Jeff, Mark Knoy. I have a question before we leave the Harbor Maintenance Trust Fund. Up until about nine years ago, the Corps of Engineers published a biannual report of the budget in the Harbor Maintenance Trust Fund, which ports were eligible for funding and how much. The last time they produced that report was 2005. So I'm not even sure what ports are eligible for funding, both in the deep draft and the shallow water ports. Is there a more recent report than the one I'm talking about from 2005?

MR. McKEE: There hasn't been a more recent one released by the Administration.

MR. KNOY: So what ports are eligible for financing?

MR. McKEE: In terms of what ports are eligible, all of the coastal ports are eligible for funding. Not all the coastal ports pay into it.

There's a specific list in law and in regulation. There is a listing of all those ports that are assessed the harbor maintenance tax.

But all of the coastal ports, the expenditures on those ports for maintenance, construction of dredged material placement facilities, sand mitigation, and beneficial use are eligible for reimbursement from the Harbor Maintenance Trust Fund, as well as those inland harbors along, for instance, the Mississippi River, Vicksburg, Greenville, Memphis. Those are all eligible. The expenditures that we make on those ports, based on the allocations that they're given, are eligible for reimbursement from the Harbor Maintenance Trust Fund.

MR. KNOY: Thank you.

MR. McKEE: So, basically, the things that are excluded are the 27 fuel-taxed waterways. So nothing on those waterways themselves; for instance, the Mississippi River going up past those inland waterways would not be eligible. The Gulf Intracoastal Waterway is not eligible. But all of those ports along there, the shallow as well as deep draft, are eligible.

MR. KNOY: So is the Mississippi River eligible or not?

MR. McKEE: The Lower Mississippi is. Baton Rouge to the Gulf is eligible. But from there on up, the nine-foot project is not eligible for receipt because that is part of the defined fuel-taxed waterway. It's complicated.

MR. KNOY: Well, in the last report, they talked about shallow water ports, 14 foot of depth or less.

MR. McKEE: Correct.

MR. KNOY: But if it's on a fuel-taxed waterway, it's not eligible?

MR. McKEE: Well, the port is. So, for instance, again, Vicksburg, which comes off, it's a shallow draft port, that's an inland harbor. That is eligible.

MR. KNOY: Okay.

MR. McKEE: But the mainstem Mississippi going up alongside --

MR. KNOY: Yeah, not the river itself, but the port --

MR. McKEE: The river itself is not.

MR. KNOY: Right. Right. And it just seems like, to me, was the intent in WRRDA to increase the funding of the Harbor Maintenance Trust Fund to actually take dollars out of the Corps' budget and just move them to the Harbor Maintenance Trust Fund?

MR. McKEE: No, sir.

MR. KNOY: Or was the intent to see new appropriated dollars to support that?

MR. McKEE: The intent would be to see new appropriated dollars. If you look at Subtitle B [Port and Harbor Maintenance] under Title II for Harbor Maintenance Trust Fund, after they go through and explain the use of 67 percent and then the increasing percent each year, there is a Sense of Congress that's specifically laid out there that says, it's the Sense of Congress that these additional funds for Harbor Maintenance Trust Fund projects would not come from the Corps' overall budget [Section 2101(c)(1), 128 STAT 1273].

So it would be, in essence, additional funds that would be given to the Corps of Engineers Civil Works budget, and it would not have to come from inland or other --

MR. KNOY: But we haven't seen those separate appropriations as of yet?

MR. McKEE: No. The first year would be FY 2015 that the Congress would provide that.

MR. KNOY: All right. So going forward, are we -- we, being the Corps -- are you budgeting with additional appropriations, or are you budgeting more along the lines that we're going to have to take it out of the Corps O-&-M somewhere?

MR. McKEE: At this point in time, the Corps is limited to budgeting within the targets established by the Administration. And so we have to limit ourselves within the overall targets that we are provided. Again, this language for providing additional Harbor Maintenance Trust Fund dollars is direction to Congress to appropriate those funds.

MR. KNOY: Okay.

MR. McKEE: Okay.

MR. KNOY: Thank you.

MR. McKEE: Sure. This slide, I put it in there, and it kind of -- this is very simple compared to the pages and pages of language going through. But, basically, it lays out how this is spent between the different ports and what not. And I don't plan to go into it, but I put it there for your reference.

Next slide, please. Navigation authorizations, you see them here. Certainly, some of these, like Sabine-Neches Waterway and Freeport Harbor, Texas, that cross the Gulf Intracoastal Waterway, are going to be significant in terms of the movement of petrochemicals.

Next slide. “Listening Sessions.” Also in your handouts, I left a two-page document that looks like this. It's all typed out, has more detail on the listening sessions. The first session was yesterday at 2:00. They're all at 2:00 in the afternoon, go for about two hours.

There are opportunities for you to listen in, as well as to make comments. There are details on this sheet. There are, excuse me, three pages here which go into detail above and beyond just the high-level topics that I show here for each of these sessions. But, basically, these sessions will go for two or three hours. They start Eastern Standard Time. Next slide.

MR. MECKLENBORG: Jeff?

MR. McKEE: Yes, sir, Dan.

MR. MECKLENBORG: Dan Mecklenborg. Those sessions, is there a moderator of those sessions?

MR. McKEE: Yes. The Corps moderates. These are not presentation sessions, so the Corps will not be presenting on these. These are strictly listening sessions to hear from users as to what they think about the provisions in WRRDA and to help guide some our deliberations when we determine what the implementation guidance will be.

MR. MECKLENBORG: Does the Corps tee it up in the sense of saying, “I'd like to hear comments on such and such a section?”

MR. McKEE: The Corps will tee it up. You've got to register in advance, so the Corps knows how many speakers there will be. You'll generally be limited to about five minutes. It could be less, if we've got a tremendous amount of speakers that are registered. That will be played by ear. And then, if there is additional time left over, there will be provision for an additional round of comments.

The announcement, it has been published in the *Federal Register*. And then the next slide I'll put up there, this actually has the website up there that you can go to for more details, as well as where to submit comments.

And Bruce Carlson is, at the bottom of Page 3 of your handout, Bruce's information there for submitting comments is located there. But again, on Pages 2 and 3, you'll see more detail of the different sections that are going to be addressed at each one of those listening sessions.

Subject to your questions, that concludes my presentation. Yes, sir.

MR. WOODRUFF: This is Matt Woodruff. I was, unfortunately, otherwise engaged yesterday afternoon, so I wasn't able to participate in the listening session.

MR. McKEE: As were all of us here.

MR. WOODRUFF: Indeed. But since I figure you're the Corps of Engineers, maybe you'll listen to me today, if I just make a brief comment on the specific subject of deauthorizations, which I understand you've been directed by Congress to look at project deauthorizations.

But this Board has also been charged to advise Congress and the Administration on the long term capital development needs of the inland waterways system. And so I hope you won't consider the absence of comments from any of us yesterday in that session as indicative of a lack of interest.

Because I think that it's very important that we recognize, especially when we're saying, well, maybe there are projects that haven't had money spent on them, and, therefore, maybe they're not important; this Board, through the Capital Project Business Model that we recommended and that I think was embraced by Congress in the WRRDA bill, said that the smart way to build these projects is to build only as many as you can efficiently at one time, defer the rest until you have the money do them.

And so for our projects, the fact that we're not spending money on them doesn't suggest to me at all that those projects are candidates for deauthorization. And so I would hope that the Corps would be mindful of the plan that was put forward in 2010 and recognize that this Board has been charged to update that plan as it thinks about what you're going to bring forward as recommendations for deauthorization.

MR. McKEE: Sure. That's absolutely correct.

MS. SIMMONS: And are there any further questions for Jeff?

Okay. We'll move right into the discussion of how we're planning to update. Actually, first, we'll begin with Mr. Hannon's presentation that's a follow-up from the discussion we had at our last Users Board meeting. We've also had a couple industry meetings in between discussing using “Total Risk Exposure” as an approach to prioritizing investments on Corps projects.

Jim?

MR. HANNON: All right. Very good. Well thanks Mindy for teeing that up, and I really appreciate the opportunity again to be here today to talk about our approach as we continue the discussion on our Total Risk Exposure analysis for informing our inland navigation investment strategy.

Next slide. A little bit of background of the history, if you had not been here previously, we set the stage at the first Users Board meeting this year in January [Users Board Meeting No. 70] where we really discussed and introduced this notion of risk exposure, taking advantage of the tools that we have in our asset management toolbox, if you will, and the various processes and how risk exposure must be utilized to inform our decisions. And we really introduced the notion of Operational and Residual Risk at that particular point in time.

So next slide. In May [at Users Board Meeting No. 71], we brought it to a little more deeper level where we introduced the relationship between the risk exposure approach within the broader context of our Civil Works Transformation and, particularly, our USACE [U.S. Army Corps of Engineers] Infrastructure Strategy and how it's integral to what we're doing within our Infrastructure Strategy.

We introduced the discussion on critical components and the need to focus on those components that are inherently critical to the operations of our systems. And then we also introduced these principals, these questions of focusing on the need to maintain and repair the most critical assets, our components that are in the worst shape or condition, that have the highest likelihood of failing and cause the highest impacts to our customers.

That's just the basic principles of our thought process and where we're going. So today I want to carry that to a little bit deeper level of discussion, both on the critical versus noncritical, looking at the inland navigation system, and then bring it back to a higher level of discussion of evaluation of the total system evaluation, which we've been talking about, not just looking at this from the perspective of components or lock projects, but really getting to the systems approach, not just looking at it particularly at just the capital investments, which I know this Board is primarily certainly interested in, but also, we have to look at the whole picture of holistically, O-&-M and capital investments, as those two things will inform each other in the direction we're going.

Next slide. Kind of gives you an example of, if we're talking about an inland navigation system, we have some basic categories on the infrastructure: “Buildings”, “Dam”, “Lock”, “Miscellaneous Support Structures and Systems”, and then our “Utilities/Power/Controls”. Most of those are pretty self-explanatory.

“Miscellaneous Support Structures and Systems” would be categories like emergency lock closure systems, the stop-logs, the lifting beams, cranes, etc. Of course, Utilities/Power/Controls, we talked about some of that yesterday at The Dalles where we have control systems. It's those things that -- electronics that operate the system.

But you see here the breakdown of categories that we have defined, a total number of inventory of 160,000 components that we have in our inventory just on our inland navigation system infrastructure here. About two-thirds of those components, of that 160,000 by number, we have classified as “mission critical”.

Next slide, please. There you start seeing the breakdown here. Once again, “Dams and Locks” on the right-hand side make up about 66 percent of the total category, but you can see that the majority of the critical components are in there in that category called “Dams and Locks”.

That's not to make light of some of these other areas, but the majority of the areas of our focus, and I think it's pretty evident when you get out on some of the locks and dam sites, it's in the dam and lock structures themselves, the mechanical, the gates, etc., in that regard.

Next slide. Here we just kind of wanted to shape the condition of this inventory. So the “A” and “B” Condition, as you see here, are those conditions of components where really we just need to be doing the requisite maintenance that we need to do, preventive maintenance, routine maintenance to sustain those in that condition.

The “C” Condition is where you're getting to a deterioration that may be beginning to impact the performance. And, certainly, the “D” and “F” Condition is where the performance is already being impacted to some varying degree across the inland navigation system. Now, the goal, of course, is to keep that arrow on the “A” and “B” continuing to go up.

We want to increase that percentage of those components that are overall inventory, but also you see the critical versus the noncritical. We want to get them to that point where we're just doing the preventative maintenance and the routine maintenance. And the goal is to reduce, and that's the purpose of the arrows, is that we just need to reduce those components that are in the “C”, “D” and “F” Condition categories.

But one of the things that you can see here is that we have fewer percentage wise components of critical components in categories “C”, “D”, and “F” than we do noncritical. So it kind of gives you maybe the perspective, rightfully so, that our focus has been on critical components. Again, but is it all in the right locations, are we evaluating the total risks that are associated with this? We can do better. But, yes, we are focused in the right way.

CHAIRMAN HETTEL: Jim?

MR. HANNON: Yeah.

CHAIRMAN HETTEL: I'm sorry to interrupt. Marty here. In the “D” and “F” Condition category, the overall inventory of 3.6 percent, do you know how much of that “D” and “F” Condition is the dam and lock critical infrastructure?

MR. HANNON: It's interesting you ask that question. Next slide.

Here we take a look at breaking it down into those more detailed, just what Chairman, Mr. Hettel, asked the question. So if you look at the dam and the lock component piece, which has the highest number of components and critical components, the answer to the question is “yes.”

About four percent in the Dams category in “C” Condition, two percent in “D” and “F.” And then you can see there, three percent in the Lock category in “C’ condition, and two percent in “D” and “F.” There are about, by number, 81 percent of components -- that says “86”; it's actually “81”, that's a typo. It's about 81 percent of the components in the “D” and “F” Condition categories, by number, are in the Locks and Dams.

So it's roughly, in the “D” and “F” categories, if you've got about 2,000 components, somewhere in that category that are in “D” and “F”. Now, understand, 2,000 components out of 160,000 may not sound like a lot, but when you're talking about some of the structures we're looking at, think about that lower gate at The Dalles or at Ice Harbor. The gates, there are some pretty significant costs involved in some of these components, depending on what their conditions are.

But this is starting to give us a picture of where we are in regards to the status, the condition and the shape of the infrastructure there on the inland navigation system. So we know “the what” here, and that's kind of what we've began to identify here. So where should we begin to really start deliberately focusing and developing our investment strategies?

So go to the next slide. This is a snapshot of a slide that I had used in the previous discussions that we had back in May and January. It was introducing this notion of “Operational Risk” versus “Residual Risk.”

And, really, the question is, “Where are the highest impacts to the customers?” that you see right here. “Is the amount of the project level risk exposure the same everywhere on the IMTS?” That's the question we have to start asking ourselves.

Just because you may have the size of the pie, if you will there, looking the same size, the question is, “Are all waterways equal?” That may be another way to ask the question. “Do some waterways have a higher risk based on the conditions, based on the economic impacts than other waterways?”

And I think we'd have to say the answer to that is “yes.” But as we go through this and start thinking about the total risk, we'll look it at from how we're teeing up right now, how we define waterways as high, moderate, and low use. And then we'll introduce the economic impacts here in a little bit.

Next slide. Here we have high use, moderate use, and low use. Ton- miles is the breakout. As you can see, we actually do, under the high use, a maximum high use, high high use, so it's broken out a little bit more. But it kind of gives you, certainly, as an example, not all inclusive over here, of the different waterways that fall into those different categories as we define.

So start thinking about the condition of these components that I teed up a little bit ago in comparison to these waterways here and combine, we start seeing some focus on where the highest impacts are.

Next slide. Here we're looking at mission critical components, only again, as we look by a ranking of just the ton-miles, high, moderate, and low, you see we've broken out the maximum high and the high high here.

And don't get too hung up on the colors. I know we typically tend to look at red, amber, green as some metric tied to that. This is just to show some variation, where is the best to the worst, if you will, by color, by different shade of color, but not any particular metric.

And you can see here in the low category, those critical components in “A” and “B” Condition, pretty high there, not so much in the “D” and “F” Condition. In the moderate category, again, you can see what the conditions are.

But if you look at these in the high use here, there are some areas there that we need some attention on. And, certainly, that's where we need to be thinking about, where we focus our attention. Look at the GIWW Texas, 79 percent in “A” and “B” Condition. Should we be focusing more in that area to bring that up to “A” and “B”?

Again, it's just to start getting us thinking about where are we putting our dollars and what are we basing this on. But keep in mind, this is just about condition only, and this is just looking at by ton-miles, by the way we define ton-miles.

MR. MECKLENBORG: Jim, Dan Mecklenborg. Is the Cumberland River encompassed in the Tennessee, or where would that show up?

MR. HANNON: The Cumberland is not in the Tennessee, is it, Jeff [McKee]? I mean, it would be a separate category.

MR. McKEE: This is not all-inclusive.

MR. HANNON: And, again, it's not all-inclusive. I mean, this is just some of the -- this is for the purpose of -- I mean, if you see the whole list of the systems it's a long list.

MR. MECKLENBORG: Yeah, I just think it would probably be above the low use area, although I'm not certain of that.

MR. HANNON: Yeah, I'm not sure right offhand. It probably is in moderate use, but I'm not sure.

MR. McKEE: The Cumberland, we consider moderate use.

MR. MECKLENBORG: Yeah.

MR. HANNON: Next slide. Again, we were talking about evaluating critical components here. Again, looking at, based on the ton-miles, based on high, moderate, low use, but, really we need to be looking at the economic consequences and determining where those highest impacts are. So, as you know, we evaluate our, as far as our budgeting, based on transitioning from simple tonnage to the economic impacts using the Shipper Carrier Cost model.

This is the model that is developed by our Inland Navigation Planning Center of Expertise out of LRD, and it also is consistent with how we determine much in the same way the National Economic Development benefits and transportation rate savings.

And so you might ask yourself the question, “So if we are evaluating the riverine systems by high, moderate, low use versus what are the economic consequences based on shipper carrier costs, would we see a difference?”

Next slide. So, yes, we begin to see a difference here. So if you look on the table on the left, then you start to see the kind of the five-year average tonnage rankings. And, again, these are just the top ten high use riverine systems. And then you look at the table on the right, and you see a reordering there of the high use based on shipper carrier costs and economic impacts, that I just talked about. Why is that?

Here you see the common factors. Those on the left, there are a number of the high use maximum 1200-foot chambers with redundant auxiliary chambers in there. Those on the right have no auxiliary chambers. Single chamber locks, when they go down, they're down. There's not any other alternative there.

So, we really have to start thinking about where should we be applying this. And I'm not trying to downplay the importance of a dual chamber lock. Certainly, we all know by experience the last few months that that's been extremely important at Mel Price.

But, as we start thinking about where do we and how do we develop our investment strategy for the future this needs to be informing what we're doing and where we're doing from our perspective. There should be some deliberate focus on these areas where we have these highest economic impact rankings here.

Next slide. This is where, in our thinking about how do we approach this, how do we get our arms around this, and the way forward is just looking at more of the -- what you might have been thinking about there, Dan, the riverine systems. And here is just a snapshot of what if you had both chambers go down, in looking at the overall riverine system, inland navigation system.

Probably not going to ever happen, but we just wanted to see what that looked like there. And then we start taking a look at, in the future, these total river closures based on where we have that comparison between a single chamber lock versus a lock with an auxiliary chamber.

Next slide. That does give you a handful of riverine systems that may have some of the highest risks to start thinking about. Once again, looking at this not just at the project level, but looking at a systems approach. The inland navigation system itself, where is the highest likelihood based on some of the consequences to, as we evaluate now shipper carrier costs, to create the highest consequences.

Next slide. Summary, to get to the end here. This is really important from our perspective, and we finally have the opportunity now with the tools that we believe that we have in place that maybe they're not a hundred percent, but we are implementing these now, starting to put them into play to say, how do we need to inform an IMTS strategy that includes an O & M component?

Not just looking at it on an annual basis or a one-, two-, three-year, but, say, a ten-year O-&-M strategy. We need that, just like we're evaluating our capital investment strategy, because, again, we cannot look at them separately. We have to be able to evaluate them and decisions in one area will inform decisions we need to make in another area.

So our next step is to begin the same approach that we are doing right now, that Kareem [Mr. Kareem El-Naggar] is going to discuss here in a little bit, with our capital investment strategy to start bringing this picture together to develop an O-&-M strategy based on those highest requirements, buying down risk where you have the greatest consequences.

And that may end up shifting over time where we're placing our funding. And that's going to be some maybe cultural change in our minds collectively from what we've done in the past. But we believe that we have the information that we'll be able to define the reasons why, where this is the most important and how we're going to lay it out.

If we can get an 80 -- I'll just say an 80 percent solution on a ten-year strategy on O-&-M, then really we need to just -- all we'd have to do on an annual basis is just work the margins on that and begin to really start to tweak, because stuff happens over a period of two years, when you develop those budgets, particularly as you're operating these things, and you do have to go back and tweak.

So that's the notion of where we're going. So over this next year, our intent is that we're going to be developing this strategic view of our inland system, both within the O & M and also, certainly, within the capital investment, which this Board is particularly interested in because they got to go hand in hand.

So I'll open it up to any questions. I kind of went through it quickly. As Mindy said, we have had opportunities to provide this to broader audiences. I know some of you have seen this before as well. We're going to continue over the next few months to have additional webinars that we can drill into this, if there are any other questions people may have, and continue to keep this in front of folks as an understanding of what we're doing, and solicit your input -- that's really key -- your input as to how we move forward with this.

MR. MECKLENBORG: Jim, Dan Mecklenborg. Is there a factor again on this ten-year O-&-M strategy of increasing volatility of extreme weather events?

MR. HANNON: I don't know how much we're factoring that in to that strategy right now. I mean, that's something we maybe can take a look at. You say extreme weather. It's kind of hard to plan for --

MR. MECKLENBORG: Right.

MR. HANNON: -- an emergency or plan for, I know we've seen the extreme from low in 2011 to the high, but --

MR. MECKLENBORG: It's just my counsel that having a certain amount of assets available to deal with the effects of extreme weather fluctuations, floods, droughts, what not, might be part of the strategy.

MR. HANNON: Yeah. Well, I guess I'll say it this way, too. We have a lot to take care of here, I mean, as far as being able to address the challenges that we have. So it would be nice, from my perspective, to have additional chambers redundancy there.

I think we have to ask ourselves the question, “Can we afford to be doing O & M, for example, on auxiliary chambers when we have maybe some other important areas to focus on, not necessarily just in that lock, but on other systems?”

The other question that we're internally looking at, and Paul [Mr. Paul Ocker, Deputy Chief, Program Support Division, Northwestern Division, U.S. Army Corps of Engineers] kind of addressed it yesterday on the bus, when we're doing our planning to have a closure for some specific reason, wouldn't it be nice to go do some other repairs. Okay, yeah, it would be nice. But can we afford it? Should we do that? Probably not. It gets back to residual risk. What are we willing to take some risk on?

There even may be some things in the critical components that we need to take some risks on because we don't want to completely ignore those things that we have deemed non-critical right now to the point that they become critical at some point in time.

So a lot of this, Dan, we're still, as we're wrapping our arms and our minds around this and saying we got, we believe, some really good information here now, an approach to be able to develop a strategy that's beyond just looking at things on kind of an annual budget basis on O-&-M, but that same strategy of O & M helps to inform the capital investment piece.

Kind of my long-winded answer.

CHAIRMAN HETTEL: Jim, Marty Hettel. I can't stress enough the work that Doug [Mr. Douglas Ellsworth, U.S. Army Corps of Engineers Asset Management Specialist] and you have put into this. This is really good stuff. You mentioned starting your O-&-M budgeting process using this data.

How close are you to that? Do you have any idea? Hopefully, before you retire.

MR. HANNON: Well, let me just say this. All of our regions right now are doing some exceptional things. You heard Paul talk about that yesterday. And while we may not be exactly alike across every region, we are very much aligned with focused on critical components and evaluating risk, getting all the Districts in there to make those decisions.

So we are using the concepts right now in the development of our budget. Again, I think from an enterprise perspective, though, we're probably a year at least away from saying we're totally aligned with everything from an enterprise perspective.

And we just, as late as this fall, just this past few months, actually have in place right now a tool by which we can go and look at all these assets. Now, we've been able to keep up with them in various places, but to get a complete enterprise view, we have that now.

And so this is starting us on the road to be able to develop that more enterprise approach. But we're not there yet, Marty, to say that -- we do it, but not probably with the certainty that we should be able to and would expect to be able to in the future.

CHAIRMAN HETTEL: Thank you.

MR. WOODRUFF: This is Matt Woodruff. I just want to congratulate you and Mr. Ellsworth for the time that you all have spent sharing this information with the navigation community and members of the Users Board. To me, it's an exciting initiative to apply some intellectual rigor, some consistency across the nation to making these determinations.

I think it's something that we've been looking for and that we've needed for a long time. We sort of started on that path and did the best we could in 2010 with the capital projects [business model]. And so I'm hoping that the tools you're developing will make our follow-on re-evaluations and prioritization of projects a little bit easier.

That said, one thing just as an observation and not necessarily as a criticism, the Corps owns and holds every day these components in their hands, so I'm very satisfied with the work you're doing in terms of what is the condition, what is the risk of failure. That is clearly within your expertise.

I was less comfortable in some of the presentations I've seen about the economic piece of it, where you're having to go out and try to estimate or predict what's going on in the economy. And I noticed the 2010 shipper cost numbers, I recognize you can only use the data that you have available to you, but looking at a 2010 data set and trying to predict the future scares me a little bit because we're in such a dynamic time right now.

And the tasking of our companies is changing so dramatically over the last few years in terms of what we're moving and where. So I just think we've got to keep that in the back of our mind as we're looking ahead and planning, that we've got to have some flexibility to adapt to the changing conditions and sort of ground truth some of the numbers we're coming up with.

But with that being said, I'm very excited and, like I said, I don't mean that as a criticism because I think this is an excellent program.

MR. HANNON: And I appreciate that comment, Matt. And first, let me just say, while Doug and I have been kind of the messengers, and he's got a lot invested in this, we've got a lot of people out in the field that have put a lot of time and effort into condition assessments and in doing this and, of course, maintaining the system. So, really, those are the folks who have brought this all together in our asset management program and such.

But your point about the shipper carrier costs, I'm glad you asked the question, so there's no misunderstanding, those are updated annually. The PCX [Inland Navigation Planning Center of Expertise] updates those numbers annually, so they are relatively current numbers that we're using. And so we will continue -- this will be perpetual. It won't be just a one snapshot in time. We'll use that information. So I'm glad you did ask that question, so I could clarify that.

Mindy, back to you.

MS. SIMMONS: Any other questions? No. Okay. So I now I will call Mr. Kareem El-Naggar up to the podium. And he's going to talk about how this approach that Jim just laid out plays into how we update the Capital Projects Business Model, or our capital investment strategy, that we just discussed is one of the requirements of WRRDA, which the Corps was already starting to update us on its own before that. So, Kareem.

MR. KAREEM EL-NAGGAR: Thank you. Good afternoon, everybody. My name is Kareem El-Naggar. I am the Navigation Business Line Manager for the Great Lakes and Ohio River Division, and I'm currently working on a temporary assignment for Headquarters as the IMTS Program Manager.

So I thought I'd give you a little background on the IMTS and how we got to where we are and why the IMTS working group is actually working on the Capital Projects Business Model.

As many of you may recall, in about the 2006 time frame, we did an initial A-76 Study that looked at lock operations within the Corps [“A-76” refers to Office of Management and Budget circular A-76 which outlines the process for managing public-private competitions to perform functions of the federal government]. That kind of morphed into a detailed navigation locks study, which I believe many of you were involved with.

And from that navigation locks study, we came up with a High Performing Organization, HPO. And from that HPO, we created a process for the current IMTS structure.

Next slide. So, as I said, the navigation locks study was completed in 2008. And that HPO, the High Performing Organization, showed this process where we came up with an IMTS Board of Directors, a Working Group, and under that working group, some action teams.

The IMTS Board of Directors is led by the current Deputy Commanding General for Civil and Emergency Operations, which is Major General John W. Peabody, who leads that team, along with all of the IMTS Division Commanders. And Jim Hannon is also on that Board of Directors.

The working group is underneath that Board of Directors, and that's the team that I lead. And it's a cross-section of skills from across all of USACE.

Underneath that working group, we form action teams. And we have many different action teams currently working right now. And they look for anything from uniforms for our lock operators to levels of service to maintenance standards.

We're looking at capacity utilization. They asked an action team to review some of our Engineering Manuals. So we've got quite a few action teams underneath the working group.

Next slide. General Riley [Major General (Ret.) Donald T. Riley, Deputy Commanding General, U.S. Army Corps of Engineers] was the one who signed the original charter for the Board of Directors.

And you can see what the actual charter is right there under establishment. So, basically, the Board of Directors has the responsibility of appointing the working group members and appointing the lead for the working group.

They are in charge of managing and executing the plan that was in the navigation locks study. They approve the Process Action Teams. Basically, the action teams are the ones doing the actual work, and they're Corps people. Once those action teams come up with a recommendation, they bring it to the working group.

And then the working group will present the finding to the Board of Directors. We meet with the Board of Directors on a quarterly basis. And we just met with the Board of Directors last month and will be meeting again in October.

So we'll go on to the Capital Projects Business Model. In 2010, we had the original team that came up with the report. And that was led by Ms. Jeanine Hoey, who you see pictured here. That was a partnership between USACE and the inland waterways industry and the Users Board. And we had a bunch of different USACE representatives, as you can see there, from IWR [the Institute for Water Resources], the Inland Navigation Planning Center of Expertise, the USACE Civil Works Cost Engineering Center of Expertise [located at the Walla Walla District], and came up with a detailed report.

Next slide. So this action team that we formed is called the “IPAT” team, the Investment Program Action Team. It's going to be led by, again, by Jeanine Hoey and myself. And we're going to be relooking at that Capital Projects Business Model, revising the report, and coming up with a new way of looking at our capital investments.

So what you just saw in Jim Hannon's presentation is mostly what our team is going to be using to revise that report. So the action team was actually formed in June. We've had a couple of teleconferences. We've had one face-to-face meeting. The team is very much in its infancy right now. We have a teleconference scheduled for next week, and then we're going to be meeting face to face in October.

We'll be looking at a lot of the data that you saw in the last presentation and a lot of the data that Doug [Mr. Douglas Ellsworth] has been developing. It's a very diverse team. And the next slide shows who's on the team, but it's from across the Corps.

Can you go back to the previous slide? When we came up with the Capital Projects Business Model in 2010, we were really starting our OCAs [Operational Condition Assessments] and how we looked at asset management. And that really wasn't incorporated into the report.

So with this new IPAT team, we've got so much more information over the past four years. So we really have an excellent way of relooking at where we are putting our money in these capital investments.

We plan on having periodic meetings with industry. We've already had two to update you on where we are and what we're doing. And we will continue to do that. And according to WRRDA, the final report is due in June [2015]. It's a pretty aggressive schedule.

We're going to really be pushing to get all of that done by June, and I'll show you kind of a macro schedule that we've put together so far.

CHAIRMAN HETTEL: Jim -- I'm sorry, Jim. Marty Hettel here. You say you had meetings with industry?

MR. EL-NAGGAR: Yeah, we had one in St. Louis that Doug --

CHAIRMAN HETTEL: You're talking about Jim's meeting?

MR. EL-NAGGAR: Yes. Yes.

CHAIRMAN HETTEL: Okay. I thought maybe this team had a meeting with industry.

MR. EL-NAGGAR: No.

CHAIRMAN HETTEL: Okay, I follow you. Thank you.

MR. EL-NAGGAR: You'll notice many of the people that are in this room are actually on this team. It's a very good group of people. A lot of them are Business Line Managers from our IMTS Divisions. We tried to get a cross-section of people from across the Corps of Engineers.

Next slide. So, like I said, this is a very macro schedule of what we're planning on doing. I think the important dates for you to see are Meeting Number 73 in November for the Inland Waterways Users Board. We plan on giving you an update on where we are. We plan on continuing to do that for Meeting 74 and Meeting 75.

In May, we will hopefully have a final report and recommendations. We plan on in the April-May timeframe presenting this to OMB for review and input. And then our final report will be in June, according to the WRRDA requirements.

That's all I have, if anyone has any questions.

MS. SIMMONS: No questions?

CHAIRMAN HETTEL: Yeah. Kareem, the Inland Marine Transportation System Capital Projects Business Model team had industry and Users Board representatives on it for the development of that report.

MR. EL-NAGGAR: Correct.

CHAIRMAN HETTEL: I don't see any input from industry or Users Board on development of this report. Are they going to be involved in the process?

MR. EL-NAGGAR: Yes, definitely. They'll be involved in the process. They're not actually on the IPAT team, and there are reasons for that. And maybe Mark Pointon wants to go into that a little further. I think it has to do with –

MR. MARK R. POINTON: It has to do with the Federal Advisory Committee rules and, in essence, to do it as we did the previous time would constitute forming an entire subcommittee with you on it and going through the same process that we go through to get you appointed as members to the Users Board. So there would have been a several month, as a minimum, delay in going through that process to do it the way we did the previous go-round in 2010.

CHAIRMAN HETTEL: Thanks, Mark. So your intention is to have this report done by the parameters of the WRRDA law, June 10th of next year, but where will industry have input into the final recommendation?

MR. EL-NAGGAR: We'll be scheduling meetings for that, regular meetings, to get input, so you can provide comments, and to give you updates on where we are. We do plan on doing that.

MR. HANNON: This is Jim Hannon. Let me just interject here as well. What Kareem showed you is called the macro level. What we've got to do now is build into that some specific time frames to get input from industry as well, just like we've been doing with kind of going through this total risk exposure. We were teeing that up so you kind of get that picture in your mind, and now we've just got to build into this same thing, whether it is webinars, whether it is face-to-face meetings with industry, to start building it. And then get the information to this Board based on additional feedback from industry as to updates at the Users Board for additional feedback as well. So we will build that rigor into this schedule.

CHAIRMAN HETTEL: Just a suggestion here. With everybody in this room that's on the Board from industry, schedules are pretty tough to put together. If you could have a schedule for possible industry input into this report at our next Users Board meeting, that'd be great, so at least we can get it on everyone’s calendars.

MR. EL-NAGGAR: Yeah. We sure will. Understand that the IPAT team really has only met once in a face-to-face basis. We have another meeting scheduled in October where we're really going to meet for three days and try and get a schedule, a detailed schedule together and really hammer out how we're going to use this process to look at our capital investments. So that's a big meeting in October.

MR. STOCKTON: Steve Stockton here. Kareem, I have a question. How much, since O-&-M investments and capital investments out of the Inland Waterways Trust Fund are kind of inextricably linked, what kind of assumptions are you going to use with respect to the baseline for O-&-M investments to figure out what capital investments make in the future? Because those assumptions are going to drive, for O-&-M, are going to drive your capital investment strategy.

MR. EL-NAGGAR: Yeah, that's something the team really needs to talk about, how we are going to use that. And I talked to Jim [Hannon], actually, this week on how we're going to form a team to look at the O & M.

The data that Doug [Ellsworth] is putting together actually looks at both O-&-M and our CG [Construction General] projects. So once the team gets together, we're going to talk about what assumptions we're going to put together to incorporate those two because they are interrelated.

MR. HANNON: And this is Jim, Jim Hannon again. By the end of this calendar year one of the things that we're intent to have is kind of that first run of looking at both the O-&-M and the capital investment as we are right now, what Kareem is talking about, Doug is working that piece. So we will use that information, but there are additional assumptions that we do have to plug into criteria to develop, and that's part of what they're working on now.

So I'll just leave it kind of at that, but that's the next steps. And to move this forward, as far as informing what are the capital investments versus O & M.

MR. STOCKTON: And just so it's not lost on anybody, maybe this is obvious, but our whole strategy is shifting with respect to O & M investments and capital investments, in terms of buying down risks based upon these OCAs and ORAs [Operational Condition Assessments and Operational Risk Assessments].

And it's not necessarily knocking off one project with all the features, one project at a time. We're looking at how we can achieve higher reliability and reduced risk for the system, which is, I think, a fundamental shift in how we're moving towards budgeting both O & M and capital investments.

MR. WOODRUFF: This is Matt Woodruff. One of the things -- and I was a participant in that process started, what, five, six years ago that resulted in the 2010 report. And there was tight, continuous integration of industry input, along with what we've always said, some of the best and brightest minds at the Corps of Engineers.

And I think one reason we got the quality of the result that we did, that Congress virtually adopted in this most recent WRRDA bill, was because there was that quality and quantity of input and a result that everyone had some buy-in to. It was ground-truthed that we brought in people as needed who had the expertise in these various different issues.

And so I recognize that there are vagaries of the Federal Advisory Committee Act that, of course, have to be complied with, but I would encourage you, as you go forward, to figure out how to get that input and buy-in from industry as this develops, rather than waiting until the end and give us something where we may say, “Well, wait a minute, there's errors here; Did you consider this or did you know about this?” And so that periodic input as the process goes on, I think, is vital to getting a result that we can all embrace.

MR. HANNON: And this is Jim Hannon. You're exactly right, Matt. And that's why I will say is we come out of this October meeting with this IPAT team, we will build into the schedule some rigor, as far as whether it be webinars, sometimes we need some face-to-face, again, from the industry at large to say we'll offer up these opportunities for folks to come and participate and understand what we're doing, which is what we've been doing in the last three months, actually or four, with our total risk exposure methodology. Same process that we'll go through with that.

MS. SIMMONS: Any other questions for Kareem? Okay. Thank you, Kareem. Now I'll turn it over to Mr. Jeff McKee to discuss the status of the Corps budget and looking towards FY 15.

MR. McKEE: Thank you, Mindy.

These priorities I went over in the last meeting, you've got them there. You can see them, so I'm not going to go into a lot of detail. And, certainly, Navigation has a key role in all of these Administration priorities.

Next slide. In terms of the FY 15 budget, our budgets are performance based, and so we look at the biggest bang for the buck. In terms of Navigation, the highest performing projects frequently are the ones carrying the most tonnage, but also the biggest returns with respect to environmental, economic, and public safety.

In FY 15, there was an emphasis on operation and maintenance of our infrastructure, and so there was a little bit more money put towards the budget in FY 15.

We, certainly, as I indicated before, are limited in our overall targets with which we can develop our budget. And so, certainly, we need to make tough decisions and go for those projects that have the most fiscally prudent paybacks on this.

And, certainly, for Navigation, it does focus on those with the highest commercial tonnage, ten million tons of commerce on the coastal side and three billion tons of commerce -- excuse me, three billion ton-miles of commerce on the inland side. Those projects get basically -- in terms of O-&-M -- 70 percent of our O-&-M budget.

Next slide. You can see a trend here going back to Fiscal Year 2008. The overall green bar represents the total Navigation program which was about two billion dollars, dropping down to FY 12, coming up a little bit, and dropping off a little bit in FY 15. And then the split in the bluish for the coastal and inland in the orange.

The larger amount for inland in FY 08 was because we were funding about $400 million on inland waterways construction. And, certainly, some of that drop off is due to the constraints in the Inland Waterways Trust Fund.

Next slide. Again, this one is by account: Investigations, Construction, O-&-M, Mississippi River and Tributaries and, of course, the blue is the Total Navigation budget. You can see the majority of our budget is spent on Operation and Maintenance, which is shown in green, followed by Construction in that orange color. And then the Mississippi River and Tributaries and Investigations are a much smaller amount of money on an annual basis.

Next slide. This is the inland budget by itself, again by account. You can see the total budget for inland in blue, O-&-M in green, and then Construction in that orange. And then the Mississippi River and Tributaries and Investigations, very much lower levels for those.

Next slide. And just a comparison, for coastal again, you see on the coastal side a large part of O-&-M, again followed by Construction, and then Investigations being the lowest amount.

Next. For FY 14, you can see, with the constrained budget, the total Navigation budget shown to the right of the slide is $1.884 billion. You can see the FY 14 Conference bill that we got a significant plus up of about $385 million to $2.269 billion. And you can see for each of the accounts, Investigations which are our studies; Construction, and then the O & M. So there was a significant increase in O & M, certainly, by the Congress in giving us our FY 14 appropriations.

Next slide. This is a breakout by work plan of where the money was given to us by the Congress. Again, an increase of $385 million overall in total appropriations.

In Investigations, the navigation pot can be used for any type of project. It can be coastal, it can be inland. But then when you look at the deep draft, the inland, and the small, remote and subsistence harbors, the projects that we use that money for must qualify as either deep draft or they must be inland projects or they must be the small remote and subsistence harbors. So you can see a couple million for each of the pots under Investigations.

Construction, the general Navigation pot of $47 million. The inland navigation, the $81.5 million was directly related to that reduction to 25 percent cost share for

Olmsted. That basically freed up $40.75 million from the Trust Fund. Double that and you get the $81.5 million that we were able to use.

And then, certainly, between Lower Mon and then we used a significant amount of money coming out of the $47 million for Lockport to fund those two increases in FY 14.

And then O-&-M, same picture. The Navigation pot can be used for anything. Deep draft is getting the preponderance. These are the Harbor Maintenance Trust Fund reimbursable projects. But then inland navigation projects, an increase of $42 million. Small remote and subsistence harbors. And then for MR-&-T [Mississippi River and Tributaries], a $5 million plus up.

Next slide. The key changes based on the Work Plan, Olmsted, of course, going to 25 percent draw on the Trust Fund. Locks and Dams 2, 3 and 4 [Monongahela River] are increasing from $2 million to $75 million. Lockport going from $11 million to almost $29 million. And then the total Inland Waterways Trust Fund share in FY 14 will be $92.5 million.

Mel Price [Locks and Dam] funded at 100 percent from the General Treasury appropriations for $3.4 million to look at the deficiency corrections there. And then we had $50 million on the inland waterways. That was increased in O-&-M and $6 million for inland harbors. And then the $5 million again for MR-&-T O-&-M.

Next slide. For FY 15, the key projects that we submitted in the budget, Olmsted at $160 million. Of course, when the President submitted his budget back during the spring, we did not have WRRDA. So when we budgeted, we budgeted 50/50 for Olmsted. Certainly, for Olmsted when we actually go to execute the FY 15 budget the share will drop from $80 million down to $24 million from the Trust Fund share of Olmsted.

Locks and Dams 2, 3 and 4, $9 million.

Total share of Inland Waterways Trust Fund. When we budgeted, it was $84 million. Of course, that will drop with the Olmsted share dropping. Again, additional work for Mel Price.

Disposition Studies that Mr. Woodruff mentioned before. We're looking at Allegheny and Kentucky for those low use commercial locks, 1 to 4 on the Kentucky and the upper locks on the Allegheny.

Project funding, a total of $595 million for O & M. And you can see the major waterways, the high commercial use waterways there, and their share.

Next. This is by account, based on House and the Senate bills as compared to the President's budget.

Again, see Investigations, $22 million. The House has $34 million; the Senate has $40 million.

Construction, the House increases to $485 million [from $277 million], the Senate increases to $361 million.

Significant increases in the O-&-M program by the House as well as the Senate.

And then some more moderate increases in MR-&-T.

And so you see the House, a plus up of over $600 million overall and the Senate about $300 million plus up overall.

And this is a breakout of where those dollars are included. And you see Investigations, rather, again small dollar amounts for Investigation projects.

When you get to Construction, on the House side, general navigation at $85.5 million. But then you see that inland at $112 million. That's a deliberate move by the House to take advantage of the funds freed up by the new WRRDA language. The $24 million subtracted from the 50/50 share of $80 million [for the Olmsted project] gives you $56 million. You double that, and you get the $112 million. So it's similar to what they did in FY 14. That $112 million would be for inland waterways construction.

And then so on down through the House. And then to the right of that the Senate's markups, which aren't quite as generous there.

So again, just in summary, Navigation is essential to our nation's global trade. We need to focus on increased use of the Harbor Maintenance Trust Fund as well as the Inland Waterways Trust Fund, as well as increased revenues in the Inland Waterways Trust Fund. And our Marine Transportation System needs to be a national priority in order to get adequate funding. And thanks to the work done by you all, the rest of the inland navigation industry, as well as the coastal navigation industry and ports we have been seeing, through these work plans, additional funding from the Congress.

Our current model is not sustainable. We do need to look at the public/private partnerships, which were addressed to a certain degree in WRRDA 2014, as well as divestiture of those projects where we do not have significant commercial traffic going through there.

And certainly, our Navigation program is key to our nation's economy, employment, and certainly exports, as well as imports into the country.

Subject to any questions, that concludes my presentation.

CHAIRMAN HETTEL: Jeff, Marty here. Just a statement. We weren't reading off the same sheet of music here. You've got a different presentation.

MR. McKEE: I added some information there for you.

CHAIRMAN HETTEL: Yeah, I appreciate that.

MR. McKEE: You'll get an updated copy.

CHAIRMAN HETTEL: That was my question. Thank you.

MS. SIMMONS: Any questions for Jeff? Okay. That concludes the presentations that we had planned for the meeting. We'll now shift into the public comment section of the meeting. And we do have a full docket of folks wanting to provide comment, which we appreciate. We will ask each presenter to limit their comments to the three minutes, as we described in the Federal Register.

To help you with that, I'm going to be timing from up here, so you won't have to be worry about looking at your watches. With one minute to go, I will raise my blue binder, and at 30 seconds to go, I will stand up. My ominous presence will be your cue. But know, we do have folks that are trying to get out this afternoon. So if we could just try to stick to that, we'd appreciate it.

Our first public commentor is Mr. Linwood Laughy. And he has also submitted written comments that the Board has in front of them, and I believe he provided additional copies of his comments for folks in the audience as well.

MR. LINWOOD LAUGHY: That's correct, Mindy. Thank you. And thank you for giving this opportunity to the public.

My name is Linwood Laughy. I come from Idaho up on the Clearwater River near the Snake and have been a long time resident up there. And I was fascinated with a particular quote just appeared on the screen, "Current business model is not sustainable, need public/private investment and/or divestiture."

I would like to emphasize for you or share with you information that the Lower Snake River commercial navigation is simply not economically justifiable. It has declined significantly over the last 15 years. Currently, it's operating at about 60 percent decline. Container traffic on the Lower Snake is over 70 percent declined. If you look at ton-miles, this is -- certainly, it should be a candidate high on your list for divestiture.

The 2009 marine forecast from the State of Washington, for example, projected the volume of traffic on the Lower Snake from 2002 to 2030 rate of growth of zero percent. That projection is off considerably, that is, in the period of time from 2002 to now, it's declined 36 percent.

As freight volume has gone down, costs have gone up significantly. And that system, not only in terms of the navigation piece, but also in terms of the whole system on the Lower Snake, is facing some very significant cost increases. Fish mitigation continues to be a very major problem. Climate change, we were told by lots of scientists, is going to produce warmer water, which of course is going to be a problem for fish mitigation. And it's also increasing sediment costs. The sediment costs are a growing cost for the Snake as well.

So you have a growing number of problems in the Lower Snake, a very low volume, declining volume, no significant increases projected by the folks that study that, and so I would just suggest to you that it could be one of your first candidates for divestiture. Thank you.

MS. SIMMONS: Thank you very much. Our next speaker is Mr. Jim Waddell. And Mr. Waddell also provided a written statement, which you all have in your booklets as well.

MR. JAMES WADDELL: Thank you. Thank you for letting us make some public comments here and for the presentations.

I'm Jim Waddell. I'm a civil engineer. I'm retired from the Army Corps of Engineers after 35 years.

And, basically, what I'd like to tell you about is some work I've been doing for the last six or seven months.

You have my paper that I wrote, but, basically, I want to point out a few things about it. As the paper says and as you may know, in 1930s, the Corps of Engineers determined that commercial navigation in the Lower Snake River could not be economically justified. The Corps was correct in that decision. Commercial navigation was still not justifiable in 1947, when the Corps attempted to create a benefit-cost ratio greater than one for the Snake River projects.

The answer, however, was to create a multipurpose project by including hydropower and by including some dubious benefits that managed to get the B/C [benefit-to-cost] ratio over one.

Now, let's move forward a little bit. In 2002, as part of the Lower Snake feasibility study, an expensive study, $33 million, six or seven years, the conclusion from the Corps' Walla Walla District was that breaching these dams was far more expensive than modifying the dams for better juvenile fish passage.

However, if one bores into this study and looks at the appendices and looks at the transportation analysis especially, you would draw a different conclusion. And what it really would indicate, that there's a lot of problems with navigation. In fact, in terms of transportation, river transportation, the economic justification is still not there.

Now -- and as Dr. Laughy pointed out in his work, the same thing. And so there's a lot of good evidence now that there simply isn't commercial navigation. However, the taxpayers are told that and what amounts to a circular argument is that the Snake River project is a multipurpose project that one part of the system can justify another. Or they're told that it's authorized as a mandated project.

Now, the problem here is that the work I've done shows that digging into these numbers, using the Corps' numbers, is that it actually presents today a benefit of $45 million to $130 million to breach the dams. That's based if you correct the report. Now, if you bring those numbers forward to 2014, it's even more egregious in terms of the benefits range from $130 million to $400 million a year benefit by breaching the dams.

So the point here is, is we've got some projects out there that are robbing the economic outputs of the region, as well as the nation, by a significant amount. So what I'd like to ask the Board to do is consider, like the last presenter said, is to look at thing in terms of a disposition or divestiture initiative.

So thank you for your comments.

MS. SIMMONS: Thank you.

Next we've got Ms. Kristin Meira with the Pacific Northwest Waterways Association [PNWA].

MS. KRISTIN MEIRA: Thank you. I appreciate the opportunity to provide comments to the IWUB about the value of our navigation projects here in the Northwest.

The Columbia-Snake River System is a 470 mile long transportation link for the states of Idaho, Montana, Oregon, and Washington, each of which relies heavily on the trade and commerce that flows on the system. Our river system is primarily an export gateway, making it possible for producers in the Northwest and Midwest to access international markets.

We're the number one U.S. export area for wheat and barley, second for soy, and largest on the West Coast for wood products and for mineral bulk products. The federal government and the States of Washington and Oregon and local communities have made a significant investment in the future of the Columbia-Snake River System.

In November 2010, we celebrated the completion of the Columbia River Channel Deepening, a project that's already resulted in over $1 billion in private investment here in the region. The Corps also completed a 15-week extended lock maintenance closure in the winter of 2010-2011. Locks at The Dalles, John Day, and Lower Monumental each received new downstream gates.

So Congress, this Administration, and the surrounding states and communities have demonstrated their commitment to the future of the entire river system, and that includes the Lower Snake. And that's due to the transportation benefits this river provides to the region and the nation.

The ports and terminals on the Columbia-Snake are ready to move more cargo, create more jobs, and generate more revenue for their local communities. Most of our ports have available capacity, and they're actively cultivating new business. And, in fact, a lot of this growth has already begun. We're seeing tremendous investment in grain export facilities on the Lower Columbia and higher wheat and soy tonnage is predicted.

New terminals and cargoes are also proposed for our river system. However, some of these new proposals have been accompanied by increased scrutiny of the river. Interest groups and individuals who are opposed to the extraction, shipment, or burning of coal, petroleum, and other fossil fuels have taken aim at the river system.

Those who oppose the movement of project cargo bound for the Athabasca Oil Sands have also focused on the river system and ports that would facilitate one portion of their journey to Canada.

In an effort to deter the movement of fossil fuels and other cargoes they oppose, these groups are now taking aim at every part of the supply chain, and that includes our federal navigation infrastructure here in the Northwest.

The latest approach is the argument that cargo movement on the Lower Snake is irretrievably in decline and that the benefits of maintaining the project do not outweigh the costs. And I'm here to tell you that this is incorrect.

Snake River cargo volumes have been remarkably stable over the past 20 years. The Corps' Lock Performance Monitoring System shows that there were 3.8 million tons of commercial cargo in 1993, 3.1 million tons in 2002, and 3.1 million tons in 2012. So very even keeled.

We have a lot to celebrate with record and near record fish returns, we have the capacity for new growth on our system, and we're very excited about what we're building here in the Northwest.

Appreciate your support.

MS. SIMMONS: Thank you. Next, we have Mr. Rob Rich.

MR. ROBERT D. RICH: Madam Secretary, Mr. Chair, Members of the Board, appreciate this opportunity for some public input here today. I'm Rob Rich, with the Shaver Transportation Company, one of the barge lines on the Columbia-Snake River System here. I'll be speaking specifically on the Columbia-Snake River System in my remarks today. I'm also the President of the Columbia River Towboat Association, representing the various towboat lines that serve this system.

The Columbia-Snake River System is a major national vital system with unique values. This integrated system is unique to the West Coast import/export market. Our 1500 deep draft vessel calls annually are served by the Columbia-Snake River System, two major railroads, and two interstate highways.

As the Columbia Gorge rail corridor has filled to near capacity, more cargo, especially grain, has shifted back to barging in the past year. Record high railcar pricing has further added to the increased barging, even from rail shuttle loaders themselves. Who could have predicted this kind of traffic increase just two short years ago?

This proactively maintained system, of which the Snake River navigation locks are a vital part, stood ready to handle the additional job-sustaining commerce. We note all of the commerce transport modes serving the Columbia-Snake River deep draft community. The rail, highway, even air. Only our inland navigation lock system has additional, immediately available capacity without additional infrastructure. All it needs is its regular maintenance. Any existing infrastructure, be it a farmer's combine or a navigation lock, require maintenance to remain purpose capable.

Our expanding Columbia-Snake River System towing industry greatly appreciates the Corps' mission efforts to identify, prioritize, and execute maintenance to these projects vital to our national economy. The Columbia River Towboat Association members are in the process of building four new up-river tug boats this year. They're in the process of looking at between eight and 20 additional 3600-ton barges to serve this system.

I make those comments to let you know that, with the high cost of production of towboats and barges, we wouldn't be making these investments for the long term unless we felt the business was here.

Thank you very much. We appreciate your service.

MS. SIMMONS: Thank you very much. And our final speaker is Mr. Bryan Jones.

MR. BRYAN JONES: Thank you. I'm Bryan Jones, fourth generation wheat farmer with Eastern Washington. I also manage a small you-pick peach orchard on the banks of the Snake. I currently ship my grain via barge on the Snake River. I would be severely affected if I were to lose the waterway without other transportation options fully in place.

However, in recent years, I've also seen many changes in how agriculture is done in my region. No-till farming, new crops now being grown in Eastern Washington.

Many of these crops are being shipped by container, which can easily travel by train or truck.

In some cases, they need to be shipped to ports and destinations that the Lower Snake waterway does not access.

Today, there are examples of modern rail systems already in place, both at Ritzville and the new facility at McCoy, Washington. These systems are coming online because shippers are looking for practical options beyond the Lower Snake waterway.

I'm concerned, as you are, about reliability and exorbitant tax dollars being spent on this system.

Today we are facing infrastructure problems across the country coupled with declining tax dollars.

Here in the Northwest, we understand the serious maintenance issues on economically important Columbia River waterway. Does it make sense to keep investing federal dollars in the less viable Lower Snake? Would it be better instead to invest in the Columbia waterway?

I think it is time for an honest economic assessment of the costs and benefits of the Lower Snake waterway and look at the transportation alternatives that better serve farmers as well as taxpayers.

Over the years, I've also had the opportunity to meet and dialogue with commercial fishermen, tribes, and others whose livelihoods depend on healthy runs of salmon and steelhead on the Columbia and Snake Rivers. The four Lower Snake River dams are the key factor in the decline of our salmon runs. And, unfortunately, farmers like me have been pitted against fishermen in the longstanding debate over these four dams.

We should not be at odds with one another. Perhaps it's time for an honest conversation about these four dams. I believe there are affordable and better transportation options available for me and other growers.

These modes of transportation are already coming online, but they need more improvements. It's time for an honest look at the economic justification of this waterway and the possible transportation options.

Thank you very much for your time.

MS. SIMMONS: Thank you. Certainly, some great differing perspectives for the Board to consider. We appreciate you guys taking the time to prepare your comments and then also present them.

So that concludes the formal agenda for the meeting. Oh, that was my timer. Thank you for all staying within the time limit as well.

I'd like to make a couple of comments before we close, and then give Mr. Stockton and Chairman Hettel an opportunity to make some remarks as well.

One thing I think we want to focus on prior to our next meeting, we heard some frustrations from the Board that we didn't necessarily provide some of the information that you thought that you were going to have in order to make a decision, so apologize for that, and I can certainly see how that would be frustrating.

So I'm going to propose that for our next meeting we do something a little bit differently than we've done in the past, and that we actually include a list of all the different action items that we have that goes out in that shorter summary meeting minutes document that we get. And then we'll all hopefully be on the same page about what we're going to be presenting.

And, also, some of the items that we think we can follow-up with, maybe through an e-mail or something like that, as opposed to having to wait another three months for a meeting. So I'll commit to doing that for the Corps, and I'll just look to you all, when I get it out, to make sure that you're looking over it, making sure we're capturing what you said. And we can follow up when we do get the transcript, but sometimes that takes awhile. So I'll commit to doing that.

Chairman Hettel, do you have any closing remarks?

CHAIRMAN HETTEL: Other than thanking everybody for being here and Users Board members for their travel. I thought we had some great discussions today. We have a lot of information to compile for our November meeting. I believe that's tentatively scheduled for the week of November 4th, but we'll get some confirmed dates out to you. That's all I have.

Mr. Vice Chairman, any comments? Or Board members?

MR. WOODRUFF: No.

MR. HETTEL: Thank you.

MS. SIMMONS: Mr. Stockton.

MR. STOCKTON: Yeah, I would agree with Marty, I think it's been great discussions. I think we're really getting at where to make investments to really make a system that we know is unsustainable, more sustainable, and more reliable into the future. And a lot of that has to do with making better use of the federal dollars we do get appropriated, looking at how to clean up the portfolio, and if we need to dispose of projects that are underperforming or low performing, I think those are certainly considerations on the table. So good discussions.

I'd also like to mention that General Peabody -- and included in your packet -- is an article he wrote on the subject of ‘Civil Works Transformation’ for a National Waterways Conference meeting. If you could read that at your leisure, in a larger context, it's how we're trying to change how we plan, how we budget, how we manage our portfolio of assets, and how we deliver products and services. So if you have a chance to read that, I think it's very informative.

With that, I'll turn it back to Mindy.

MS. SIMMONS: Any alibi’s or any closing remarks from our Federal Observers?

MR. MARATHON: I have none. This is Nick Marathon.

MS. SIMMONS: Okay. I need a motion to adjourn the meeting.

MR. McCOY: I move.

MS. SIMMONS: And a second?

MR. MECKLENBORG: Second.

MS. SIMMONS: All in favor?

ALL: Aye.

MS. SIMMONS: Any nays? No.

Okay. With that, the meeting is adjourned.

(WHEREUPON, THERE BEING NO FURTHER BUSINESS, THE MEETING WAS ADJOURNED AT 1:05 P.M.)

STATE OF WASHINGTON)
) ss.
COUNTY OF WALLA WALLA)

I, Dina Ranger, do hereby certify that at the time and place heretofore mentioned in the caption of the above-entitled matter, I was a Certified Shorthand Reporter for Washington and, pursuant to RCW 5.28.010, am authorized to administer oaths and affirmations in and for the State of Washington; that at said time and place I reported in stenotype all testimony adduced and proceedings had in the foregoing matter; that thereafter my notes were reduced to typewriting and that the foregoing transcript consisting of 176 typewritten pages is a true and correct transcript of all such testimony adduced and proceedings had and of the whole thereof.

Witness my hand at Walla Walla, Washington, on this 27th day of August, 2014.

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Dina Ranger, CSR-RPR
CSR NO. RANGEDK317L3
Certified Shorthand Reporter