

Summary Minutes
Inland Waterways Users Board Meeting No. 74
February 25, 2015
Hampton Inn & Suites Birmingham-Downtown-Tutwiler (Ridgely Conference Room)
Birmingham, Alabama

Inland Waterways Users Board Meeting No. 74 was called to order by Ms. Mindy M. Simmons, the outgoing Designated Federal Officer (DFO) of the Inland Waterways Users Board (the Board) at 9:00 a.m. The meeting was attended by approximately 56 participants, including Board Chairman Martin T. Hettel, Vice Chairman Matthew Woodruff, and Board members Messrs. Charles Haun, Mark Knoy, Scott Leininger, Robert McCoy, Daniel Mecklenborg, Bruce Reed and Michael Somales. Board member Mr. David Choate did not attend the meeting and did not send a substitute to the meeting.

Ms. Simmons provided opening remarks and then turned the meeting over to Mr. Mark Pointon, Designated Federal Officer of the Board who then invited Colonel Jon J. Chytka, the Mobile District Commander, who provided welcoming remarks on behalf of the district.

Following Colonel Chytka's remarks, Major General (MG) John W. Peabody, Deputy Commanding General for Civil and Emergency Operations for the Corps and the Executive Director of the Board, provided introductory remarks.

MG Peabody began his remarks by thanking the South Atlantic Division and the Mobile District for hosting the Board meeting and the Corps' project partners and stakeholders from the Black Warrior and Tombigbee and the Tennessee-Tombigbee waterway systems for their strong support of the Corps navigation program. MG Peabody expressed his appreciation to Chairman Martin T. Hettel for his goal to have the Board convene meetings in all of the various regions that comprise the inland waterways system, and that today's meeting in Birmingham falls within that goal.

MG Peabody's remarks focused on the following areas: (1) the transition from the Capital Projects Business Model (CPBM) to a more holistic Capital Investment Strategy (CIS); (2) the Corps' efforts to implement the provisions of the Water Resources Reform and Development Act of 2014 (WRRDA 2014) (Public Law 113-121, dated June 10, 2014); and (3) review of the Corps FY 2015 appropriations and the release of the President's Fiscal Year 2016 Budget Request.

MG Peabody discussed the efforts of the Corps to transition from the CPBM (a 2010 document which identified specific improvement projects over a 20 year time period) to a more holistic CIS which will apply a life cycle portfolio approach to investments in the Inland Marine Transportation System (IMTS) and will establish a framework to guide future Corps decision making concerning infrastructure investments.

MG Peabody indicated that the Corps has continued its efforts to implement provisions of WRRDA 2014. The Corps is in the process of developing implementation guidance for the Act. Information on the implementation guidance developed to date can be found on the Corps of

Engineers homepage:

<http://www.usace.army.mil/Missions/CivilWorks/ProjectPlanning/LegislativeLinks/wrrda2014.aspx>.

MG Peabody noted of particular interest to the Board members and the inland navigation community is the change in the cost sharing provisions as they apply to the Olmsted Locks and Dam project on the lower Ohio River. Section 2006(a)(2) of WRRDA 2014 dictates that the cost sharing formula as applied to the Olmsted project will be 85 percent derived from the General Treasury and 15 percent derived from the Inland Waterways Trust Fund (IWTF).

MG Peabody noted that in December the “Achieving a Better Life Experience Act of 2014” (also referred to as the “ABLE Act of 2014”, Public Law 113-295, signed into law December 19, 2014) was enacted, which included a provision to increase the inland waterways fuel tax rate on marine diesel fuel from \$0.20 per gallon to \$0.29 per gallon, effective April 1, 2015 (Section 205 of Title II of Public Law 113-295). Estimates are that the increase in the fuel tax rate by 9 cents a gallons will result in an increase of approximately \$30 to \$36 million annually in future years.

With respect to the Corps Fiscal Year (FY) 2015 appropriations, MG Peabody indicated that the “Continuing Consolidated and Further Continuing Appropriations Act of 2015” (Public Law 113-235, dated December 19, 2014) was enacted. MG Peabody indicated that the FY 2015 Appropriations law included an increase in appropriations to the Corps of over \$900 million compared to the President’s Budget Request). The Corps’ overall navigation program (which includes both coastal and inland waterways) received an increase of \$523 million (to a total of \$2.334 billion), which includes an increase in the funding of projects under construction on the inland waterways system of \$112 million (to a total of \$281 million). Congress provided additional funds to continue construction activity at the Olmsted L&D project on the Ohio River, the Lower Monongahela River, Locks 2, 3, and 4 project (Lower Mon), and the Kentucky Lock project on the Tennessee River.

MG Peabody indicated the President’s FY 2016 Budget Request was released on February 2, 2015. The FY 2016 Budget Request included \$4.732 billion for the Corps’ Civil Works program. The budget request included funding for construction at the Olmsted L&D project (\$180 million) and the Lower Mon project (\$52 million).

At the conclusion of his remarks, MG Peabody invited the Federal observers attending the meeting to offer opening remarks.

Mr. James R. Murphy, Director of the Eastern Gulf/Lower Mississippi River Gateway Office of the Maritime Administration (MARAD), a branch of the U.S. Department of Transportation, offered his thanks for the opportunity to attend the Board meeting and looked forward to the discussion of issues impacting the inland waterways system, its important role in the movement of commodities and its contributions to the nation’s economy. He also extended greetings from Maritime Administrator Paul Jaenichen. Mr. Murphy indicated that the Maritime Administration is currently developing a National Maritime Strategy, which will provide recommendations aimed at supporting the growth of the U.S. maritime industry and ensure the availability of U.S. flag vessels for the nation’s economic and national security. Mr. Murphy also indicated that

MARAD is working with the American Waterways Operators (AWO) (a national advocacy organization for the U.S. tugboat, towboat and barge industry) to develop an estimate of the national economic impact of the barge and towing industry. Finally, Mr. Murphy mentioned that the U.S. DOT recently published a report entitled "[Beyond Traffic 2045: Trends and Choices](#)" which analyzed the latest data and trends shaping transportation.

Next, Mr. Nicholas Marathon of the U.S. Department of Agriculture (USDA), Agricultural Marketing Service (AMS), thanked the Board for the opportunity to attend and observe the Board meeting and extended the greetings of Mr. Arthur L. Neal, Deputy Administrator of the AMS Transportation and Marketing Program. Mr. Marathon indicated that for the marketing year just ended, the USDA measured a record harvest in both corn and soybeans, and that USDA is projecting a record level of soybean exports for the current marketing year, which could translate into a very good year for barge movements of grain products. Mr. Marathon indicated that since the beginning of the harvest season on October 1st nearly 65 percent of the grain moved on the portion of the inland waterways system which has locks on it has been soybeans. During the fall of 2014 about 61 percent of the grain exports leaving the United States exited the country via ports on the Mississippi River and Gulf Coast.

Mr. Gary Magnuson of the National Oceanic and Atmospheric Administration (NOAA) thanked the Board for the opportunity to attend and participate in the meeting and extended the greetings of Admiral Gerd Glang, Director of the NOAA Office of Coast Survey. Mr. Magnuson looked forward to the meeting and the discussions concerning the inland waterways system and the important role that the inland waterways system and the coastal harbors play in supporting the nation's economy and commerce.

Ms. Marie Therese Dominguez, Principal Deputy Assistant Secretary of the Army for Civil Works, said it was a privilege to attend the Board meeting, and given the vital role that the inland waterways system plays in the nation's transportation system and its contributions to the national economy and national security, was very interested in hearing about the progress on the development of the IMTS Capital Investment Strategy. Ms. Dominguez indicated that the Assistant Secretary's office is very dedicated to the reappointment process of the Board members to ensure the continuity of the Board's activities.

Next Mr. Pointon invited Board Chairman Martin Hettel to provide his introductory remarks. Chairman Hettel began his remarks by saying that in keeping with the goal of the Board to hold meetings throughout the various regions of the inland waterways system, the next meeting of the Board (Board Meeting No. 75) will be held in the Houston or Galveston, Texas area along the Gulf Intracoastal Waterway, sometime in mid to late May. It is anticipated that the following meeting (Board Meeting No. 76) will be held on the Tennessee River, possibly in Chattanooga, Tennessee to see Chickamauga Lock and Dam.

Chairman Hettel felt that 2014 was a very productive year with respect to Congressional action concerning the inland waterways system. In June the Water Resources Reform and Development Act was enacted, which outlined many new responsibilities for the Users Board and changed the cost sharing formula for the Olmsted project. Then in December the "ABLE Act" was passed, which included a provision to increase the marine diesel fuel tax rate to 29

cents from 20 cents. Chairman Hettel said this increase in funding will assist the government and the industry in improving the reliability, upgrading the efficiency, and increasing the capacity of the inland waterways system. Chairman Hettel said that in the near term the members of the Board would like to see an increase in the reliability and the efficiency of the system, and in the long term the Board would like to see an increase in the capacity of the system.

After Chairman Hettel concluded his remarks, Mr. Pointon called for a motion to approve the minutes of Board Meeting No. 73, held on November 18, 2014, in Baltimore, Maryland. Board member Mr. Daniel P. Mecklenborg made a motion to approve the minutes of Meeting No. 72 and Board Vice Chairman Mr. William M. Woodruff seconded the motion. The Board members then voted unanimously to approve the minutes of Meeting No. 73.

Following the approval of the minutes from Meeting No. 73, there was discussion of follow up items from the previous Board meeting.

Mr. Patrick Donovan of the Corps' Inland Navigation Planning Center of Expertise (PCXIN) in Huntington, WV provided follow up information and discussion concerning issues raised at previous Board meetings on the vessel arrival and lockage times and vessel delay information displayed on the Corps' Lock Performance Monitoring System (LPMS) website. Corps Headquarters staff will work to address LPMS data consistency and quality issues and provide an update to the Board at future meetings.

Mr. Jeffrey McKee, Chief of the Navigation Branch at Corps Headquarters, provided an update on Corps procedures for communicating with the navigation industry on scheduled and unscheduled closures at Corps locks or any river maintenance activities, which necessitates closure of a portion of a waterway. Chairman Hettel indicated that the industry would continue to strive to work with the Corps in a collaborative effort so that where possible the Corps should engage the navigation industry early in the process of scheduling lock or open river closures and that the industry has the opportunity to identify when a closure would have the least impact or minimal impacts on the operations of the navigation industry. The Corps committed to developing an enterprise wide standard for communicating in advance planned and scheduled work and developing an enterprise wide communications system (i.e. a website) to communicate information on planned and scheduled work to the navigation industry and the public. The Corps will continue to report progress on this effort at the next Board meeting.

Mr. Steve Jones, Navigation Business Line Manager in the Mississippi Valley Division (MVD) provided an update on the financial history associated with Inner Harbor Navigation Canal (IHNC) Lock Replacement project and the Navigation and Environmental Sustainability Project or NESP on the Upper Mississippi River and Illinois Waterway. Mr. Jones indicated that he would report on the progress of the General Re-evaluation Report (GRR) on the IHNC Lock project at the next Board meeting.

After the conclusion of the updates of items from the last Board meeting, Mr. Pointon then called on Mr. McKee to provide an update on the Corps FY 2015 work plan and the FY 2016 President's Budget.

Mr. McKee indicated that the FY 2016 President's Budget, which was released on 2 February 2015, included \$1.947 billion for navigation related activities (41% of the entire Corps Civil Works program of \$4.732 billion), comprised of \$973 million for coastal navigation activities and \$974 million for inland waterways activities. Of the total of \$1.947 billion for navigation activities, \$25 million would be directed to investigations and studies, \$321 million would be directed to construction activities, \$1.563 billion would be directed to Operation and Maintenance (O&M) activities and \$38 million would be directed to Mississippi River and Tributaries (MR&T) related activities (which includes elements of investigations, construction and O&M specifically identified as part of the Mississippi River and Tributaries project).

Addressing the FY 2016 President's Budget's focus on the inland waterways system, the budget included \$7 million for Investigations, \$240 million would go for construction (75% of the entire navigation related construction budget) and \$691 million would go towards O&M (44% of the entire navigation related O&M budget).

With respect to the FY 2015 work plan, which reflects the appropriations contained in the Continuing Consolidated and Further Continuing Appropriations Act of 2015, an additional \$523 million was added to the FY 2015 budget amounts, resulting in the total navigation related appropriations (both coastal and inland waterways) totaling \$2.348 billion (up from an original request of \$1.825 billion).

Appropriations for navigation related Investigations increased by \$15 million, to a total of \$37 million, including \$750,000 allocated to Calcasieu Lock, \$700,000 allocated to the Gulf Intracoastal Waterway, High Island to Brazos River study, \$589,000 allocated to the IHNC Lock Replacement study, and \$150,000 allocated to initiate the Three Rivers study in Arkansas.

FY 2015 appropriations for navigation related construction activities increased by \$207 million, to a total of \$484 million, including an increase of \$112 million towards inland waterways related construction (for a total of \$281 million). Of the \$112 million increase, \$45 million was for continued construction activities at Olmsted Locks and Dam (resulting in a total of \$205 million in funding in FY 2015), \$49 million for the Lower Mon project (resulting in a total of \$58 million in FY 2015), and \$12 million for Kentucky Lock. Currently, \$6 million in funds remain to be allocated. Based on the cost share draw from the Inland Waterways Trust Fund, a total of \$69 million would be drawn from the IWTF for Olmsted (\$30.75 million), Lower Mon (\$29 million), Kentucky Lock (\$6 million) and \$3 million still to be allocated.

The FY 2016 President's Budget includes \$180 million for the Olmsted project and \$52 million for the Lower Mon project. The draw on the Inland Waterways Trust Fund in FY 2016 would be \$53 million: \$27 million for the Olmsted project and \$26 million for the Lower Mon project.

Chairman Hettel made a point that based on the ending balance in the IWTF for FY 2014 (September 30, 2014) of \$25 million, plus the difference between revenues taken into the Trust Fund versus the funds withdrawn from the Trust Fund in FY 2015 (\$32 million, based on estimated revenues of \$101 million versus funds withdrawn of \$69 million), plus the difference between revenues taken into the Trust Fund versus the expected funds withdrawn in FY 2016

(\$63 million, based on estimated revenues of \$116 million versus funds withdrawn of \$53 million), the FY 2016 ending balance in the IWTF would be approximately \$120 million. Chairman Hettel indicated that this level of funds would support an additional \$240 million of construction activity on the inland waterways system.

MG Peabody indicated that the Corps is conducting internal analyses to determine the appropriate minimum threshold level below which it would be imprudent to go below in maintaining a balance in the IWTF. Similarly there exists some level above which it is probably not wise to maintain a balance of funds in the IWTF. The key is to find the proper level at which to maintain funds in the Trust Fund while at the same time ensuring that funding for construction of inland waterways projects is at an efficient rate of execution.

Mr. McKee then presented the status of the Inland Waterways Trust Fund (IWTF) and the status of the inland waterways projects. The beginning balance in the IWTF at the start of FY 2015 (October 1, 2014) was \$24.66 million. During the period from October 1, 2014 and January 31, 2015, \$24.821 million was collected in fuel tax revenues and deposited into the IWTF. Interest earned on deposits in the IWTF was \$3,078. Total funds available in the IWTF as of January 31, 2015 were \$49.637 million.

Mr. McKee then provided an update on the status of inland waterways projects including the Lockport Pool Major Rehabilitation on the Illinois Waterway; the IHNC Lock Replacement project; the Lock and Dam 27 Major Rehabilitation on the Mississippi River; the Emsworth project on the Ohio River; and the Kentucky Lock project and the Chickamauga Lock project on the Tennessee River.

Of note, the Lockport Pool Major Rehabilitation has been fully funded and it is not anticipated that the project will draw any more funds from the IWTF.

With respect to the IHNC Lock project, the New Orleans District continues its efforts to re-evaluate the project and develop a shallow draft alternative to the existing project.

Next, Mr. David Dale, Programs Director of the Great Lakes and Ohio River Division (LRD), provided the Board an update on the status of two ongoing construction projects in LRD: Olmsted Locks and Dam project on the Ohio River and the Locks and Dams 2, 3, and 4 Lower Monongahela River project.

With respect to the Olmsted project, Mr. Dale indicated that construction is progressing quite well at the project site and indicated that all of the shells for the tainter gate portion of the dam are set in place and that work is progressing on the navigable pass portion of the dam. The first of five tainter gates has been delivered to the project site and installation has been completed. With respect to the navigable pass portion of the dam, the first two of 12 navigable pass shells have been set. It is anticipated that all 12 navigable pass shells will be set by the end of the low water construction season in 2017, one year ahead of the original schedule (which would have completed the setting of the last three navigable pass shells during the low water construction season in 2018). During the upcoming 2015 low water construction season work will continue

on the placement of three navigable pass shells, four paving blocks, and the installation of the second of five tainter gates on the dam (currently scheduled to be delivered in early July).

Mr. Dale indicated that if construction progresses on schedule at the project site and if there are no unforeseen difficulties, the Olmsted project should be completed at a total estimated cost of \$2.819 billion. There is an estimated \$280 million in contingencies to allow for unanticipated problems, however, the level of funds set aside for contingencies should go down as more work is accomplished on schedule or ahead of schedule.

Mr. Dale indicated that at the current pace of construction, and with no unforeseen problems associated with bad weather, river or other environmental conditions, it is expected that the dam portion of the project will be operational by October 2018.

Mr. Dale said that even after the completion of the navigable pass portion of the Olmsted project, currently scheduled to be completed in October 2018, there still remains work to remove the physical features at Ohio River Locks and Dams 52 and 53. Mr. Dale indicated that the Corps is continuing to investigate the options available to removing the locks and dams. The Corps continues to engage the U.S. Coast Guard and the navigation industry so as to determine a best path forward with respect to removal of the locks and dams. He stated that the cost of removal of the physical features at Ohio River Locks and Dams 52 and 53, under the current plan, would be approximately \$68 million for Locks and Dam 52 and approximately \$48 million at Locks and Dam 53.

After Mr. Dale completed his presentation on the Olmsted project, he provided an update on the Monongahela River Locks and Dams 2, 3, and 4 (Lower Mon) project. Mr. Dale indicated that at present it is anticipated that construction of the riverward lock chamber at Lock and Dam 4 (Charleroi, PA) will be completed in 2022. Completion of the riverward lock chamber will generate approximately 90% of the benefits associated with the project. As presently envisioned by the Corps, construction will continue on the riverward lock chamber, the landward lock chamber at Charleroi will be deferred until sometime in the 2050 time period, and the raising of the Port Perry Bridge will not be implemented at this time.

After the conclusion of Mr. Dale's presentations, Mr. Eddie Belk, Chief of the Operations Division at USACE Headquarters, and Jeanine Hoey, Chief of Programs at the Pittsburgh District, then provided an update on the Capital Investment Strategy (CIS). Mr. Belk described the risk based approach that the Corps is undertaking to prioritize capital investments as well as Operation and Maintenance activities and major rehabilitation activities. Ms. Hoey described the current preliminary results of the effort to identify future capital investments for both new construction and major rehabilitation over a 20-year time horizon (out to the year 2035) under two different scenarios, one with "constrained" financial resources available to the Corps and a second scenario with "unconstrained" financial resources available to the Corps.

After the CIS item, Chairman Hettel provided an update on the status of the Board's Annual Report to Congress and the Secretary of the Army. Chairman Hettel indicated that the Board completed their report in December and reflected their views as of end of calendar year 2014. Much work has been done since that time on the Corps' CIS for which the Board is most

appreciative. Mr. Pointon indicated that the 2014 Annual Report has been distributed to members of Congress, the Administration and senior officials at the Corps of Engineers. The Board's [Annual Report](#) has also been posted to the Users Board website.

Next, Mr. Pointon opened up the meeting to the public comment portion of the meeting.

There was one individual who indicated his interest in making public comments. Mr. Spencer Murphy of Canal Barge Lines spoke on the issue of the operation and maintenance of the Hurricane Protection Surge Barrier in New Orleans, Louisiana. He said that from the navigation industry's perspective, the policy of the Corps should be what is included in Section 2013 of WRRDA of 2014, that being it should be the responsibility of the Corps to operate and maintain any flood gate, as well as any pumping station, that was constructed as a feature of an authorized hurricane and storm damage reduction project and which crosses an inland or intracoastal waterway as described in section 206 of the Inland Waterways Revenue Act of 1978. Failure to properly operate and maintain the features of the hurricane and storm surge barrier and the associated navigation features that cross the Gulf Intracoastal Waterway in the New Orleans area (both to the west side of the city at the West side Closure Complex and on the east side of the city at the Hurricane and Storm Surge Barrier) would put at risk the movement of waterborne cargo throughout the Gulf Coast region all the way from Texas to Florida and inland points of destination.

Finally, MG Peabody recognized staff members for their efforts: Mr. Danny Hensley, Project Manager for the Black Warrior and Tombigbee Waterways project and Mr. Wynne Fuller, Chief of the Operations Division at the Mobile District for leading the Mobile District team in organizing today's meeting of the Board and the preceding day's tour of the Holt and Oliver locks and the Black Warrior Tombigbee Waterways Maintenance Facility; Ms. Mindy Simmons for her role as the DFO of the Users Board since January 2014; Ms. Jeanine Hoey for leading the Corps team developing the Capital Investment Strategy; and Mr. Jeff McKee for his efforts in all matters affecting the inland waterways and the overall navigation program of the Corps of Engineers.

Mr. Pointon adjourned the meeting at 12:55 p.m.