

Minutes
Inland Waterways Users Board
Meeting No. 75
May 14, 2015
San Luis Resort and Conference Center
5222 Seawall Boulevard
Galveston, Texas

[Note: The following minutes of the Inland Waterways Users Board meeting No. 75 were approved and adopted as final at Inland Waterways Users Board meeting No. 76 held on August 12, 2015 in Nashville, Tennessee.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 14th day of May 2015, commencing at 9:00 a.m., at the San Luis Resort and Conference Center, 5222 Seawall Boulevard, Galveston, Texas, 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. CHARLES A. HAUN, JR., Parker Towing Company, Inc.;

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

MR. G. SCOTT LEININGER, CGB 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 members MR. DAVID CHOATE, Bruce Oakley, Inc. and MR. BRUCE REED, Tidewater Barge Lines, Inc. did not attend the Board meeting.

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

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

MR. BRIAN P. HILL, Director, Western Gulf Gateway Office, Maritime Administration (MARAD), U.S. Department of Transportation, Houston, Texas;

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

MR. ALAN BUNN, Navigation Manager, Western Gulf of Mexico, Office of Coast Survey, National Oceanic and Atmospheric Administration (NOAA), U.S. Department of Commerce, Galveston, Texas.

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

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

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

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

Program speakers in scheduled order of appearance were as follows:

COLONEL RICHARD P. PANNELL, Commander, Galveston District, U.S. Army Corps of Engineers, Galveston, Texas;

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

CHAIRMAN MARTIN T. HETTEL, Chairman, Inland Waterways Users Board;

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

MR. JEFFREY A. McKEE, Chief, Navigation Branch, Operations and Regulatory 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;

MS. JASMINE M. SMITH, Acting Senior Project Manager, Inner Harbor Navigation Canal Lock Replacement Project, New Orleans District, U.S. Army Corps of Engineers, New Orleans, Louisiana;

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

MS. JEANINE HOEY, Director of Programs, Pittsburgh District, U.S. Army Corps of Engineers, Pittsburgh, Pennsylvania.

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

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

MR. EDWARD E. BELK, Chief, Operations and Regulatory Division, Headquarters, U.S. Army Corps of Engineers, Washington, D.C.;

MS. JEANINE HOEY, Director of Programs, Pittsburgh District, U.S. Army Corps of Engineers, Pittsburgh, Pennsylvania;

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

There was one speaker who provided public comments during the public comment portion of the meeting:

MR. JAMES STARK, Executive Director, Gulf Intracoastal Canal Association (GICA).

PROCEEDINGS

MR. MARK R. POINTON: I'd like to welcome everyone to the 75th Meeting of the Inland Waterways Users Board here in Galveston. Unlike our last meeting which was held in Birmingham, Alabama, this is not the first Board meeting we've held here in Galveston; this is actually the fourth meeting that we're having here in Galveston. Unfortunately, the last one was in 2002. I can't exactly explain why it's been so long since we've been to Galveston. But we're glad to be back here, and we will have a great meeting today, I believe. Perhaps it has been all the storms we've been getting the past couple of days that might explain why we haven't been back here, but I can't really address that.

We had a very interesting and informative tour yesterday going down to the Brazos River Floodgates. I know the Board members and some of the Corps senior staff got a little

extra time on the boat ride, so I thought that was a very interesting and unusual facility that we saw yesterday.

I would also like to thank the Gulf Intracoastal Canal Association [GICA] and Mr. Jim Stark for being our host last night at the social event, and also the Kirby Corporation, represented by Mr. Matt Woodruff, who is also a current Users Board member, for their hosting us today at the coffee break and the refreshments that we have during the meeting today. Thank you much to both of those organizations and those gentlemen.

My name is Mark Pointon. I am the current Designated Federal Officer for the Inland Waterways Users Board. We have a really full agenda today, so I hope we can stay on pace and keep this meeting going so we can get it all in.

Before we start the meeting, I am obligated to read for the record that the Inland Waterways Users Board was created pursuant to Section 302 of the Water Resources Development Act of 1986. It provides the Secretary of the Army and the Congress with recommendations on funding levels and priorities for modernization of the inland waterways system.

The Board is subject to the rules and regulations of the Federal Advisory Committee Act of 1972, as amended. This is a "Government in the Sunshine" Act meeting, and as such, it is open to the public.

The U.S. Army Corps of Engineers is the sponsor to the Board and provides for the Executive Director, the Designated Federal Officer, and all normal activities of the Board.

Currently we have one individual who wishes to make a public comment, and we have received a public comment that was provided for the record from the Pacific Northwest Waterways Association. That was provided to the Board members prior to today's meeting.

If anybody wishes to make a public comment, please see me and we will see if we can work you in during the public comment period at the end of the meeting.

These proceedings are being recorded and a transcript will be made available shortly after this meeting is over. I would now like to call on Colonel Richard Pannell, District Commander from the Galveston District to provide some opening remarks and some welcoming comments from the Galveston District and Southwestern Division. Sir.

COLONEL RICHARD P. PANNELL: Good morning. Welcome, Board members, General Peabody, Chairman Hettel, distinguished guests and stakeholders. We are very honored today to be able to host this event in Galveston. We think that Galveston provides a great venue and a rich history of some of our nation's infrastructure, and we tried to show you a little bit of that over the course of the last day.

For those who didn't realize it, last night the social that was hosted by Mr. Stark and GICA was held on top of a coastal artillery battery, and that is why we were elevated there. That was a Corps project back in 1917, finished shortly after World War I and part of the coastal defenses here at the Fort Crockett area. And that was about a \$300,000 project and has lasted almost 100 years and it was built so well that they couldn't remove it. And so we had our social on it last night.

Another important project of infrastructure here in the Galveston area that you see as soon as you get here is, of course, the seawall, the iconic seawall. And that structure was built in response to one of the greatest natural disasters in U.S. history, the 1900 Hurricane. That's an example of a structure that was done in cooperation with the Corps and partnership with the county and city. In fact, the section we are on right now, the section from about 39th Street to this location, was built solely by the Corps of Engineers to protect Fort Crockett. So, as you go leave here today, now that the sun has come out after the meeting, when you get into your bathing suits and go down to the beach there, you can look at that marvel of engineering.

It is on the Engineering Historical Landmark Registry and it still holds firm today. It is another great example of Corps of Engineers infrastructure here in the Galveston area.

But, perhaps most importantly to the group here today, of course, is the Gulf Intracoastal Waterway, the GIWW, and we were very pleased to be able to show you a little bit of that yesterday as we went to the Brazos River Floodgates, and we hope that you gained a greater appreciation of the importance of this inland waterways system. You saw a little bit of how much material is moving through there, how crowded it is, how congested it is, and really how much value it brings the nation in terms of connecting the shallow draft system with all the deep draft port systems in Texas, and then on into the rest of the inland waterways system in the Mississippi River Valley and even the Ohio River Valley.

Again we are very pleased that you were able to get out there and see some of that, but also to see some of the challenges. I just want to say how much I appreciate the work that you all are doing to support the nation's infrastructure and to ensure that the transportation system in the United States remains the best in the world.

Even though the project, the GIWW, is not specifically on your meeting agenda today, I am very confident that the knowledge that you have will solve and help us address any problems that we have in the future. So once again welcome to Galveston, and thank you all for supporting the nation's infrastructure.

MR. POINTON: Thank you, sir. For those of you around the table, if you would like to speak, it is push to talk. Your microphones are cold until you push the button and the green light comes on your microphone. Please speak into the microphones. The gentleman who is recording the meeting, the meeting is being recorded through the microphones, so I would appreciate that so that we get a good transcript for this meeting.

I would now like to call on General Peabody to provide his opening remarks. Thank you, sir.

MAJOR GENERAL JOHN W. PEABODY: Thank you, Mr. Pointon. Good morning, everyone. Mr. Chairman, members of the Board, and Federal observers and staff – thank you for coming here today. We have had a great series of tours over the last couple of days. I want to especially thank the Southwestern Division leadership and most particularly Colonel Pannell, Commander of Galveston District and all of his staff. We have had a very smooth tour so far and we have learned a lot and really appreciate you hosting this meeting of the Users Board.

Also our partners from the Texas Department of Transportation [TxDOT] and the Texas General Land Office. We really appreciate their presence and participation.

Some of us came here a couple of days early, and we spent Tuesday doing a tour of the port of Houston, the Houston ship channel, and got to look at the refinery that Shell operates, which is one of 150 companies that use the petrochemical processing facilities in the greater Houston area, which was really a revealing tour, somewhat painful because it called to mind chemistry classes some 38, 39 years ago, which I've been trying very hard to forget.

I especially also want to thank the members of the Board that have helped sponsor some of the events here, Mr. Jim Stark and the Gulf Intracoastal Canal Association. Thanks, Jim, for your support last night. In particular, it was a great social. And Mr. Matt Woodruff from the Kirby Corporation for the coffee and the tour of the Brazos River -- they're called floodgates, but I think they actually function as sediment traps. That's what I -- what's in a name.

But that was really interesting to see the professional pilots who thread these needles with giant machinery. It's against very dynamic river conditions. It's quite extraordinary to see the talent of these folks on intimate display, so I really appreciate that opportunity.

We had a great meeting in February in Birmingham, Meeting No. 74, the highlight which, of course, was for a fan of the Ohio State football champions to stroll across the enemy's territory in victory. That was wonderful.

Well, just some topical issues for the purpose of the meeting to get serious here. We've continued to work on a number of issues in support of the purpose of this body, and the Inland Marine Transportation System [IMTS] since we last met. In particular, we are making progress on the Olmsted and Lower Monongahela projects. We'll get some updates on that.

We are continuing to make advancements in the implementation of WRRDA 2014 [the Water Resources Reform and Development Act of 2014, Public Law 113-121, dated June 10, 2014]. The last time I checked, I should say, was about, maybe, three weeks ago, and about 32 percent of provisions had implementation guidance. And as we were reviewing that about two or three months ago, we were all a little bit frustrated with the pace of progress. Part of that's due to some of very complex challenges and very different requirements that some of these

provisions have. Those tended to be the provisions we focused on first; but, nonetheless, we weren't making the progress we had hoped for.

And so we decided that we would pull in a project delivery team to assist our lead staffer for this, Ms. Jan Rasgus, and that team started on Monday. So we've got, I think, five or six folks or maybe was it seven? I think Ada [Ms. Ada Benavides, Assistant Director, Civil Works, USACE] told me it was seven – seven that joined us in Headquarters, and we hope to be able to increase the pace of our progress on WRRDA implementation.

Of course, the increase in the fuel tax for the Inland Waterways Trust Fund went into effect last month. As a result, the ABLE Act passed in December [Section 205 of Title II of Division B of Public Law 113-295, the “Achieving A Better Life Experience Act of 2014” also referred to as the “ABLE Act of 2014”, dated December 19, 2014 increased the tax on a gallon of diesel fuel to \$0.29 per gallon from \$.20 per gallon], and that's a 45 percent increase from the 20 cents that was in effect since 1995. And we hope we don't have to wait another 20 years before we can get another increase to keep pace with inflation.

The House of Representatives passed its Fiscal Year 16 [FY16] Energy and Water Development Appropriations bill. I'm not sure if this is a record, but it's the earliest in my memory that we've seen an Appropriations bill pass. That was passed on the 1st of May, and some of the highlights of that bill included an increase of \$865 million above the President's budget, so a little over \$5.6 billion for the Civil Works program, \$340 million for features of the fuel-taxed inland waterways system, including \$180 million for the Olmsted project and \$52 million for the Lower Monongahela project.

The Inland Waterways Trust Fund construction program was increased by \$108 million above the President's budget. And the Operation and Maintenance program was increased to about just over \$3 billion. So, obviously the Senate still has their work to do on this. Then the two chambers need to get together and finalize the appropriations process. But once again, we see that Congress, notwithstanding the challenging fiscal circumstances and the policy limitations they have placed upon themselves continues to put very high value on what the Corps delivers for the nation, and because of the increase they continue to give us, this is the third year in row with almost a billion dollar increase above the President's budget proposal.

We'll spend a little time later today on the progress of the Capital Investment Strategy. Jeanine Hoey, in particular will update us on the work of the Investment Program Action Team over the past few months, and we're making good progress to deliver that report in compliance with WRRDA, I believe, in September.

One of the things that we have discussed in this body related to the Capital Investment Strategy is really its purpose. And we all, I think, appropriately give very important credit to the hard work that we all collectively put together to develop and deliver the Capital Projects Business Model. But that model has served as the foundation for a longer term, broader strategy that we're attempting to put together, what we call a lifecycle portfolio management approach to managing the hugely important Inland Marine Transportation System. And the

most compelling issue, I believe, that faces this Board is to think about the system that you want to endure for your grandchildren, not just 20 years, but 50 years, 100 years from now. How are we going to manage this system so, in fact, it can endure and continue to grow, expand, and deliver and improve the value that it delivers to this nation, which is so critical to this country.

We were reminded yesterday the importance of infrastructure and proper infrastructure maintenance and proper transportation management as a result of the tragic Amtrak crash that occurred in Philadelphia. I don't know whether the actual infrastructure was to blame there. Clearly the train was moving far in excess of its speed; but nonetheless, infrastructure investment in this country is hugely important, and the Corps has a very important part of that responsibility.

The Board member appointments, I'm told, are on track. I know Ms. Dominguez from the Assistant Secretary's office who's here today has been working this personally and very hard and has talked to the Chairman about this. I am told that we expect all of the 11 appointments to be made prior to the end of this month when their terms expire. And that will include ten reappointments and one new appointment.

Unlike what the Board has requested and recommended, however, there's been a policy decision that the terms will be for two years, and not a staggered two or three years.

At this time I'll call on our Federal observers in order to make any opening comments that they would like to make, and we'll start with Mr. Nick Marathon from the Department of Agriculture. Sir, the podium is yours.

MR. NICHOLAS MARATHON: Thank you. Thank you, General. I just learned how to use the microphone.

MAJOR GENERAL PEABODY: I had the same problem.

MR. MARATHON: Thank you General. I am here representing Mr. Arthur Neal. He is the Deputy Administrator for the Transportation and Marketing Programs of the USDA's Agricultural Marketing Service. We've recently started a project with the University of Tennessee to measure the benefits to U.S. agriculture that could be derived from waterway improvements. The work will center on the use of the international grain transportation model that will measure the net economic benefits of waterway improvements. The model was originally developed by Texas A&M University and looks at the interaction of multiple modes of transportation, including truck, rail, barge, Great Lakes vessels, and ocean going vessels.

This project has just started and is part of USDA's ongoing work as directed by the 2014 Farm Bill [Section 6206 entitled "Study of Rural Transportation Issues" of the Agricultural Act of 2014, Public Law 113-79, enacted February 7, 2014]. The ongoing work is an update of the 2010 report "*Study of Rural Transportation Issues*" mandated by the 2008 Farm Bill. That

report discussed the impact of transportation infrastructure on the movement of agriculture goods.

That concludes my remarks. Thank you for the opportunity to be here today, and I look forward to today's meeting. Thank you.

MAJOR GENERAL PEABODY: Thank you, Mr. Marathon. We appreciate your continued support to this body, and it's really great to always have you at these meetings and your participation especially on the tours as well.

MR. MARATHON: Thank you, sir.

MAJOR GENERAL PEABODY: Now we'll ask Mr. Brian Hill from the Western Gulf Gateway Office of MARAD to make some comments. Sir, good to see you.

MR. BRIAN P. HILL: Good to see you, too, again. My name is Brian Hill. I am the Director of MARAD's Western Gulf Gateway Office. I am responsible for all the ports in Texas and Oklahoma for MARAD. Of interest in this group, MARAD recently partnered with the AWO, the American Waterways Operators organization, and hired a contractor to do an economic impact study of the barge and towing industry. Inland and coastal waters are included within that study. That study should be published shortly. As soon as I find out that, I will let the group know when that will be.

Also, container-on-barge is one of MARAD's priorities. This has continued to grow. Recently a service on the Tenn-Tom Waterway started and here in the Gulf an operator will be starting another service soon between Houston and Brownsville. So that's one of the MARAD priorities, and it's starting to really take off, especially in the Gulf area. Thank you and I'm very happy to be here on behalf of MARAD.

MAJOR GENERAL PEABODY: Great. Thank you, Mr. Hill. We appreciate your participation. And from NOAA, Mr. Alan Bunn, the Navigation Manager of NOAA's Office of Coast Survey, Western Gulf of Mexico. Sir, the floor is yours. I hope I got that right.

MR. ALAN BUNN: Yes. It is a mouthful. I am representing Admiral Gerd Glang, who runs our Office of Coast Survey. He sends his apologies for not being able to attend. I'm grateful that you're in my own backyard here, since my office is in the Galveston area here. So I appreciate that. The Admiral asked me to make note that NOAA continues to work very closely with the Army Corps of Engineers and the U.S. Coast Guard in preparing for our upcoming hurricane season.

We have a number of navigation response teams that are composed of hydrographic survey vessels that are trailerable, and they are stationed a couple on the East Coast, a couple on the West Coast, one on the Great Lakes, and one on the Gulf. And we rotate around updating charts on our daily routine, but on call for emergencies and primarily hurricanes where we work closely with the National Hurricane Center and come in as close as we can to within the

hurricane winds themselves prior to the event; and working with the Corps of Engineers as they're pulling their vessels to safety, we work closely with them to move in and in many cases come in with the National Guard twenty-four hours after the storm and commence opening up the waterways. So it is a partnership that Admiral Glang wanted me to stress is working out extremely well; and, in fact, we're working with the Gulf Intracoastal Canal Association and have an upcoming joint hurricane task force meeting in New Orleans in a few weeks where the Corps, Coast Guard, GICA and others will be putting together our emergency plans for our response primarily in the Gulf area. And, again, thank you for allowing us to participate.

MAJOR GENERAL PEABODY: Thank you, sir. Our partnership with NOAA is very important, and we appreciate you being here. And thank Admiral Glang as well for his support.

And now the representative from the Assistant Secretary of the Army's Office for Civil Works, the Principal Deputy Assistant, Ms. Marie Therese Dominguez. Ma'am.

MS. MARIE THERESE DOMINGUEZ: Good morning. Thank you to everybody.

Good morning everybody, and thank you for instructing me as to how to speak into the microphone correctly. Just a quick thank you, but an important thank you to the entire team here and the Galveston District, Colonel Pannell, I know Division Commander Hill [Brigadier General David C. Hill, Commander, USACE, Southwestern Division], I see General Kaiser [Brigadier General Richard G. Kaiser, Commander, USACE, Great Lakes and Ohio River Division] here with us, thank you all very, very much. I know a great deal about what goes into planning these meetings, and I really appreciate the District support and assistance in pulling all this together and also for finding me this morning because it was an adventure going to a couple of different hotels, and I wasn't the only one. I know the NOAA rep was with me.

And a big thank you to Chairman Hettel. As always we appreciate your leadership and the members of the Board, for your sponsorship and your continued participation in this important work.

I wanted to just highlight a couple of things really quickly and emphasize a couple of points that General Peabody made. One is on the Capital Investment Strategy, and that is just to further report that, indeed, we're doing all we can to meet our Congressional deadline of 10 June to get this report up to Congress, but it is a further continuation of our efforts and sincerity in our larger infrastructure investment strategy.

As General Peabody noted, we've been working aggressively with the Secretary of Defense's office to try and make sure that the appointments for the Inland Waterways Users Board are done in a timely way, the reappointments, and moving forward. We've had some discussion with Chairman Hettel how we can improve the process moving forward, but for this next round as noted they'll likely be two-year terms, not three- and two-year staggered terms as we originally contemplated. For policy reasons we wanted to make sure we don't have any lapse in the service of the Board members. We're working towards two-year reappointments.

So that's kind of the latest and the greatest in the appointments, and we're trying to do that in a very timely way through the appointment process.

But I look forward to working with all of you, and it sounds like you had a good day yesterday, and so I'm looking forward to a good meeting today. Thank you.

MAJOR GENERAL PEABODY: Thank you, ma'am. I appreciate your attendance and support. And now our chairman, Mr. Marty Hettel. And, Mr. Chairman, I just wanted to, again, thank you and compliment you on your leadership, and especially your support and focus to get us to look more broadly at the entire system. It was very educational and, I think, revealing for all of us to be here in the Texas Gulf Intracoastal Waterway system. Sir, the floor is yours.

CHAIRMAN MARTIN T. HETTEL: Thank you, General. And welcome all to our Meeting No. 75 here in Galveston. I need to take a minute and thank, again, Jim Stark and the Gulf Intracoastal Canal Association for sponsoring the social event last night, I had no idea it was on top of a coastal artillery battery. That's pretty amazing.

And thanks to Vice Chairman Woodruff's organization, the Kirby Inland Marine Company for sponsoring the coffee service today along with donuts and rolls, that was a nice touch.

And thanks to the Galveston District, Colonel, I know it's a lot to put these schedules together and planning and logistics. Believe me, I understand that. We thank you for everything that you have done for the Board.

I'm going to start out with the Brazos facility that we went through yesterday. I did a little research here, and there's a tremendous amount of traffic that is going through that facility. As a matter of fact in 2013 the last figures that the Corps has on their website, over 23.5 million tons transitted through the Brazos facility in 18,000 plus barges. And these are a variety of commodities that are primarily liquids that are shipped throughout the inland waterways system. So, General, again it confirms again our inland waterways system should be viewed as a system and not as individual waterway segments.

We are encouraged to hear that the Texas Department of Transportation is involved in doing a study on this Brazos facility. I'm sure we have smart enough people around here that can figure out a way to eliminate the delays and reduce the -- I would say the transit, the skill needed to transit that facility. That's pretty amazing the way the currents work in getting in and out of those facilities, that we ought to be able to figure out a way to make it less treacherous for our mariners and to avoid the delays. So we're looking forward to that. And, Jim [Stark], if there's anything you need from the Board with the Texas Department of Transportation on the study, let us know.

I want to talk a little bit about our future meetings. Mr. Pointon and I are starting the process and move forward with the meeting in the latter half of August, Meeting No. 76. We're

planning to hold the next meeting in Nashville with a tour of Chickamauga Lock in Chattanooga.

I handed these pictures out to the Board. I was at a media event down at LaGrange Lock [on the Illinois Waterway] two weeks ago. The condition of this lock -- and it may have been about five years since I've been at LaGrange last. It's certainly deteriorating further than it was when I was there five years ago.

During the tour we learned that there were mooring bits on the lock wall that the lockmaster won't allow our industry to use for fear that we would pull the mooring bits out of the lockwall, if we tied off on it. There's a monolith on the center wall below the tainter gate that has a diagonal crack from the waterline all the way up that we can see to where it disappears behind the cement. They are fearful that we could see a portion of that monolith slough off into the water like we saw at Lockport.

So the increasingly degraded condition of this facility, in my opinion, is worth the Board making a visit down to LaGrange Lock. So I know I promised you all that our November meeting would be held somewhere convenient. I hope you can consider Peoria convenient. We'd like to have you to convene the November meeting in Peoria and do a tour of the LaGrange facility. And Peoria isn't that bad to get to. I used to live close nearby.

Lastly I want to comment on the reappointment process of the Board members. First off, let me start, I believe I can speak for all the members of the Board that we take this responsibility seriously, as our recommendations to Assistant Secretary Darcy [Assistant Secretary of the Army for Civil Works, Ms. Jo-Ellen Darcy] and to Congress are based on sound decisions that are supported by information we receive from these Board meetings.

We also take into account being good stewards of the Inland Waterways Trust Fund monies along with the money supplied by the general public into the Treasury department.

We've been discussing for the last 18 months the importance of starting this process soon enough to avoid our terms expiring. And, General, I'm surprised to hear you think they'll be reappointed before the 27th of May. I've heard that unfortunately it looks like our terms will expire; however, I believe our reappointments will be confirmed before the end of June. My belief is based on a conversation with the Federal Advisory Committee Management Officer along with subsequent conversation with Ms. Dominguez.

My conversations with the Committee Management Officer came about from my own initiative. I wanted to look up the charter for this Board. The charter, was, in fact, renewed on April 16th of 2015. Unfortunately, there seemed to be some miscommunication somewhere as the Federal Advisory Committee Management Officer was under the impression we needed a waiver from the Secretary of Defense because some organizations were part of the interim Board in 2012.

And as you all know, each organization can hold a term for two consecutive terms of Users Board. Well, in conversations with Ms. Dominguez, we believe we've cleared that issue just for the simple fact that that was an interim board and is not being counted as one of our consecutive terms.

So hopefully we see our reappointments in the coming weeks. The Federal Advisory Committee Management Officer also stated there should be no reason for the Corps to hold up any future information requests from the Board or any delays in planning our August meeting. So once we have our appointments confirmed, I've talked with Ms. Dominguez, we'll look to see if we can stagger the terms as the General talked about, which we would like to see; however, that would initiate a change in the charter.

So the charter is good for two years. It will be due up again in 2017, so that might be something that we can change in the charter. So that will finish my openings remarks. Unless there are any questions, I'd like to leave as much time as possible to go through the presentations today. Thank you.

MAJOR GENERAL PEABODY: Okay. Thank you, Mr. Chairman. And, Mr. Pointon, the floor is yours. Back to you.

MR. POINTON: Thank you, sir. You have been provided the minutes from the last Board meeting and unless there is any discussion that the members wish to have related to those minutes, I'd like to ask for a motion to approve those minutes from Board Meeting No. 74 in Birmingham, Alabama.

MR. ROBERT C. McCOY: So moved.

MR. MICHAEL T. SOMALES: Second.

MR. POINTON: We have a motion and a second to approve the minutes from Board Meeting No. 74. Can I have a vote from the Board members on the motion, please?

ALL BOARD MEMBERS: (Ayes.)

MR. POINTON: Looks like all ayes and no nays, so the minutes are approved. Motion is carried unanimously. Thank you.

It looks like I'm next up on the agenda as well. I have to apologize for my colleague, Dr. Mark Sudol. We got the first name right but got the last name wrong. He actually gave me a call yesterday and said that he is very ill and he was not going to be able to join us today for this Board meeting. So I offered to cover this for him. This is related to the issue with the Lock Performance Monitoring System [LPMS] that has been discussed at the Board meetings for, I think, the last three or four meetings.

And I'm going to try to address the situation of how we're going to resolve this and what we think we can do to fix this in the Lock Performance Monitoring System process.

So if you can move the next slide please. Thank you. This probably isn't anything you haven't already seen. This is the process that we go through for the LPMS. This is the information that is collected at each lock. There is an element of human involvement here because any particular lock master or lock operator who is on duty at the time is the one recording this, so there are personalities involved in how this data gets entered.

You see the type of information that we collect and this all gets submitted into a central database. And it's electronically -- it's submitted from each lock location. It is managed by the Navigation Data Center, NDC, and I know you all have some concerns about the delay times.

Next slide, please. The delay times historically have been reported once a tow has reached an arrival point, and the arrival point is not standard at all lock locations. There are certain set points upstream and downstream, and there are certain locks and dams where we actually have helper boats and certain points where the helper boats link up with the particular tows that are going to be transiting through those locks.

There was no standard option of defining when the delay was being recorded, so that's the first thing we are going to do is we are developing a definition now of when we are going to start recording that delay time.

Next slide, please. And these are some of the fields that were available in LPMS, and this is what we are proposing to change. We are making the queue time mandatory. The wait time is now going to be a combination of the queue time plus the delay time.

Apparently there was a field -- I believe it was the delay time field that was only used very intermittently at specific locations. That's now going to become a mandatory field. It has to be filled out so we can, in fact, capture the entire wait time at any particular lock.

We're going to go through a process of -- we're actually in the process of setting this up in the internal data system right now. We're going to run this through Headquarters for review and approval. Jeff McKee who is sitting across the table from me is the main point of contact, as is Mr. Eddie Belk, who is the Chief of the Operations and Regulatory Division.

We're going to run that through them and we are going to engage you all so that you understand what we're doing with that and we get your feedback before we go ahead and implement a system change that is not going to be what you all need in the future so that we can -- we don't want to short circuit this before we even implement it by not getting input from our valued stakeholders. Final approval will be coming out of probably Mr. Belk out of the Operations Division through Jeff McKee. We expect this to be fast tracked. We expect to get this done. I hope I'm sitting here at the next Users Board meeting in a few months and tell you this is implemented and it's working great. And you guys can give me great feedback saying,

“Great, that's what we're looking for.” I can't promise that, but that is definitely our goal to get this done.

You probably don't even need to go to the next slide because it's irrelevant since Dr. Sudol is not here, but it's his contact information if you go to the next slide.

If there are any questions, I'd be more than happy to address them if I'm able, or I'll bring them back to Dr. Sudol. Dr. Sudol is the director of the Navigation Data Center, so basically the buck stops with him before it stops with Eddie Belk and Jeff McKee. So we hope we can get that resolved in about three or four months, and that's taken care of.

Yes, sir, Marty.

CHAIRMAN HETTEL: Thank you Mark. Marty Hettel here. I just want to make the point, it's throughout the whole system. I'm glad we're tackling this. As an example, this morning -- and I've pulled up the data right here, the LPMS database for the East Floodgate at Brazos. As we all saw yesterday as far as the eye could see, we saw tows waiting to transit that facility. Of the 38 transits on here, the largest delay from what they're logging from arrival to departure is an hour and 14 minutes. We've got to get this straight.

If the Texas Department of Transportation is going to do a study on this facility and they look back at the economics of it, and they see 18,000 barges transiting with hardly any delay, I don't know where they're going to think the payback is.

Now, I don't know if you can go back in the system and collect these times correctly or not. But the boats that were below sitting way below that bridge on the east end that we saw, I'll guarantee were waiting longer than an hour and 14 minutes.

MAJOR GENERAL PEABODY: So, to that point, Mr. Pointon, do we have a working definition of an arrival point because I think that's the essence of the challenge that the users have pointed out to us.

MR. POINTON: I believe we do. I don't have that off the top of my head, but I think that is the first thing we come up with is we've got to define a set arrival point so that it's recorded systematically and standardized --

MAJOR GENERAL PEABODY: I'm not sure how we would define that, but, to me -- and I'd like any comments from the Board members on this -- a tow arrives when it is moored or about to moor, waiting to transit. If it's no longer moving, it's arrived. I don't think we can define this as a geographic point necessarily on the ground unless it encompasses all locations up and downstream of a structure where tows moor. I'd like the Board members' recommendation associated with that. Mike.

MR. SOMALES: Mike Somales. If I may, in my experience operating vessels, the arrival point is geographic. It gives the Corps of Engineers their control point inside both

arrival points on both sides of the facility. As far as motor vessels and delay, it's physical. There's not enough room if you have 15 or 18 boats all to be at the mooring cell arrival point above a lock. So they begin to stack up, 500 yards behind, 1,000 yards behind, 3,000 yards behind. And when a vessel gets to a lock and there's a line, a queue, they call in. They're ready to make their locking and they're just taking their place in line.

So when the vessel reaches out to the lock or facility and says, "Motor vessel ABC, ready for lockage" and the lock responds with, "Okay, we'll place you in the queue", from a company's perspective that's where our lock delays begins. We begin to record in our manifest the delay. That idea of just getting down to the arrival point, you finally get your turn and the trigger at the Corps level would begin a delay is just fundamentally wrong in its thinking. The arrival point itself is just to give, I think, the Corps the geographic control when you're operating inside of the arrival point, between both sides of the lock chamber.

MAJOR GENERAL PEABODY: Mr. Somales I think you just pointed out that's part of the confusion. We tend to use it for one purpose, which is just managing the traffic; you're using it for the purpose of the queue time. And we've got to conflate these two issues.

MR. MARK K. KNOY: General, Mark Knoy with American Commercial Lines. I would agree with Mike's comments. Another one I would add -- and it's very difficult to measure, but on the Upper Illinois as an example where locks are very close together, we'll slow bell behind tows and not even arrive as soon as we could because we're just going to burn more fuel to get there and hurry and stop and wait. So these arrival points move constantly depending on the congestion in the area. And just to build upon Marty's point, I looked up our vessels traffic yesterday. We had two boats sit there an average of 7.4 hours waiting to go through yesterday. That was our amount of delay time versus --

MAJOR GENERAL PEABODY: At Brazos?

MR. KNOY: Yeah, at Brazos.

MR. SOMALES: Mike Somales, one last thing. On the last slide where it said the arrival point and the call-in equals the wait time, I mean, I don't think we need to make it all that complicated. When you call in, that is your arrival. Rather than an arrival point, it should be an arrival time. We've called in, put us in the queue, delay begins.

CHAIRMAN HETTEL: Marty Hettel here. Mike, I certainly agree with you. Mr. Pointon, if you would go back to Dr. Sudol and explain to him it is not a geographical point of arrival. It's the time the vessel stops to wait that their delay begins. We may have to stop a mile and a half upstream when we've got 40 boats waiting at [Ohio River] Lock 52. As we saw yesterday, there were vessels that were waiting as far as my eye could see. I bet they were two or three miles away from the mooring cells at Brazos. It looks to me maybe the lock master is logging the vessel when they arrive at the mooring cells. I'm not positive of that.

But it's hard to put a geographical point on it because the traffic can build up so much, so it's got to be the time the vessel calls in and says, "I'm ready to make a lockage." Whether he has an assist tug or has to double trip is immaterial. He's there ready to lock.

MR. WILLIAM M. WOODRUFF: This is Matt Woodruff. I just want to echo the comments that have already been made, it's not a geographic issue as much as when that particular tow can't go any further because the people in line in front of him. And so he's going to be relegated to the safe place that he can pull over and push into the bank. It's not a matter of tying up at a mooring because as we saw there were very few moorings. And more often in this part of the world it is where he pushes into the bank and clutches his engines in to wait for the opportunity to go. There was when we were down there touring the facility, an eastbound tow belonging to our company, the Motor Vessel *Challenger*. And I had the traffic checked on that particular vessel, which we saw in the early afternoon. It had two barges. And so it arrived ready to lock at 05:55 yesterday morning. It began locking at 12:15, and it finished locking and got back underway at 4:15, at 16:15. So about six hours waiting. Then once it got started, four hours to get its two barges through and get back on its way. And so that's our little vignette.

I'm not necessarily critical of what -- I'm assuming the LPMS data that's been collected was to serve some purpose, and if it may have validly served the purpose for which it was collected. But I think many believed and many used that data as an indicator of lock delays. I think what we've discovered is that for whatever good LPMS data we've collected thus far is, is not a good measure of the delays in the system. And if we want to use that as a measure, then the changes that you're suggesting, I think, are very important. So that we have a consistent way across the nation of determining what the delays are so that we can make wise investment decisions and valid economic analyses of the condition of the system.

MR. SOMALES: Mike Somales. One last comment on an operational level. The queue typically needs very little prodding, if at all, as the front delayed vessels move into the lock, the queue regardless of how far behind just naturally flows down into the arrival point. And so it's just always readying itself. It just works that way.

CHAIRMAN. HETTEL: Marty Hettel, last comment on this. I want to just give the example -- and Colonel Pannell, I'm not trying to pick on the lock operators at Brazos because it's throughout the system. As Matt mentioned, his vessel in the LPMS it shows arriving at 14:00 and clearing at 14:20.

MAJOR GENERAL PEABODY: This has been a great discussion. Really appreciate the users input on this. I think you all made some fantastic points. At the end of the day I think our obligation in the Corps is to operate the projects that make up the system, as you pointed out, Mr. Chairman, in a manner that optimizes efficiency -- optimizes the efficiency of the flow of the traffic. And unless we have a clearer understanding of the data, which we clearly do not at this point the way the system collects data, we just can't make those kinds of judgments to operate to maximize the efficiency, so we appreciate all your input. We'll take all this under advisement. And we will as Mark, Mr. Pointon said we will get out a proposal for how we're

going to do this in the future as quickly as we possibly can with the target date of, hopefully, 30th July, and if not certainly by the next Board meeting in August.

MR. POINTON: Anyone else with a final comment?

MAJOR GENERAL PEABODY: If anybody has any additional thoughts, please, -- Mark do you want them to send to Mr. Sudol or you or --

MR. POINTON: You can either send comments to Mr. Sudol or me. I will actually get them to Mr. Sudol fairly quickly if they come to me.

MAJOR GENERAL PEABODY: Yeah. So if you have any written comments, any recommendations you want to put in writing, please send them. E-mail is fine. And we will push this forward as fast as possible.

MR. POINTON: Thank you. Next up is Mr. Jeff McKee who is the Navigation Business Line Manager for the Corps of Engineers. I don't believe you have a formal presentation to put up on the screen. You're going to address the subject of the Lock and River Outages Standardization Process.

MR. JEFFREY A. McKEE: Thank you, Mark.

We are in the process of finalizing our draft notification process that we committed to at the last Users Board meeting. I expect we will have that within the next couple of weeks, and we will get it out to the Board for their review and comment before going final with that.

We did field our "Notices to Navigation Interests" website that I discussed at the last Board meeting. That is live and running at this point in time. It should have all of the inland navigation notices on it. That website is <http://ntnnotices.usace.army.mil>. You should be able to pull down any of the navigation notices. Those notices will stay up as long as the work is going on, that is pertaining to that navigation notice.

When work is completed, they will be archived, and one of things we're trying to finalize at this point in time is being able to get into those archives.

At this point in time the Districts themselves that put up the notices can get back into the archives. We're trying to work through the process to be able for anybody that wants to get back into the archives to be able to do that. And I'll have an update on what we're doing on the "Notices to Navigation Interests" as well at the next Users Board meeting.

In the interim we will get out a draft SOP [Standard Operating Procedure] for review and comment as to giving advance notice to navigation stakeholders and the coordination that we expect to happen at the field level prior to any of those closures.

MAJOR GENERAL PEABODY: When will that draft be published for review?

MR. McKEE: I'll have that out in June, sir.

MAJOR GENERAL PEABODY: Okay. Great. Thank you. Are there any questions from the members?

MR. DANIEL P. MECKLENBORG: If Jeff could repeat that website address one more time.

MR. McKEE: Sure. This is for the "Notice to Navigation Interests" website. It is <http://ntnoinotices.usace.army.mil>.

MR. EDWARD E. BELK: And Mr. Mecklenborg, Mr. Eddie Belk here. We'll send an E-mail out to all the Board members so that you don't run out of ink trying to write that down. We'll send that out to you.

MR. MECKLENBORG: Thank you.

MR. POINTON: All right. Actually Jeff McKee is up again. Joe Aldridge couldn't join us. He's actually working on some items that are related to WRRDA 2014. So Jeff will handle the report on the status of the Inland Waterways Trust Fund and the prior year funding, budgeted versus appropriated amounts. Jeff.

MR. McKEE: Thank you, Mark. Next slide, please.

This is the status of the Fiscal Year [FY] 2015 Inland Waterways Trust Fund, as of 31 March 2015. It shows that through the second quarter as of March 31, 2015, again beginning balance at the beginning of Fiscal Year 2015 [October 1, 2014] we had \$24,659,924 in the Trust Fund. There was also \$152,752 on hand unallocated at the Corps of Engineers. That's what shown in the far right column there. In terms of revenue, fuel tax revenues through the end of March 2015 were \$40,157,667; through the end of April, which is not shown here, there was an additional \$8,040,000, so the total fuel tax revenues through the end of April were \$48,197,666.

Interest to date through the end of March as shown on the screen, \$4,950; through the end of April there was an additional amount of interest. So the total interest through the end of April is \$6,139.

In terms of transfers from the Corps to the Inland Waterways Trust Fund, you see that \$152,752 moving back into the Inland Waterways Trust Fund since we did not require it.

And then the total activity shown here through the end of March, \$64,975,293. If you look at the total activity through the end of April, the ending balance you've got \$73,016,481. And that \$8,000,000 reflects, I believe it is an increase over what you would normally expect. So I think some of the increased fuel tax is coming in. But I'm not sure. I haven't been able to

delve into that directly to see whether it's from the fuel tax or whether it's actually from the increasing cargo traffic moving on the inland waterways system. Are there any questions on this particular slide?

Okay. The footnote at the bottom of the slide, at the end of the year, what we've recently gone to, as I indicated in the last meeting, is we are transferring the funds actually at the end of the year. And so at the end of the year we expect to utilize \$68,766,000 from the Inland Waterways Trust Fund this fiscal year.

Next slide. Thank you. Okay. Mr. Hettel at the last meeting rather than a line chart, he requested a bar chart. So this compares Fiscal Year 2011 through Fiscal Year 2015. You see through March of this year, Fiscal Year 2015 revenues are a little bit ahead of the prior years. Again, in April you'll see it bump up a little bit more.

As I indicated we're a little bit over \$48 million in total revenues through the end of April. So that will be above the existing bars you see for the month of April there. Are there any questions on this particular slide?

Next slide please. This is the historical slide that Joe was typically presenting, and you see in your earlier months a lot of these lines are superimposed over each other. So the bar chart -- as Mr. Hettel requested -- does a better job of displaying the relative revenues by month. And, again, this one you would actually see that black line continue above the light green line up to the level of just over \$48 million for the month of April.

Next slide please. This is a summary for the second quarter comparison, again, Fiscal Year 2015 in yellow. Revenues are ahead of other previous fiscal years.

Next slide please. And, again, the original line drawing of that.

Next slide please. Okay. You do have a revised sheet that I handed out prior to the meeting. I've added FY16 to the right hand column, which is not shown on this particular slide. And so for FY16, you'll see that the amount for Olmsted in the President's Budget is \$180 million. Obviously we haven't gotten to Fiscal Year 2016 yet, so there's no official allocation or appropriation as yet.

For Lower Mon, the amount in FY16 is \$52 million, and there were no other Inland Waterways Trust Fund projects included in the President's FY16 Budget.

Are there any questions on this particular slide? Mr. Hettel.

CHAIRMAN HETTEL: Thank you so much, Jeff. Yeah, I have a question. As you are aware of I saw that error on the Olmsted and got a hold of Mr. Aldridge, and I wanted to have you help me understand something. In some of Joe's answers, the work plan for the Corps at \$12 million for Kentucky, and he said the project also received \$2 million in a reprogramming action from Lower Mon.

My question is, at our meeting in Birmingham, you stated there was \$6 million worth of construction funds currently unallocated, plus with the balance in the Trust Fund coming in at \$24,000,000, why would we take \$2 million from Lower Mon and apply it to Kentucky? Why wouldn't we just spend \$2 million more on Kentucky and not take money away from Lower Mon?

MR. McKEE: That's a good question, sir. At the time that that \$2 million was reprogrammed from the Lower Monongahela project to Kentucky was prior to the FY15 appropriations being received. And it was for a construction claim, so we needed to move that money as soon as possible. And so that's why the \$2 million went from Lower Mon over to Kentucky.

Also there were savings on the contract that was let in 2014. And so that money was excess to the current needs of Lower Mon.

CHAIRMAN HETTEL: That's great news. So we didn't take money away from Lower Mon; we saved \$2 million and we just reprogrammed it to Kentucky?

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

CHAIRMAN HETTEL: Okay. Good. Thank you. Thanks for that explanation.

MR. McKEE: You're welcome. So the total allocations to Kentucky are \$14 million in FY15. You also had questions on Lower Mon. Are you satisfied with Mr. Aldridge's responses there? The Lower Mon number of the total allocation is \$55,981,289. The way we got to that was the original President's budget of \$9,032,000. We gave Lower Mon \$49 million additional, which would have brought us up to \$58,032,000. Then we had the reprogramming of the \$2 million as well as a recission of ARRA [American Recovery and Reinvestment Act of 2009, Public Law 111-5, enacted February 17, 2009] funds of \$50,711.

CHAIRMAN HETTEL: One comment from Joe's notes back to me, Jeff. And this is not to point a finger or pick on anybody, but we're talking, the difference between Olmsted in 2012 of \$218 million versus \$150 million. It's a pretty big number. Joe said the correct number is the \$149,287,000 which you have in your new slide. He said the table used in gathering the data contained an erroneous formula.

I would hope that we would solve any erroneous formulas when we're talking about millions of dollars here. And like I say, I work with spreadsheets all the time. I find errors in my spreadsheets. Hopefully, we can get a second set of eyes looking at these things, so we don't have any erroneous formulas. Thank you.

MR. McKEE: Thank you, sir. Are there any other questions on this particular slide? Next slide. These are the projects that I'll be going over briefly.

Next slide. Starting off with the Lockport Pool major rehabilitation project, there are no changes to Lockport. We do have the forebay wall under construction. We are still looking at completing construction in the Fiscal Year 2016, completing construction at the end of September 2016 for that forebay wall construction.

And then close out -- next slide, please -- at the end of June in 2017. So there's no change there from what was previously reported at the Birmingham Users Board meeting.

Next slide. There are a couple of minor changes here regarding the Inner Harbor Navigation Canal Lock Replacement project. We are in the process of doing a General Re-evaluation Report on this project. The decision was made not to follow through with a deep draft lock. And Ms. Smith will be giving a more in-depth briefing on this project and where we stand with the General Re-evaluation Report in a short while.

So we're in the process right now of closing out the current contract with the PED [Pre-Construction Engineering and Design] funds that were used for that. And then as indicated on the right-hand side, lower portion of the slide, you'll see we are targeting the end of December 2017 to complete the General Re-evaluation Report. And we're in the process of meeting with the port to close out the existing construction project.

Next slide. Again, nothing there because we are moving into a General Re-evaluation Report.

Next slide, please. The [Mississippi River] Lock and Dam 27 major rehabilitation project. No changes to report here. This job was completed in January of 2013. We're in the process of closing out the contracts, and so no changes to report here.

Next slide. In terms of project updates from the Great Lakes and Ohio River Division, Mr. Dale is going to give in depth briefings on the Olmsted Locks and Dam and Lower Monongahela River Locks and Dams 2, 3, and 4 projects, so I will not address those particular slides. I will address the Emsworth, Kentucky, and Chickamauga Lock projects. So if you'll scroll through the next few slides until we get to -- there we go, Emsworth. No changes on this one as well.

Again, we're looking at physical completion of this major rehabilitation project at the end of December of 2015 and then project close out in Fiscal Year 2016.

Next slide. This just is an update on the actual dates and anticipated contract award for the "Back Channel Dam Under Apron Grouting, Gate Bays 12 - 14", showing again the construction completion in December of 2015 and the closeout in March of 2016.

MAJOR GENERAL PEABODY: Mr. McKee, I wasn't tracking this "Back Channel Dam Under Apron Grouting" work. Is this an additional requirement that was identified subsequent to the main work that was done?

MR. McKEE: I'll call on Ms. Jeanine Hoey, but I thought this was part of the work. This was fully funded, so we're not having any additional funds. This is just continuing --

MAJOR GENERAL PEABODY: This is the last contract component though, correct?

MR. McKEE: Yes. Thank you, ma'am.

MAJOR GENERAL PEABODY: So this is part of the original --

MR. McKEE: -- major rehabilitation.

MAJOR GENERAL PEABODY: Yeah, dam rehab, but it's just a contract. You split up the contract.

MR. McKEE: Yeah, it's split up by individual contracts.

MAJOR GENERAL PEABODY: I got it. Thank you.

MR. McKEE: Next slide, please. For the Kentucky Locks and Dam project, there are no changes since the last Users Board meeting. Again, we did add \$14 million to the project this year; \$2 million to handle an overrun; and then the \$12 million that came from the Fiscal Year 2015 workplan to do work on the Upstream Cofferdam and get a permanent line of defense up there.

Next slide. No changes to anything there since the last Users Board meeting. Are there any questions on the Kentucky Locks and Dam project?

Next slide. The Chickamauga Lock and Dam is next. Again, there were no changes in the project status since the last Users Board meeting. We have not put any funds on the project in FY15 at this point in time. There was a new total project cost estimate that was completed last May in 2014. And we're currently in the process right now of updating the economic analysis that will take into account that new total project cost estimate and the current projected economics.

We expect that to be completed in the June 2015 time frame, so by the next Users Board meeting we'll have a report on where we stand with the updated benefit-to-cost ratio for Chickamauga Lock. Yes, sir.

CHAIRMAN HETTEL: Jeff, Marty Hettel here. I have a question on the \$1.042 billion remaining balance in the project cost. Is that in -- on date of completion, so is that inflated for time cost of time and money?

MR. McKEE: Yes sir, that is a fully funded estimate. It reflects escalation through the midpoint of construction. And this particular estimate showed resuming construction in the mid 2020's and finishing in the early 2030's. So that's why there is so much escalation out

there. If you were to just look at the construction cost without the escalation, you would be back in the \$600 million range.

CHAIRMAN HETTEL: Thanks. In the CIS [Capital Investment Strategy], in discussions with everything that Jeanine would have been doing, I believe, if I remember right, the fully allocated use of the Trust Fund dollars would show that Chickamauga could be completed, I think, by 2023. I have to look at the spreadsheet, anyhow. If that's the case, what would be the final number? I mean, we're showing \$1.04 billion for this facility where if we can build it sooner, it's not going to cost that much.

MR. McKEE: That's correct.

CHAIRMAN HETTEL: And I hope when you're doing an economic analysis, are you using the \$1.04 billion?

MR. McKEE: Well, I'll have to check on that to make sure of what they're doing. I would assume at this point in time since we don't have a firm schedule for moving ahead in an accelerated fashion for Chickamauga Lock, that they would use the \$1 billion cost estimate.

CHAIRMAN HETTEL: In conjunction with the CIS presentation that will be given this afternoon, maybe we can look at that date, and you can give us an estimate on what you think the cost would be if we follow the unconstrained total use of the Trust Fund dollars for the completion of that project. Because if you're going to do economic analysis, if we can finish that project 20 years earlier, it's going to cost less, which is going to improve your benefit-to-cost ratio, is it not?

MR. McKEE: That is correct, yes. I believe Ms. Jeanine Hoey's slides will show that cost estimate in there. There is a slide that shows the cost for those projects. And my memory is somewhere around \$680 million.

MS. JEANINE HOEY: For the maximized IWTF scenario, I just looked up the remaining cost at \$766 million and finishing the project in FY26.

MR. McKEE: Thank you.

CHAIRMAN HETTEL: So, could you put that number in your economic analysis of Chickamauga using that number as a comparison if we do nothing and leave it drag on for 30 years.

MR. McKEE: We'll take a look at that, sir.

MR. POINTON: David Dale will be talking about that. That's actually the next item on the program. David, if you want to step to the mic and maybe short circuit this discussion or you have something better to add?

MAJOR GENERAL PEABODY: If you're going to address this later, let's just stick with the agenda, and we'll get back to it, if that's okay, Mr. Chairman.

MR. MECKLENBORG: This is Dan Mecklenborg. I have a question for Jeff. Jeff, where it says the authorized cost is \$1.224 billion as of October '14 and then the 902 limit as of October '14 is \$469 million, are those related in any way -- or, what is this relationship, if any, between those two figures?

MR. McKEE: The 902 limit strictly reflects the calculation of the 902 limit based on the original authorized cost of \$267 million. When they calculated the 902 limit at October 2002 prices it brought the project cost up to \$320 million, then they calculated the 902 limit based on the authorized cost of \$267 million, it brings the project cost up to \$469,783,000 at October 2014 price levels. That does not correspond -- that 902 limit does not correspond at all to the \$1.224 billion revised project cost estimate.

MR. MECKLENBORG: Okay. Thank you.

MR. McKEE: Because the authorization at this point -- the authorized cost at this point in time is still \$267 million. We have not sent a Post Authorization Change Report [PACR] to Congress requesting that that the authorized cost be increased, and that's what would be required to get an official increase in the authorized cost. And at that point in time we would revise the 902 limit based on that new authorized cost.

MR. MECKLENBORG: Thank you. Perfect.

MAJOR GENERAL PEABODY: Mr. Mecklenborg, I'm really glad you understand that. This is General Peabody. Can we rewind to Kentucky?

MR. McKEE: Yes, sir.

MAJOR GENERAL PEABODY: Okay. So I'm looking at the box titled "Additional Information". And the 1991 value of the authorized cost was \$393 million, the authorized cost in 1991 dollars. The 2014 value of the authorized cost is \$862 million, the authorized cost in 2014 dollars. The 902 limit at the 2014 price level is \$810 million, which tells me that we have a 902 problem. Is that an accurate read of the data?

MR. McKEE: I'll have to check specifically on that cost. One of the things that we're looking at doing is updating the actual cost estimate for Kentucky Lock.

MAJOR GENERAL PEABODY: When's the last time it was updated?

MR. McKEE: It's in excess of five years ago, sir, which is why we're looking to correct it.

MAJOR GENERAL PEABODY: So what's our plan to update Kentucky right now. I knew the Chickamauga Lock was out of tolerance. I did not know the Kentucky Lock was out of tolerance.

MR. DAVID F. DALE: This is David Dale. The Kentucky Lock, we're working to receive funds that will be used to update the cost estimate this next budget cycle. So we're working to get the cost estimate updated. We expect to receive those funds. We've not received those quite yet. That will get us an updated cost estimate.

MAJOR GENERAL PEABODY: Okay. I don't want to belabor this here; but, Jeff, I want to have a separate conversation with you about how we internally manage -- and Mr. Belk, how we internally manage our budget requests and work plan allocations as it relates to updated cost estimates because we have got to make sure that we stay on top of our requirement to update the cost estimates every five years. And we have not done that in all cases. And we've got to fix that.

MR. McKEE: Yes, sir. And one of the reasons it hasn't been done because we haven't been budgeting for Kentucky Lock. With the work plan funds there's \$700,000, that's currently under consideration for doing that cost estimate update.

MAJOR GENERAL PEABODY: I understand. But what I'd like to do is make sure that we make conscious decisions about cost estimate updates, and we have some way that they are tracked. We may have that. I just don't understand it at this point, but I want to understand it.

Thank you.

MR. McKEE: Agreed. Will do, sir. Thank you.

CHAIRMAN HETTEL: General, Marty Hettel here. If I may comment on Kentucky, in her CIS presentation Jeanine gave us a spreadsheet that said if we can finish that project in 2023 -- and, again, this is utilizing full -- all revenues from the Trust Fund, it would be \$678 million cost, and I think you have -- I'm not sure what we spent on that lock so far. But, again, if we'd utilize the full Trust Fund dollars in an equitable manner, it would keep you from coming up against your 902(b) limit.

MAJOR GENERAL PEABODY: I will make sure I convey that recommendation to the Office of Management and Budget.

CHAIRMAN HETTEL: Good luck, sir.

MAJOR GENERAL PEABODY: Thank you.

MR. POINTON: Are there any more questions for Jeff McKee related to the Inland Waterways Trust Fund or any project status updates?

MR. MECKLENBORG: Just a question regarding the subject of the E-mail address, which is the -- essentially notification of work scheduled. Is that, Jeff, something that is being done in conjunction with the Memorandum of Understanding that's being considered for adoption in connection with the RIETF [River Industry Executive Task Force] group.

MR. McKEE: Yes, sir. We will be considering that in our standard operating procedures for notification.

MR. MECKLENBORG: Thank you.

MR. WOODRUFF: This is Matt Woodruff, just a question I have. We are discussing an economic analysis of Chickamauga. It seems like we've already made our decision at Chickamauga by investing a hundred million dollars into the replacement project. Why do we go back and re-evaluate the economics of a project under construction like that?

MAJOR GENERAL PEABODY: This is a great question. I think there is -- is this a statutory or policy requirement to do the updates every five years?

MR. McKEE: It's a policy, sir.

MAJOR GENERAL PEABODY: Okay. Let me take the policy question as to why we do it every five years, then talk about the deeper question I think you're asking, Mr. Woodruff. The reason we do the updates for cost or for projects that have long duration construction times -- partly because they're not fully funded upfront. We need to make sure that we understand the costs and have an accurate understanding whether, in fact, we may have a 902 issue, so that we can make good investment choices amongst all the competing priorities for construction dollars across all business lines, not just inland waterways.

But to the point that you're asking, this is a question that I don't think that there's a clear answer to at the moment personally. And I'd ask Ms. Dominguez to potentially comment on this. But the question you ask is once the federal government makes a decision to invest in a project, is that decision permanent and inviable. Why don't we finish what we start essentially?

And the reality is that for a variety of reasons we have a number of projects which are not clear that we will see through to completion. I'll give you an example that I'm familiar with, the Soo Lock Replacement Project, which started as an earmark under the old system. I think we put about \$17 million into that. We started construction; and after we started construction, the earmark ban went into place. And now it's just sitting up there started, \$560 million or so to go to complete the project.

In the case of Chickamauga Lock, the traffic and the rationale for supporting that lock when it started 15, 20 years ago whenever that happened, the traffic patterns have changed fairly dramatically on the Upper Tennessee River. They've kind of imploded by, I think, almost 200 percent or more. Jeff has got the data. We just looked at it the last month or two. So the

question becomes if the remaining benefit-to-cost ratio would not justify initiating construction, should you finish it or not? Now, this is a question I don't think we've come to a clear answer on internally.

One point of view is to finish what you start, no matter what. Okay, great. But in a situation where you have competing dollars or competing requirements for limited dollars, does that really make sense from a fiscal responsibility standpoint? And this is the kind of horns of the dilemma that we're having discussions on.

So I don't have a clear answer for you. I don't know if Ms. Dominguez, if you'd like to comment on this or not.

MS. DOMINGUEZ: I think you said it well, General Peabody. I think part of what we're trying to do is get this updated economic analysis to help inform the investment. But it's a continuing policy balance to try to figure out how to spend our dollars as wisely as possible.

MAJOR GENERAL PEABODY: Yeah, thanks. There's one other aspect to this. Mr. Knoy and I were talking about this. I think it was you, Mark, that was talking about this last night. There is evidence to indicate that businesses are not making investment choices to put in businesses on the Upper Tennessee River that might use the navigation capabilities of that river system because they don't see the Chickamauga Lock as a reliable project or they're highly uncertain whether it will be completed. And this obviously can become a self-filling prophecy. It's a chicken and egg problem. Is the traffic going down because the traffic is going down or is the traffic going down because there's an unreliable project? And I'm not sure that you can clearly discern the answer to that, but that's part of the logic challenge that we have to figure out. And I don't think there's an easy answer for it. If you guys can help us out with that, give us information from your standpoint, from a business standpoint, I think that will be useful for the Administration to consider.

MR. WOODRUFF: This is Mr. Woodruff again. I think that perhaps we can offer help, perhaps only anecdotal evidence. Because I know I've heard stories of one of our competitors who declined to enter into a long-term contract that involved transits through that lock because they were afraid of what would happen if they committed to building equipment or providing equipment and dedicating it, and then halfway through the contract, the lock went away, and they couldn't make that move anymore. So I do know that at least one circumstance where somebody turned down business because of Chickamauga.

MAJOR GENERAL PEABODY: Thank you, sir. So Mr. Chairman, here is what I would recommend that I believe that your plans are to go to Chickamauga Lock as part of the next Users Board meeting, and I'd recommend to the members that if you have any information that you can provide to the Corps and the Administration associated with business choices that are being made because of the uncertainty associated with that lock, I think that will contribute to a richer dialogue at that Board meeting. Sir.

MR. BELK: Eddie Belk, one more comment, if I might. Back to Mr. Hettel's opening remarks. And I guess another facet on the response to Mr. Woodruff's question about once you start something, you should plan on completing it. And that's the notion of a system. Again Mr. Hettel started with that. And anytime you have a system, the extremities are always going to be by default a little more challenging. And so I think you do, though, have to keep a system perspective in mind. Right now our budgetary measures do not account for that. It's more of an art than a science. But I think that's part of the factor that we have to consider going back again to what we want 20, 40, 100 years from now. Are those extremities going to continue to be important?

So, again, what we're doing for the update is mainly for budgetary purposes, given that we're running out of dollars way before we run out of requirements. So what's the highest and best use of those dollars and that's appropriate. In the long term, it's really the system and how do we want to weight priorities over the long-term.

CHAIRMAN HETTEL: General, Marty Hettel here. I want to go back, and I understand why you're doing an updated economic analysis, whether it's policy or law. But doesn't the risk of failure come into that decision-making process, too? I don't know what the economic analysis would be if that lock failed and we could no longer use it.

MAJOR GENERAL PEABODY: It absolutely does. I think we're transitioning into Mr. Dale's presentation here. But, in fact, the Great Lakes and Ohio River Division just finished a finite element technical analysis, which is the technical analysis of the likelihood of failure and the timeline that failure may occur, and it confirmed our assessment that we are not in imminent danger of catastrophic failure. But it certainly does play into it.

The challenge, I think, fundamentally is because we have a funding model that does not provide the certainty of continued funding upfront when you start a project, which injects a host of variables that complicate the decision making when you have limited budgets going into the future. And as budgetary priorities change and investment needs change, which has certainly happened over the lifetime of this project compared to a multitude of projects that the Corps has delivered since then.

So if it's okay with you, Mr. Chairman, I think it's a good segue to Mr. Dale's presentation on Chickamauga Lock.

CHAIRMAN HETTEL: Yes, if I may make one last comment and then we'll go onto Mr. Dale's presentation. According to what we've been working with on the CIS, if we fully utilized the expected inflows into the Trust Fund, we would have the financial wherewithal to finish Chickamauga.

MAJOR GENERAL PEABODY: Yep. I think that's fundamentally accurate, and I think the challenge -- of course, this was not the case six months ago. So our cheese has moved, and we're still absorbing the new fiscal realities that the ABLE Act and the Olmsted cost share provisions have injected [Section 2006(a)(2) of Public Law 113-121, the Water

Resources Reform and Development Act of 2014 changed the cost sharing formula for the Olmsted Locks and Dam project to 85 percent Treasury and 15 percent Inland Waterways Trust Fund].

So Mr. Dale -- Mr. Pointon, unless you have anything else?

MR. POINTON: No, sir.

MAJOR GENERAL PEABODY: Great discussion, Mr. Chairman, members, thank you. And, Mr. Dale, we'll turn the podium over to you.

MR. DALE: Thank you very much. First of all, thanks to the Board once again for allowing me to speak to you about the great stuff we're doing in the Great Lakes and Ohio River Division on your projects. For the record, my name is David Dale. I am the Director of Programs for the Great Lakes and Ohio River Division.

On Chickamauga Lock, really all I want to do is give you a verbal update on the status of the economic update. And ultimately what we're doing, you've covered much of what I was going to cover, is what we call Level 3 economic update. It's a very rigorous exercise where we go in and re-estimate the project costs. That is an Engineer Circular requirement, Corps policy [CWPM 12-0001, dated 8 March 2012]. Before we can get into the budget cycle, we have to verify that we've got that economic update, the BC [benefit-to-cost] ratio update based on that. So that's what we're working through is an economic update on Chick Lock.

The scope of that will be very comprehensive where we re-estimate the project costs, and we will also go out and solicit input from the industry and others about future trends in the system so that we can pull that altogether and re-establish the BC ratio [BCR] on Chick Lock.

So it's a Level 3 economic update. It's kind of Corps lingo. We are doing that with our Inland Navigation Planning Center of Expertise located in Huntington, West Virginia. They pulled together a team of folks from across the Corps. About nine different offices working it and the contractor. They've let a contract with the University of Tennessee who will be the one doing a lot of that forecasting, going out and inquire from stakeholders, talking about what the future may look like. So that's the status on Chick Lock. We will have that B-C ratio re-established, and we will be able to talk to you more about those details at the next Users Board meeting. Yes, sir, Marty.

CHAIRMAN HETTEL: David, thank you. I want to reiterate when you go through your economic analysis, using the \$1.04 billion or you may have a new number, I would really like to request that you utilize the numbers that we're utilizing in the CIS program for full utilization of the Trust Fund dollars and have a comparison in your BCR using this versus a number that's going to be out in the 2050s or whatever that completion day is. Thank you.

MR. DALE: Got it. And ultimately what we'll produce one that's in compliance with Corps policy, but I think we can work that in also, if nothing else at least answer that question, what if we had that funding stream.

MAJOR GENERAL PEABODY: For purposes of economic analysis, I think we always assume efficient funding even though that is generally not the case in terms of what we get.

MR. DALE: Usually, yes that's what we do.

MAJOR GENERAL PEABODY: So your desire will be fulfilled, I think.

MR. HETTEL: Just to confirm then, that won't be utilizing the \$1.04 billion.

MR. DALE: That's correct. And that presents challenges amongst itself in that if you come up with the BC ratio and then you try to complete a project and then you don't get efficient funding, you're really using the wrong numbers. So I'm good to use whatever number we decide. Efficient funding is what we will use unless told otherwise because that's the Corps policy. But that is an important decision cycle, what does the cash flow look like to establish that BC ratio. So that's the update on Chick Lock.

MR. WOODRUFF: Matt Woodruff again. Is it the benefit-to-cost ratio or remaining benefits-to-remaining costs ratio?

MR. DALE: We will establish the benefit-to-cost ratio and the remaining benefits-to-remaining costs ratio as part of that.

MR. WOODRUFF: Thank you.

MR. DALE: You're quite welcome. Next is a verbal update on the Kentucky Lock. Work continues there. About 85 percent complete with the main work there at the lock. We have some – as Jeff [McKee] talked about, we've got some modifications that we're working our way through and really the next cycle -- the next big cycle is getting the updated cost estimate of Kentucky Lock so we can get into the budget and to try to move that project along also. And we're looking for about \$700,000 out of this funding pot that will allow us to do that. And that kind of is a real quick update on Kentucky Lock. And with that, I'll move on to Lower Mon if there are no questions on Kentucky. Very good.

So this is the Lower Mon project. You'll see the slides if you kind of compare to last time, we changed them around a little bit. We're trying to get a little more consistent between what we present to you -- yes.

CHAIRMAN HETTEL: David, Marty. Pardon the interruption, the \$700,000 you referenced to do the updated economics --

MR. DALE: Kentucky.

CHAIRMAN HETTEL: -- at Kentucky, is that Investigations Account dollars or are those Trust Fund dollars?

MR. DALE: Those are Trust Fund dollars.

CHAIRMAN HETTEL: Okay. Thank you.

MAJOR GENERAL PEABODY: Once we go into construction, we continue to use construction dollars until construction is closed down in almost all circumstances.

MR. DALE: Next slide, please. Kind of what we're going to review very quickly.

Next slide. When you look at this slide no real changes from the last update we provided to you.

Next slide. This is a slide that was a "do out" from the last Users Board meeting. We had the pending issue of the 902 limit, the authorized amount, the Port Perry Railroad Bridge, the land chamber, how we managed all that. What we did this time is at the request of the Board, we broke this out so that you can see with some definition how this all plays out.

Let me just briefly walk you through this. It's pretty self-explanatory, but make sure we're clear. Obviously you have a column title "As Authorized" that's consistent with what you saw last time. Then what we did, we went and said "As Authorized" let's do it without the land chamber but with Port Perry Railroad Bridge. Then we said, let's do it with the Port Perry Railroad Bridge but without the land chamber. And then at the very end is without either the Port Perry Railroad Bridge or the landside chamber. So that's kind of how you read the table. And what that does is give you a clear idea that we have a path forward to achieve 90 percent of the benefits on this project without exceeding the 902 limit. Are there any questions on this slide?

CHAIRMAN HETTEL: David, Marty here. Just to verify looking at the bottom numbers, fully funded cost estimate for October 2014. Just to put on the record without the Port Perry Railroad Bridge and without the land chamber, which is what we put in our Annual Report to defer those parts of the plan, you can finish this project, \$1.5 billion under your \$2.773 billion.

MR. DALE: Yes. Correct. And --

MAJOR GENERAL PEABODY: Go ahead.

MR. DALE: And the one thing, as you say that Marty, it will finish the scope that will get us about 90 percent of the benefits. There are certain things we won't do. It's not just the

time value of money; it's some physical work, the land chamber and Port Perry Railroad Bridge, which can be deferred.

CHAIRMAN HETTEL: Hence the reasons for our recommendation in the Annual Report. Thank you, sir.

MAJOR GENERAL PEABODY: And to that point, General Kaiser has forwarded a recommendation to me to indefinitely defer the execution of the land chamber and the Port Perry Railroad Bridge. I just received that last week, and it's currently under review. I expect to make a decision on my recommendation to the Secretary in the next couple of weeks or so. So it will be well before the next Users Board meeting.

Once that's done, we'll be sure to inform you, Mr. Chairman, what my recommendation is.

MR. DALE: Very good. If you would go to the next slide. You have seen this slide before. I'm not going to take you through that indefinitely. What we're working on right now is the Charleroi Lock and Dam.

Next slide. This is a slide where we tried to give you schedules, some milestones, and expand on some of these milestones as we get through the presentation here trying to get a little better understanding of what's going on.

One of the things that -- at least within LRD [Great Lakes and Ohio River Division] from the projects that I'm dealing with, one of my goals is to make sure that we're getting a good solid understanding of what we're doing, what we said we're going to do, and how we're progressing along that because it's important for everybody to understand that.

So these are the -- essentially what we reported to you last time, there are no changes to that. There are some opportunities to move things along if we got a little more efficient funding. But generally speaking, that's the schedule you see.

Next slide. Now, this breaks out a little bit more for you, kind of talks to you about when design was initiated, construction completed, when it's scheduled. You'll notice the red ones with the S's beside them. Those are the start dates, not the finish dates, even though it's in the "Construction Complete" column. So that's when we start construction, complete the contracts.

Next slide. And there's a -- back up one, I'm sorry. There is an opportunity that 2028 date to move that to the left. It could be sooner if the cash flow was a little stronger than what we're currently planning, so I'll look forward to the analysis on investment strategy and how that all flows out into execution because there are opportunities to expedite these projects.

CHAIRMAN HETTEL: David, Marty Hettel here on that slide. What has changed? Because I thought at our Birmingham meeting -- and I apologize, I didn't bring the Lower Mon

presentation. I think at our Birmingham meeting you expressed that we could get 90 percent of the benefits and complete the land chamber, the dredging, the removal all of that by 2023. Now you're into 2028. What made it advance five years?

MR. DALE: What we need -- we need to move on with the decision. We'll get that very shortly because right now you've got a little bit of a mismatch in the reporting of with the land chamber and Port Perry Railroad Bridge without. So 2028 is with those things in there still.

MAJOR GENERAL PEABODY: But you're still tracking 2023 for the project benefits of the current chamber that is currently under construction.

MR. DALE: Yes. Yes. Next slide. This is a somewhat modified slide. You've seen this aerial view of the structure, but I wanted to give you a little better breakdown, a little more transparency on what we were trying to do, when we're trying to do it.

And I won't take you through. I'm sure you've had a chance to kind of look at it and understand it. But it's an attempt to just kind of give you a better feel to what we're planning as the project progresses.

Next slide. And then we further break this down a little bit. Go back to the previous slide, if you would. You can kind of see the kind of red, purple and the kind of light blue, which are the monolith contracts we're talking about, the ones labeled RCC [River Chamber Completion], Option 1, Option 2, Option 3.

If you go to the next slide, this is an isometric of that same wall broken down to give you a feel for how we plan to execute those pieces of that lock wall construction.

When you look at that to your right on the isometric is the downstream side. To the left is the upstream side of the wall.

And the intent here is to start building -- do something similar to what we've done on Olmsted to start tracking, here's what we said we're going to do, here's how we're progressing in executing in what we said we were going to do.

CHAIRMAN HETTEL: David, Marty Hettel here. I'm sorry, one more question. Flip back to that previous slide. Your comment on the bottom of that slide reads "Completion date of Charleroi river chamber could be as late as 2039 if not awarded efficiently." I would like to request for our next Users Board meeting, you tell us what those funding numbers are to receive 90 percent of the benefits by the year 2023.

MR. DALE: Can do.

CHAIRMAN HETTEL: Thank you.

MR. DALE: Okay. Next slide. And one more. A couple photos of the ongoing work associated with the emptying basin contract that is scheduled to be completed in FY16. In the upper left is one of the precast units that will go into the emptying basin, some of the foundation work in the upper right, associated with some drill shafts associated with foundation work for the M22 through M27 contract, and then some photos of emergency generator components that we've got on site.

Next slide. This slide is very consistent with what you've seen previously. I would draw your attention to the bottom right-hand corner, some key milestones that we needed to achieve to keep things moving forward. We've done that. The J&A for concrete production, that was a Justification and Approval to do a sole source procurement. We got that approved. The acquisition plan approval by the PARC [Office of the Principal Assistant Responsible for Contracting] was done. So we're progressing through some critical milestones to move this thing forward. And our next one is to advertise the river chamber completion contract in June 2015, this summer.

Next slide. Then a little bit of a busy chart. I draw your attention to the -- and, again, this is one where we need to make some decisions and clean up the chart, kind of re-baseline so we can track performance against a consistent baseline. But that white area of the chart where the -- kind of an orange line -- it's hard to tell there on the screen ends up. That is kind of what we're tracking right now for the project. Very similar to what we track on Olmsted.

Next slide. Kind of speaks for itself. Future challenges, funding availability when needed. I think once we get some things lined out here, it is the number two priority, I think it will stay as the number two priority, and we'll build it and fund it efficiently.

And then once we get everything re-baselined based on that, we should be able to move forward effectively. Marty, yes.

CHAIRMAN HETTEL: David, is Victory Hollow your dredged disposal site?

MR. DALE: Yes.

CHAIRMAN HETTEL: Okay. Thank you.

MR. DALE: That's all I've got on Lower Mon. If you would, go to the next presentation on the Olmsted Locks and Dam project.

Again, I'm really pleased to be here today to talk to you about Olmsted once again. I will tell you, the project continues its trend of being ahead of schedule and under budget, and the team on site is aggressively working to make sure we stay on that track. If you remember many Board meetings ago, I briefed you on Olmsted and laid out what our baseline performance measure was. I want to take a moment to talk about that because I think it's important as getting into some of the future slides.

What we committed to was that we said we would deliver the project for \$3.1 billion or less with an 80 percent certainty by 2024 or sooner. So that was kind of a baseline we're measuring again and what we're working towards beating. So that's why I'm really pleased to talk to you about Olmsted because we are, in fact, beating it and beating it by a considerable amount.

Next slide please. Very similar to agenda topics from the previous presentations.

Next slide please. I think everyone has seen this slide. I don't want to spend a lot of time on it. You can see what we've got accomplished. We are moving out across the river into the navigation channel. There will be some challenges this navigation season. We'll talk more about that as we progress.

The stuff in the boxes with white are completed. The ones in the light yellow are under contract and are in progress. And the darker color yellow, or maybe slight orange, are the future contracts.

What is not showing on this graphic are some future contracts associated upstream, associated with demolition of Locks 52 and 53, and there are also future contracts associated with some river dikes to deal with concerns with navigation, currents, and sedimentation that you're not seeing on this that would be upstream of this graphic.

So there are more future contracts than just the Operations facilities.

Next slide. This is our isometric view that we showed you numerous times. Really all we're doing here is showing you what we've got planned for this low water season. What is in white was what they accomplished, we've accomplished in prior low water seasons.

The yellow is in FY15 low water season. I'm pleased to tell you that the low water season 2015 has started early. They started work in the river as we speak, they mobilized this week, so they're out there doing foundation prep, will likely begin driving piles and that sort of thing.

And that gets us into a river earlier, and that's a good thing. And then as you can see how we progressed, the green is 2016 and light blue is 2017 and the purple is 2018.

Next slide please. On that previous slide we also have, once again, leveraged the resources outside of the Great Lakes and Ohio River Division and brought the Dredge Hurley down from MVD [Mississippi Valley Division] which is tremendously helpful. So we appreciate the support we got out of MVD in dredging, it really helps expedite the site preparation as we move forward. Not just expedite, but saves us a good chunk of money.

Here are the milestones we have planned for FY15. I think the last time we briefed this list was classified as "To Be Determined." So we put dates on them, and this is what we will

measure ourselves against this low water season. And a low water season goes well into the January time frame.

Next slide please. This slide has changed some since last time. And if you remember, if you had a chance to read the minutes from the last meeting, one of my concerns was that we weren't doing a great job of, it's not so much reporting but tracking and accounting for contingencies, how we used contingencies, how we moved contingencies out of the contingency account into the contract. When we do some of these, we've been taking actions on site within our localized authorities to mitigate the schedule, to pull the schedule to the left and mitigate risk to future slips.

And when we do that, we've now adjusted that into these charts, so you'll see some numbers are a little bit different. The other thing that you're going to see when you look at this chart, if you've done the math. I'm sure some of you have -- Mr. Hettel for sure -- if you look at this chart, what you'll see is you'll notice that in FY15, there's a good jump in that TEP [Total Estimated Price] number. And part of the reason for that is we, the team, in an abundance of transparency and a very conservative approach to reporting where we think we are, we chose to go with this. This is a cost reimbursable construction contract. I think you guys are at least aware that it's a little different, not a firm fixed price contract. We have an earned value management system that we use. Part of that earned value management system tells the contractor that once a year we ask him to re-estimate his out year work. What that does, it's a proactive way that we can ask the contractor to re-estimate. That gives us areas to focus on. The contractor has done that re-estimate. We've not reviewed that estimate; we've not accepted that estimate; but what we have shown here a worst case reporting what it would do to the project if the contractor's estimate got written in as he is currently predicting. We'll be aggressively managing to bring it down. We think right now it's about in the \$100 million range. We think that cost increase and TEP will come down closer to \$50 million range.

There will be an increase because of the fact that we had a lot of actions we've taken to try to mitigate risk out in the future. We've bought cranes. We've rented aquadiggers. We've gotten out early in the season. We've prepped it for early work. What that has bought us, those are expenses so what that gets us is early completion and how likelihood we'll retain that early completion.

Are there any comments on this slide?

Next slide, please. This is our "S" curve that you see. One of the things you'll notice here is it compares to last time, we've moved some money out of contingencies and into project "S" curve. That's because those are things we've actively done to account for risk mitigation that we've taken, plus we also wrote in the contractor's TEP estimate. I don't want to under emphasize the importance that that TEP is not accepted -- we're not saying that's not an actual cost. That's the contractor's predicted future expenses. When we looked at it initially, we think he's written some risks in there that he doesn't need to have in there, we've got it covered in our contingency accounts. Are there any questions?

Next slide please.

MAJOR GENERAL PEABODY: I'll just make a comment on this. This is General Peabody. I've asked General Kaiser and Mr. Dale to take the approach that the contractor has to justify any estimated price increases. We will certainly validate those. We believe there are some different assumptions that are going in there and that they're not incorporating some of the assumptions that we have, which would cause the price to come down. But he's got to justify it, and we've got to understand what he is justifying. If there are any changes, I think we'll probably have them in time to discuss them at the next Board meeting.

MR. DALE: I agree, sir. And with respect to the direction, I will tell you the PDT [Project Delivery Team] was aggressively pursuing that prior to that direction. Because we just don't just accept his TEP. The kind of the mechanism of this contract is the whole purpose is for him to re-estimate and that gives us the areas that we need to focus to manage out into the future. We're aggressively looking at those numbers and we expect them to come down.

Next slide, please. From the last Users Board meeting, we had some due outs. I want to provide you an update on what we're doing relative to those items. I'm going to do this a little bit out order. I'm going to the second bullet and talk about equipment salvage. The last time we got together, you asked some questions about equipment salvage and I wanted to give you an update. There are really two types of equipment on site. We have what we call government acquired property. That's stuff that the government has bought and provided to the contractor to use. And then there's contractor acquired property or "CAP", that we've called it here. That contractor acquired property is saying that he has bought under his contract. And that we believe once he has finished needing that piece of equipment, he can sell the piece of equipment. And that piece of equipment, the salvage value or what he sells it for will go back into the contract and ultimately reduce the project cost.

Right now we've have about -- under that category of contractor acquired property, there's about 1,400 pieces of contractor acquired property on site, to the tune of about \$150 million of worth of equipment when it was bought new. It will be heavily used when we get rid of it because we work -- when we're in the low water season, it is 20 hours a day of operation the equipment is running. So right now we're estimating we have about \$25 million estimated credit associated with that equipment when they go through the excess property. And that will not be through the traditional Corps of Engineers or the Federal government excess property processes. It will be in the contract, when it is contractor acquired property. And that will be a direct credit back to the project. That \$25 million credit that you're looking at is not in any of the numbers you've seen on the previous charts.

So right now there's \$25 million in credit that will come across in the future. Yes, Marty.

CHAIRMAN HETTEL: A couple questions on that David. Number one, that \$25 million under Contractor Acquired Property. Has that been -- you referenced that as \$150 million original purchase price?

MR. DALE: \$139 million for the Contractor Acquired Property.

CHAIRMAN HETTEL: So that is what the Trust Fund has helped purchased, correct?

MR. DALE: Correct.

CHAIRMAN HETTEL: There is funding in there. And that was at purchased as a 50/50 percent. Now the \$25 million, is that reimbursed to us at 85/15 or 50/50 or is that \$25 million still got to be cut in half by 50 percent or 15 percent?

MR. DALE: Now consistent with my response last time, it will be back at 85/15 distribution. Because that's the current cost share that we have on this project. So -- and ultimately what it will do is just -- that's money we won't need, additional money in the future on the project.

CHAIRMAN HETTEL: I understand I think that -- boy, I don't want to go into a bank like that. What about the government acquired property?

MR. DALE: We're still looking at that one. Government acquired property; there is a predetermined process for excessing government property. It goes through GSA [General Services Administration]. Generally it goes back to the Treasury. It does appear there's an option or a potential to get a waiver to allow to it to come back to the project. We've not been through that process. So we're not counting any of that right now. The government acquired property is about 169 pieces of equipment with a value of about \$16 million, so it's a much smaller number especially once you salvage it.

CHAIRMAN HETTEL: So does the contractor own the catamaran barge that's sets the shells and the gantry crane that goes down to the river, or is that government property?

MR. DALE: The gantry crane and the barge are contractor owned. It gets a little fuzzy. It is contractor property. He acquired it. He built it, and he will excess it. And then it will come back as a credit. There are some things. We have a towboat we acquired off an excess list, to be quite honest, that is government furnished property. We acquired it. We gave it to the contractor. So we'll have to work it through the government acquired property process.

CHAIRMAN HETTEL: Okay. Thank you.

MR. DALE: So we've not given up on that. We're not throwing out the waiver. We're just not counting on that right now. Again we want to be pretty conservative in what we tell you guys and very transparent in that. So right now we feel comfortable in telling you we think there is a \$25 million credit coming to the project.

The next one, I'll go back to the first bullet which is the demolition scope. We've been working our way through that. It is not a simple thing. But we still believe that's a potentially

viable alternative. I forget the exact numbers, about \$100 million worth of demolition between Locks 52 and 53. The team has been working with your folks in the commercial navigation side, working with the Coast Guard. They've been working internally with our Operations folks, with our hydrologists and hydraulic folks. So what are the impacts if we leave that in place long-term? We've vetted that all way up vertically through a decision. So I'm not ready to -- we're not there yet. But we're getting very close. And part of the challenge is the big concern from my perspective is the safety aspects of this. What we know is there are going to structures left in the water, and those structures will be navigation hazards. And we want to make sure that those risks, if we choose to take them are appropriate. And we're not quite there yet. We're still trying to I guess if you would, quantify the risk so we make a good informed decision. That will be vetted vertically up through the team, to General Kaiser, and then onto General Peabody.

MAJOR GENERAL PEABODY: Mr. Dale, as you and General Kaiser and the Louisville District work through this, what I would like you to do is clearly gives us a recommendation but also make sure that you illustrate the various course of actions or options you're looking at, how you see the risks associated with those options so that we can have a full vertical team discussion of the full range of the full suite of items under consideration.

MR. DALE: We're going to work it back through a very structured military decision making process so that I can lay that all out.

MAJOR GENERAL PEABODY: What I'm saying is I want to see the full range of options, but obviously the recommendations. Don't just give us this recommendation, saying this is it.

MR. DALE: I understand. We need to give you some background and we will.

MAJOR GENERAL PEABODY: Thank you.

MR. DALE: You're welcome. Next slide. This is a list of future challenges. Obviously we continue with the \$150 million a year as the absolute minimum. We're on track. We're in the budget for \$180 million. We suspect with funding pots we will get more than that. The red increased capability of the team, clearly has an increased capability. That's work they can do. That's work they can do that would mitigate future risk. I'm not here to say that -- what I'm looking at is \$235 million in FY15 and \$250 million and Fiscal Year 2016. Those are capability numbers. We're still on track recognizing that we're going to get \$205 million in FY15 and we're going to get \$180 million in FY16. We would like to think we will get some additional money from the funding pots in FY16. That will allow us to retain the schedule we've got. If we got additional money in FY16 that would certainly reduce the risk to any out year potential slips. But I'm not here to tell you, I can guarantee to pull the project back to the left a full year at this point in time.

And in this last bullet, we move into this cycle. We are going to begin to see impacts to navigation, the passing of traffic. They're coordinating that very closely with the industry.

They've got that scheduled. And we'll start posting that, if you've not shared with your team members already.

But there will be times when we will be locking boats. When I say locking boats, we won't be holding a pool. So it's not like there will be any head difference. But we will be forcing traffic over into the lock chamber. We're looking at that process to sort out, will we actually close a gate and force you to come to a stop and then open the gate and let you through. Or will it be something similar to what we saw yesterday where you kind of whiz through there, and that's probably our concern of why we might ask you to come to a full stop because it's much tighter in there than it is out there.

MAJOR GENERAL PEABODY: Especially after yesterday's demonstration of speed and skill, I'm not sure we want to do with the same thing with the Olmsted project.

MR. DALE: That's exactly what I was thinking when that boat was coming through. I know why they want to close that gate there. So we're going to work our way through that. I suspect it is likely we'll ask you to go into the chamber, we will close the gate, open it to let you through. Right now, there are a couple of time frames. I want to emphasize when we share this with you, those dates will change around. I'll work with Eddie [Belk] to get an e-mail out to the Board members and share the schedule when those things are going to occur. But they're going to be weeks. It looks like the month of August could be the heaviest one, where there are going to be times when you're going to be forced to go through the lock chamber. That will have some impact on operations. But it's something we've been anticipating. We've been working with everyone. We ran a test of this last year, I think it was. I think the team had plans to run a couple of more tests to go through to just kind of get comfortable with the process and move forward. Are there any questions on that?

Next slide please. That's all I've got for the good of the cause. Mr. Hettel.

CHAIRMAN HETTEL: Thank you, David. I love your change from questions to discussion. We've got about ten minutes here for some discussion, so I'm going to open it up here. We talked last night about some differential in numbers between Birmingham [Users Board Meeting No. 74] and today. I have them in front of me. Birmingham you had \$244 million in contingency cost. Today you're reflecting \$196 million. That's a \$48 million reduction. At the Birmingham meeting, you said 2015 funding was \$205 million, today you are saying you could use \$235 million. That's \$30 million increase. The President's budget request for FY16 for Olmsted is \$180 million. You're referencing \$200 million, \$250 million you could spend. That's an increase of \$70 million.

What I see here is a final reduction \$48 million contingency cost and an increase in spending of \$100 million, but yet your estimated cost to completion in Birmingham was \$2.819 billion. This morning it was \$2.903 billion, an increase of \$84 million on the final cost.

While I don't think we would have a problem recommending spending more money at Olmsted, as long as it, as you like to say, moves the project to the left. But you're talking about

spending another \$100 million but still having it operational in October of 2018. I don't see the benefit spending on another \$100 million, if we don't get the dam operational soon. That's my opinion.

MR. DALE: I understand. Let me go back to a couple of things. First of all, we're not saying it's going to cost \$100 million more. What we're saying, we took a very conservative approach. We took the contractor's estimate. We wrote that in, just honestly, so you guys could see that number and be aware that it's out there. That's a number that we're working at very hard to reduce. So it's not going to be \$100 million more. It's going to be something significantly less than that. That's what the team is working its way through. It's kind of a remnant of the earn value management system. Once a year the contractor is required to do a total price re-estimate, a total estimated price redo. What does that is that forces the contractor to go back and relook at it. What he's done is he's wrote it in with a lot of issues, he's got a lot risk in there. We just came through a season where we've done a lot firsts, if you will, things we hadn't done before. When we move out into the future, there are very few things we haven't done already. He didn't factor in any learning curve. There's going to be a learning curve. We're going to work our way through that. That's what the team is actively doing. It will be less than that. That's \$100 million. I don't want you to think we've already decided its \$100 million more. What we're doing is trying to share with you that we have a challenge with the contractor that we're working our way through. That's what the team is focused on is addressing that \$100 million increase.

CHAIRMAN HETTEL: Let me just state, General Peabody and General Kaiser and Colonel, I think you're -- David, your team is doing a great job down there by moving this project forward. We're so close. I say so close, three years, from getting this thing operational where it wasn't too long ago it was going to be nine years away from today's date. But I just got to reference back these two slides from the previous meetings, I know you're saying it won't cost. But your TEP goes from \$2.819 billion to \$2.903 billion, so there's an increase of \$84 million in here.

MR. DALE: Yes.

CHAIRMAN HETTEL: I hope you don't spend that. Again I just reiterate, I don't want to spend another \$100 million down there just to see the project cost go up and not get it completed sooner. That's in my opinion.

MAJOR GENERAL PEABODY: This is General Peabody. Mr. Chairman, we're in violent agreement. First of all, as I stated earlier, the contractor has a requirement to justify the total price estimate. As Mr. Dale said, part of the process is to get an annual update on that estimate to make sure that we don't have a big separation between the current estimate and what we thought we had. This is part of the process that we put in place to make sure that things don't get so out of kilter that we lose sight of big changes in the estimated cost.

Having said that, our initial analysis indicates that there are some assumptions that the contractor appears to have included in his current price estimate that do not incorporate things

like the credit from salvage material and other things. We are pretty confident that whatever that number ends up at it's going to be reduced. Number one, he's got to justify it. Number two, we've got to validate it. Then number three, we'll work with it going forward. Having said all of that, I think as Mr. Dale pointed out, the \$3.1 billion is an 80 percent confidence level. That means it's a 20 percent unconfident level, right. There is always and everywhere some risk and some variability associated with cost estimates. Having said that, because of all the energy that we've put into making sure that we had confidence in the cost estimates on this and we have appropriate controls to execute, I don't want to see the total estimated price go up one penny, much less \$100 million. But we know that there are variables that may change. They've just have got to be justified.

One last comment, I agree with you 100 percent. We don't want to accelerate the execution of this project only to result in a higher cost and no earlier benefits. That's just not justifiable. So again, Mr. Dale, I think is -- and his team, General Kaiser, they've got this. They're working it. It's my expectation that we'll have some more granularity to this discussion at the next Board meeting and probably prior.

MR. DALE: Yeah. Let me close on one thing, and that is this is a cost reimbursable project. So we get much more visibility of the day-to-day cost variations. If this was a lump sum job, you wouldn't see all of this. The contractor would still be dealing with all this stuff. But he manages the internals to himself. In this case, we get visibility to it. And many of us aren't used to seeing these things. I mean, the answer is, look, there's contractors are going to make cost. We're going to work with him to push them back down. There are going to be opportunities that present themselves to save more money. And sometimes you have to spend some money to save some money. So those are all the things the team is working on. And our commitment is we're going to deliver this thing under budget and ahead of schedule at the lowest cost possible.

CHAIRMAN HETTEL: I appreciate that, David. Thank you. And be interested to hear your report in Nashville. And I love your comment of "we don't want spend more money just to raise the cost of the project."

MR. DALE: Agreed.

CHAIRMAN HETTEL: We're all in agreement there. Thank you.

MR. DALE: Thank you. Thank you very much.

MR. POINTON: If there are no more questions of David Dale, we are at the point in the agenda where we can take a brief break. So I have approximately 11:05. We're actually on schedule. Hard to believe. Can you be back in 15 minutes? We'll start promptly 11:20. Thank you.

(Whereupon a break was taken from 11:05 a.m. to 11:25 a.m.)

MR. POINTON: All right. Let's get back to the formal program again here.

Next on the program, we've got Ms. Jasmine Smith from the New Orleans District. She is I believe, the acting project manager. You can reintroduce yourself. I think I just messed it up. She is going to give us an update on the status of the Inner Harbor Navigation Canal Lock Re-evaluation Report, ma'am.

MS. JASMINE M. SMITH: Hi, my name is Jasmine Smith. I'm the acting Senior Project Manager for the IHNC Lock Replacement Project. Mark Wingate [Chief of the Projects and Restoration Branch in the New Orleans District] couldn't be here today, so I'm here on his behalf. Today, I'm pretty much going to give you an overview on the General Re-evaluation Report and update you on where we are in the study.

I'll give you some quick facts on the IHNC Lock. The IHNC Lock was actually completed in 1923. And it's over 90 years old. Some may call it an operating antique. One of the major issues with the lock is the lock delays. And these delays are caused by the lock being undersized. We see delays anywhere between 10 and 13 hours. Another cause for these delays is the St. Claude Avenue Bridge. It's a low rise bridge, and it has to open for every lockage. So this actually adds to our traffic delays. The IHNC is actually a vital link along the GIWW [the Gulf Intracoastal Waterway]. It allows continuous traffic movements across the Mississippi. If this lock were to ever fail, vessel traffic would have to take the alternative route which is the Tennessee. And that can be a 17-day delay.

You can go to the next slide. Now I'm going to talk about how we actually got to a study, how we transitioned to a Re-evaluation study. Back in September 2012, the USACE received a letter from the Port of New Orleans citing three recommendations that they wanted the Corps to pursue.

One was they wanted the Corps to declare the deep draft lock as no longer viable. This is because after closure of "MR. GO" [the Mississippi River Gulf Outlet deep draft channel connecting the Mississippi River to the Gulf of Mexico, closed after Hurricane Katrina], we weren't seeing any deep draft benefits. Our BC ratio dropped below one. The port really didn't see a future in the deep draft lock replacement project. They actually urged us to pursue a shallow draft lock replacement project. They also wanted to us fully fund over the next five years major maintenance and repairs to the existing INHC Lock.

The Corps actually requested for funds to pursue a shallow draft lock replacement study. And we actually received those funds. You can go to the next slide. We initiated that General Re-evaluation Report in January. And the report will pretty much reanalyze findings from the 1997 evaluation report. We will conduct this decision document in accordance SMART Planning Principles. It's estimated to take three years to complete at a cost of \$3 million. The lock dimensions that we're going to consider as far as alternatives in the initial report is 900 to 1200 feet in length; width 75 to 110 feet; and sill depth of 16-1/2 to 22 feet. In my next slide, I'll get more in depth on how we're going to select the actual sill depth.

We will be designing for an 11-foot draft vessel. And that's pretty much the average draft that we actually see in that channel. That's the vessel draft. We have to do this in accordance with Engineering Manual 1110-2-1604. In this manual there are certain criteria we have taken into consideration when selecting our sill depth. Some of the criteria we have to take into account the lift on the inside of the lock and also the speed of approach into the lock. We have to take that into consideration. It's pretty much safety factors when operating the lock.

When we make our selection, we're actually going to compare benefits to costs and make sure we're environmentally acceptable.

We're pretty much a long way before identifying our tentatively selected plan. We have about ten months until we get to that point. And I'll touch on the schedule in the next slide. Like I stated earlier, we initiated the study in January 2015. We actually had a public scope meeting in February 2015, and our Alternative milestone in March. Our Alternative milestone, that's where we finalized our focus array, and that was the different dimensions that I mentioned earlier as far as the sill depth, the width and the length.

We're working to identify our Tentatively Selected Plan by March 2016 and scheduled completion of the study in December 2017. We plan on engaging the Users Board throughout this study, as well major stakeholders. We still have tons of analysis to do in order to determine our Tentatively Selected Plan.

That's about all I have on the study. Now if you have any questions related to the project or the study. Take it easy on me, I'm new. It's my first Users Board meeting.

CHAIRMAN HETTEL: Jasmine, Marty Hettel here. And welcome to our Users Board meeting.

MS. SMITH: Thank you.

CHAIRMAN HETTEL: I think as you have learned I always have questions.

MS. SMITH: Okay.

CHAIRMAN HETTEL: And I appreciate the fact you're going to look at several different sizes for this lock chamber.

MS. SMITH: Yes.

CHAIRMAN HETTEL: Will industry be involved in what the final decision is prior to you guys making it, whether you guys decide to do a 75 by 110 by 20 feet? Will we have input prior to that decision?

MS. SMITH: Yes. We plan on keeping you guys informed throughout the whole process, so we can basically set up meetings. It can be on quarterly basis or monthly basis, if

you like. Because we want to keep you guys engaged on what we're doing. So we can set up those meetings if you like.

CHAIRMAN HETTEL: That will be great. I'm going to offer Mr. Stark who is with the Gulf Intracoastal Canal Association, as one of your primary contacts. Sorry to give you more work, Jim.

Second question I have -- and I believe you referenced part of the delay problem was it the Claiborne Avenue Bridge or St. Claude?

MS. SMITH: It was the St. Claude Avenue Bridge. Could you put up the last slide.

CHAIRMAN HETTEL: As part of your lock replacement project, were you thinking of doing something with that bridge?

MS. SMITH: Yes. We're actually going to replace that bridge, but we're proposing to move the lock actually north of the Claiborne Avenue Bridge. Do you see that blue rectangular shape? We're actually proposing to move of the lock there. We will see some delays from the Claiborne Avenue Bridge as well. But this bridge is actually mid-rise bridge, and we're planning on raising the towers on it. So it won't have as much as an impact as the St. Claude Avenue Bridge is giving us now.

CHAIRMAN HETTEL: And any adjustments to that bridge, are they also funded through the Trust Fund, or is that state or federal highway -- where does that money come from to?

MS. SMITH: To my knowledge, it is part of the project on cost. So it would be cost shared 50/50.

CHAIRMAN HETTEL: Okay. Thank you.

MR. WOODRUFF: This is Matt Woodruff. If I could ask a question about the bridge replacements, it would appear that navigation can get through there just fine. You just raise the bridge, and we go through. So any value that's being derived from bridge replacements would be valued to traffic not to navigation; is that correct?

MS. SMITH: That's a good question. I might have to defer to my team on that and get back to you in answering that question. I apologize for that.

MR. WOODRUFF: Okay. Because it would seem to me, and especially if we're moving the lock up that at that point the St. Claude Bridge really doesn't have anything to do with the lock replacement anymore.

MS. SMITH: Well, St. Claude Bridge won't, but the Claiborne Bridge will. I mean, we don't have -- the deep draft traffic now there is very minimal. But we are projecting that that

bridge will have to be raised for some of the traffic so it will impact on the delay time. But we don't see as it being as big of an impact as the St. Claude Bridge. Right now, the St. Claude Bridge has to be raised for every lockage.

MR. WOODRUFF: Would you see the Claiborne Bridge having to raise more often with a new lock than it does with the existing lock? I guess is my question.

MS. SMITH: Yes. We do foresee that. But we still have to do further analysis. We do foresee that, and we will take that into account.

MR. WOODRUFF: Fair enough. Thank you.

MAJOR GENERAL PEABODY: Jasmine, General Peabody. Good briefing. You said the sill depth selection was designed for maximum vessel draft of 11 feet but the two sill depths you used, I think, were 16 and 22 feet.

MS. SMITH: Can I correct that? That's not really supposed to say maximum vessel draft. That's an error on my slide. Sorry.

MAJOR GENERAL PEABODY: What should it say?

MS. SMITH: It should say "Draft of the design vessel." Because I don't want anybody to misinterpret thinking that's the largest vessel draft that we have coming through there.

MAJOR GENERAL PEABODY: And that gets to my point. I get that we're not doing a lock for deep draft vessels.

MS. SMITH: No, we're not.

MAJOR GENERAL PEABODY: Which was previously it was 27 feet or something like that.

MS. SMITH: Right.

MAJOR GENERAL PEABODY: But a lot of these barges draft more than 11 feet. So my question is, "What is the deepest draft vessel that we're designing for?" I just want to make sure that we're designing something that's going to accommodate current and project future drafts for shallow draft vessels barge traffic.

MS. SMITH: The 11 feet is actually the average that we're seeing, but we have some at 12 feet. I can get with my team and we can look at it closer to make sure we're selecting the appropriate draft.

MAJOR GENERAL PEABODY: Thank you. Mr. Belk, I would like you to look into making sure that you and Mr. Dalton [Mr. James C. Dalton, Chief of Engineering and

Construction, USACE, Headquarters] are appropriately involved in the development of the parameters of the project, so that we have national equities that are fully in play as the PDT works this up. This won't get the kind of review that a normal feasibility study would since this is a GRR. I just want to make sure we have full vertical team coordination and concurrence with the recommended approach that will ultimately hit Mr. Stockton's desk in 2 or 3 years.

MR. BELK: Yes, sir, will do.

MAJOR GENERAL PEABODY: Thank you.

CHAIRMAN HETTEL: Jasmine, Marty here again. One last question, I promise. Can you tell me what the sill depth is at Algiers Lock and Port Allen Lock?

MS. SMITH: I actually don't know what the sill depths at the other locks are.

MR. STEVE JONES: I think it is 18 foot or --

MS. SMITH: Okay.

CHAIRMAN HETTEL: I was just curious if that would give you some evaluation on what you think the sill depth should be here. But if we are 18 feet at Algiers, I don't know 18-foot barges will take through there, so we certainly can look at a lower sill depth.

MS. SMITH: Now I can say at the other locks, they were actually constructed before this Engineering Manual was in place. This Engineering Manual is dated 2006. So I don't really know the parameters when they were constructed, those two locks.

CHAIRMAN HETTEL: Thank you.

MS. SMITH: Thank you.

MR. POINTON: Are there anymore questions for Jasmine?

We will move on to the next item on the agenda. Actually Steve Jones who just answered the question about the sill depth, will talk to us a little bit about the O&M [Operation and Maintenance] costs for the hurricane protection surge barrier structures down in the New Orleans area that you requested at the last Users Board meeting.

MR. JONES: Yes. I'm the Navigation Business Line Manager for the Mississippi Valley Division. I first would like to make a couple comments on the sill depth at the IHNC Lock. You've got to realize, like I said, most of the sill depth on the GIWW are 16 to 18 feet. That is to prevent the piston action is what I call it of going into a lock. You've got to have full width. You've got have room for the water to move underneath, so your sill will always be deeper than your draft of your vessels. And the Inland Navigation Design Center [located at the

USACE, Rock Island District, Rock Island, Illinois] will ultimately design what the sill depth is there to meet the demand.

What I was asked to talk about, you may recall at the last Users Board meeting, the issue about the WRRDA 2014 language that authorized the Corps to operate and maintain 65 percent of the cost of the navigable structures of the hurricane storm damage risk reduction features in the New Orleans area [Section 2013 of the Water Resources Reform and Development Act of 2014, Public Law 113-121]. And I just want to give that you figure.

The estimated 65 percent cost on annual basis would be \$3.8 million. Broken out that would be \$1.05 million for the IHNC Surge Barrier, \$2.2 million for the Western Closure Complex, and \$550,000 for the Harvey Canal hurricane structure. Are there any questions?

MAJOR GENERAL PEABODY: Could you repeat those numbers again, Steve?

MR. JONES: Okay. \$3.8 million total made up of \$1.05 million for the Inner Harbor Surge Barrier, \$2.2 million for the GIWW Western Closure Complex, and \$550,000 for the Harvey Canal hurricane structure. That is an estimated 65 percent cost.

MR. WOODRUFF: This is Matt Woodruff. I have a question. Are those assumptions based on the idea that Corps employees will be operating those structures? Is that the basis upon which those calculations were made?

MR. JONES: Some Corps involvement possibly on operating, but also that the contractors that are there, where the contract cost and Operations and Maintenance is going on now. As far as how we actually implement, how we implement and operate them will be part of the negotiating out the revised PPA [Project Partnership Agreement] or agreement.

MR. BELK: Eddie Belk, Mr. Woodruff, I think, though, the principle that these figures reflect is that the Corps operating those either with just our staff or through the contractor. But it would be a Corps responsibility working with the state. I think that's what you are asking.

MR. WOODRUFF: We have a certain level of experience working with the Corps of Engineers operating navigation structures on the waterways system. You have been doing it for a few years, and we've built a certain level of confidence. We don't share that same level of confidence with the folks running those structures pretty much. The only ones that I can think of where you come up to something that looks sort of like a lock, acts sort of like a lock, but somebody else running it across the navigable waterway.

We recently had an incident that could have been a far more severe incident, I believe. I think Mr. Stark has signed up to speak maybe to that in a little bit more detail. I certainly don't know the details of it. But it would suggest to me just based on a very limited understanding of what happened there, that's perhaps an example of the kind of incident that we think we could prevent if we were dealing with the experience of the Corps of Engineers operating structures like that.

MR. JONES: Are there any other questions or comments?

MR. McKEE: Steve, Jeff McKee. I just want to confirm that the \$3.8 million is the 65 percent share and not the total O&M cost?

MR. JONES: That is correct.

MR. McKEE: Thank you.

MR. JONES: Okay. Thank you.

MR. POINTON: Next on the agenda we have Ms. Jeanine Hoey who is going to give an update on the Capital Investment Strategy Report and our current progress.

MS. HOEY: Okay. Good morning. I'm Jeanine Hoey from the Pittsburgh District of the U.S. Army Corps of Engineers. I'm happy to be here today to update you on the Capital Investment Strategy as we get closer and closer to our June 10th date. We can go to the next slide. You've seen this slide before. It's the Water Resources Reform and Development Act requirement to update the Capital Investment Strategy. Just a few things to note, we're doing this in coordination with the Inland Waterways Users Board as requested.

One thing of importance to us is the "Application of objective, national project selection prioritization criteria." A lot of this information you have heard at the last -- through the last several Users Board meetings. So there is probably not going to be a whole lot of new information this morning. But I will alert you when we have some things that are a little bit different than we did present at the last Users Board meeting.

Next slide please. Today I'm going to go over the draft working results. What's different since the last Users Board meeting is we presented two different funding scenarios at the last Users Board meeting. At that meeting, we called them the "Constrained" and the "Unconstrained" scenario. This morning I'm going to present three different funding scenarios, and we've renamed them a bit. We added the "Budget" scenario, and that scenario's funding is that funding level that we typically see in the President's budget. We renamed the "Constrained" scenario to be called the "Annual Appropriations" scenario, and that is typically what we might see in the funding received by means of the appropriations process that we've had over the last several years.

And then the "Unconstrained" scenario we renamed to be the "Maximize IWTF Program" scenario which uses the maximum financial resources available in the IWTF [Inland Waterways Trust Fund] to move the projects forward. As reported at prior Users Board meetings, we are continuing with the concept of finishing what we start. We want to fund projects as efficiently as possible when we can, and we are incorporating life cycle asset management into our process.

CHAIRMAN HETTEL: Jeanine --

MS. HOEY: Yes sir.

CHAIRMAN HETTEL: Yeah, I'm sorry for the interruption. I just need a piece of information. In your "Annual Appropriations" scenario -- and maybe you've gone through this on one of our calls -- and I apologize if I may have missed it. You said the last several years of funding. How many is the last several years?

MS. HOEY: It's been two or three years of funding -- I think it's been two years of funding process. Two years of funding.

CHAIRMAN HETTEL: Thank you.

MS. HOEY: In all of these funding scenarios, there are several assumptions that apply to them all. And I've listed them here. One of the things that is as of note -- in yellow on the slide is the caveat that this document is intended to be a planning document that will inform the budgeting process. It's more of a plan. This information will be used when we do the more detailed budgeting process in our year to year budgeting.

The assumptions for all the scenarios are that the remaining costs that we are using are based on a current project cost estimate. The report we're updating at this time starts in FY16. So as we go through the annual updates, we will use the most recent cost estimates that we have at the time and do those annual updates. For now, that's beginning in FY16.

For all the projects that are major rehabilitation projects, only LaGrange Lock and Dam and Thomas J. O'Brien Lock and Dam, both on the Illinois Waterway, actually have major rehabilitation reports done. For all the other major rehabilitation projects, the major rehabilitation reports will have to be done after this. The costs that we are carrying are really just rough order of magnitude estimates for those projects. More detailed costs will be provided once those detailed analyses are done.

The FY16 start of the Inland Waterways Trust Fund includes about \$50 million of prior fiscal year balance, which is what we are anticipating at the end of FY15, which will be left in the Trust Fund. We include in that what is available for the Trust Fund match.

For the Lower Mon project, we did not include the Port Perry Railroad Bridge or the land chamber in our total remaining cost.

We established a \$20 million minimum balance in the Inland Waterways Trust Fund. This was based on the fluctuation in the receipts over the last ten years. That is definitely something that we can revisit as we go through the process and as we see what the fluctuations are and what the actual receipts are, that's something we can look at in the future.

Now I'm just going to go through the different funding scenarios and what they entail based on the funding for those.

Next slide please. This is the "Budget Program" scenario. This shows you the projects that will be done under the "Budget Program." The projects shown in blue are new construction projects and the projects shown in red are the major rehabilitation projects. At the top of the graph the red line represents the balance in the Inland Waterways Trust Fund balance. The black line is the total program for construction. The green line is the total General Treasury amount, and the blue line is the Inland Waterways Trust Fund amount. You can see the difference while Olmsted is under construction where there is more General Treasury.

Under this scenario where we are going through the budget, you can see that the Trust Fund balance builds up pretty significantly while Olmsted is under construction and then very slowly gets used under the scenario.

If you go to the next slide, you'll see the assumptions and the highlights based on that scenario.

Go ahead, Marty.

CHAIRMAN HETTEL: Thank you, Jeanine. Marty Hettel here. I want to make a comment on that Trust Fund balance. As you stated, it gets upwards of \$350 million and doesn't fall below \$250 million for 20 years out. And the comment I want to make is I don't believe there is anybody that operates on the inland waterways system that volunteered to increase our user fee by 9 cents a gallon just to leave it to sit in the Trust Fund.

Thank you.

MS. HOEY: Got it. And as we've discussed the "Budget" scenario, we think is a good communications tool. So the assumptions that underlie under the "Budget" scenario, we have limited the General Treasury amount to \$180 million. That really doesn't control the "Budget" scenario. What controls the "Budget" scenario is a maximum for the program of \$250 million. That is a general amount that we used. We have a hard cap of \$280 million, and that was supposed to be an isolated incident. Not a rule, but the exception. It does go up to about \$275 million in one year.

We also assumed that the Inland Waterways Trust Fund receipts were \$110 million per year. Based on that, the 20-year Capital Investment Strategy uses \$4.6 billion over that 20 year plan. It would actually take \$6 billion to complete all of the projects that were within the window of starting in the Capital Investment Strategy. Within the 20 years, though, we spend \$4.6 billion.

As I said, in one of the years we go as high as \$275 million, but that's the exception, not the rule. In general, we're around \$250 million investment. The maximum balance in the Trust

Fund, Marty, as you've noted is \$360 million. That builds up fast but goes down very slowly based on that \$250 million a year program.

We complete eight construction projects. Two are still in progress. We complete four major rehabilitation projects with two in progress under this funding scenario. So that's the "Budget" scenario there.

The next scenario is the "Annual Allocation" scenario. Again, the same information as shown on this slide. The new construction projects are shown in blue, major rehabilitation projects are shown in red. You can see how the funding plays out in this scenario. In this "Annual Allocation" scenario is typically what we've seen with the President's budget plus the additional funding provided by Congress in the appropriations process over the last couple of years.

The Inland Waterways Trust Fund still builds up during the time that we're constructing Olmsted because of the General Treasury amount applied to Olmsted. But it goes down much more quickly based on the assumptions that we used for this scenario.

If you go to the next slide, these are the assumptions for this scenario. What we did here is we limited the maximum General Treasury amount to \$220 million. The Inland Waterways Trust Fund receipts are still considered about \$110 million per year and the appropriations are typically greater than what is in the President's budget. In this case, we do spend \$5 billion in the 20-year window, and it would take \$5.8 billion to complete the same number of projects as in the "Budget" Scenario, so there's \$200 million difference. It would save \$230 million over the "Budget" Scenario in the escalated costs only. So we're just looking at the cost escalation savings.

This would require a maximum of \$360 million program in any one year, so it's not consistent across the entire 20 years. But in a few of the years require some significant expenditures. The maximum IWTF balance in this case is \$200 million. We would complete eight construction projects with two in progress, the same as the "Budget" scenario. But we would complete seven major rehabs with one in progress. And one would not even be within that 20-year time frame. That's the "Annual Allocation" scenario.

The next scenario is the "Maximized IWTF" scenario. The same information there, you can see that the Inland Waterways Trust Fund does not build significantly here, but there are significant program expenditures -- total program expenditures requiring some significant General Treasury dollars to match the Inland Waterways Trust Fund dollars especially during the time Olmsted is under construction.

If you move to the next slide which gives you the details of that scenario, we are assuming that there is unlimited General Treasury dollars to match the Inland Waterways Trust Fund. We also assume that receipts in the Trust Fund are a little bit higher at \$116 million per year versus \$110 million in the other two scenarios. And obviously the annual appropriations

are greater than the President's budget. In this case, we would be spending \$5.2 billion in the 20 years. It would take \$5.7 billion to complete all the projects in that 20 year window.

This scenario saves through inflation \$343 million over the "Budget" scenario. And you'll see there the maximum program is \$410 million in any one year. That's a significant program. But the Inland Waterways Trust Fund balance is -- the maximum that we have in that balance is \$50 million. We would complete nine construction projects, one construction project would be under construction, and we would complete eight major rehabilitation projects.

The next slide is a summary of the various scenarios. It's hard to see on the screen. If you have your hard copy and reading glasses, you can see the information. What we have here is we're comparing the "Budget", the "Annual Allocations" and the "Maximized IWTF" scenarios.

Where it's highlighted in red, the schedule is later than the "Maximized IWTF" scenario. Where it's highlighted in green, it's actually earlier. That kind of goes against the grain, thinking that how could we do some projects earlier under a more restrictive funding scenario, but that's just the way the projects fit in. Some of them are less dollar items, so you can fit them into the schedule a little bit easier.

And the statistics are also at the bottom of the slide. The maximum program under the "Budget" scenario is \$274 million. The maximum program under the "Annual Allocations" scenario is \$357 million and the maximum program under the "Maximized IWTF" scenario is \$411 million. Of note, to complete all the projects under the "Budget" scenario you would need \$6 billion, to complete all the projects under "Annual Allocation" scenario you would need \$5.8 billion, and to complete all the projects under the "Maximized IWTF" scenario would require \$5.7 billion.

So that gives you a comparison of all three scenarios in one slide. And that's really the meat of the Capital Investment Strategy. It's what is the priority of the projects and what is the funding available and how would we actually move ahead with the projects given the different funding scenarios that are there.

Again I want to emphasize this is a planning document that would inform the budgeting process. The actual numbers that any of these projects would get in any budget year would depend on the budget process, not necessarily what's in the Capital Investment Strategy. But it puts the different Districts and projects on notice of when their projects would start coming into the queue and they need to be ready to execute those projects.

Next slide please. Here is our schedule here going forward. We have our Users Board meeting today. We've been holding biweekly industry feedback meetings. We did send out a copy of the draft report last Thursday to industry. Between now and June 5th, we're going to be going back and forth with the ASA's office [the Office of the Assistant Secretary of the Army for Civil Works] and OMB [the Office of Management and Budget] to try and finalize the report and receive comments and making revisions based on their input.

On the 10th of June, the report will be transmitted to Congress assuming that we can make that date at this point. And that will be an electronic transmission followed up by a hard copy of the report.

Next slide is the opportunity for questions and discussion.

MAJOR GENERAL PEABODY: Jeanine, this is General Peabody. So I appreciate all the hard work you've done on this and your leadership through both the Capital Projects Business Model and in this -- don't go anywhere because we're going to use you for a while, I think.

But I guess my question is, what you just laid out to me is the tail of the dog, it's the funding scenarios that may or may not play out based on various assumptions that may or may not play out; but the dog itself, the body, is the actual strategy. And so we really didn't talk about it here, but can you just briefly summarize the strategy that drives these funding scenarios?

MS. HOEY: How we prioritize the projects?

MAJOR GENERAL PEABODY: Yeah. The Capital Investment Strategy is not series of scenarios. It is an approach to execute our responsibilities to recapitalize or do major rehabilitations associated with key components within the system.

MS. HOEY: Right. Right. What we did differently from the original Capital Projects Business Model and then in keeping within the life cycle asset management, we discussed this a lot at the last Users Board meeting but just to reiterate it is we're using the total risk exposure to prioritize our work. The way it was characterized the last time, the original Capital Projects Business Model effort was more of a "bottoms up" approach. It was based on the Districts giving us what they thought needed to be done over the next 20 years, and then we came up with the criteria and prioritized those projects.

This effort was more of a "top down" approach where we were looking at the risk exposure that we have at all of our facilities and using that to prioritize the work and decide where the investment needs to be based on that risk exposure. The risk exposure informs the study process but we also have projects that have already gone through that study process. So we have projects that have already been authorized and are under construction and we have projects that have been authorized but that have not yet begun construction. Those projects are ranked either by benefit to cost ratio for those who haven't started construction or by remaining benefits to remaining costs ratio for those that have started construction to prioritize those projects.

Once we get through the backlog of the projects that are already authorized and the studies of the projects that have been identified under total risk exposure, we should be identifying those projects that have the highest risks and putting our investment in those

projects, as opposed to this is what the Districts think we need and prioritizing based on what the Districts think we need.

MAJOR GENERAL PEABODY: Okay. So with that discussion, which is really a strategy that focuses on making sure that the system optimizes reliability by focusing on those projects with the highest risk, consequences times outcome, what I guess I'm trying to understand is the life cycle approach to this does not materialize. It is not evident in the funding scenarios. I'm more concerned we're losing sight of what this Capital Investment Strategy is all about.

MS. HOEY: Okay. The life cycle again is looking at the total risk exposure. We're looking at what the risk is, what's at the top of the list, can that be addressed through a maintenance project, is it already being addressed through the budgeting process, is it already being addressed through maintenance that the District is already doing, does it meet the criteria of a major rehabilitation project or a capital investment? So the initial list of total risk exposure should be feeding both types of investment, both capital investment and the maintenance that is needed for projects.

So it really is an evaluation -- instead of an evaluation at the beginning of the process where the Districts identify projects, it is an evaluation in the middle where we look at the total risk exposure and then decide how that risk will be addressed through maintenance or through capital investment.

MAJOR GENERAL PEABODY: Thank you.

MS. DOMINGUEZ: Just a quick question, Jeanine. So that methodology is laid out in the current draft of the report; correct?

MS. HOEY: Yes it is, ma'am.

CHAIRMAN HETTEL: Jeanine, Marty Hettel. Let me first echo General Peabody on you and Kareem's and your team's hard work that you have put in on this. We really appreciate everything that you've done. I don't think they could have had a better person lead this effort. Thank you.

On your slide entitled "Maximized Inland Waterways Trust Fund Scenario Summary" you reference saving \$343 million over the "Budget" scenario. On the next slide, I see that at the bottom of the page where you're going to spend -- it will cost \$6.02 billion in the "Budget" scenario versus \$5.677 billion in the "Maximized IWTF" scenario, so that's a \$343 million savings. Then over on the right, you state additional cost for the "Budget" scenario of \$82.6 million. Do you add the \$82.6 million plus the \$343 million to come up with saving of \$425 million.

MS. HOEY: No.

CHAIRMAN HETTEL: Help me understand that.

MS. HOEY: No. What we're doing in the notes is comparing the "Maximized IWTF" scenario to the other two scenarios. The columns are comparing the "Budget" scenario to the other two scenarios. So one is an additional cost and one is a savings. So you're just looking at it from two ends of the spectrum. So if you look at the "Budget" schedule that matches the numbers that are shown on both slides. But if you look at the additional cost for the "Annual Allocation" schedule and the savings, they don't match because one is comparing the additional cost, and one is comparing is the savings.

CHAIRMAN HETTEL: Understand in my financial aspects of additional costs plus additional savings can be added together for a net savings of "X". If you're saving \$343 million and it is costing \$82 million less --

MS. HOEY: No. When I'm saying the savings it is the savings over the "Maximized IWTF" scenario. When I'm saying is 'additional cost', I'm saying additional cost over the "Budget" scenario. So I'm comparing the same information, I'm just comparing it two different ways, which gives you two different numbers but is the same information.

We can make that a little more clearer in the report. It has come up within the team. The question has come within the team, but that is the difference. We will make that abundantly clear how those numbers are calculated and how they really represent the same information.

CHAIRMAN HETTEL: All right. Thank you. Again great job on this, we really appreciate all your hard work.

Thank you.

MAJOR GENERAL PEABODY: Are there other questions from the Board? Go ahead, Matt.

MR. WOODRUFF: I was just going to pile onto what they said, thank you for all your hard work and your expertise making a very complex subject something even I can understand sometimes. So I'm grateful for that. I also want to thank you for putting it the way you have, which offers a menu of choices for decision makers. And I recognize this is not budget document. That this is not necessarily a policy. But there are multiple policy makers in our nation, many of whom might have differing perspectives. And this gives those policy makers a menu from which they can choose. If they want to say, "I only have 'X', and I think this program should get regardless of what's available." They get to see the consequences of that would be. Kind of staying on the course we've been on the last few years, if that's their decision, they can see what the consequences would be. And then taking my view of it, they can see what the opportunities are if they were to invest the money that has now been invested by the industry through higher taxes to move these programs along. So I think that's a very good thing.

On the prioritization piece of it a little bit -- and this is something where I'm still not entirely comfortable. I know that we're talking about this risk based approach and life cycle analysis. To me the concern I have is that what that approach gives us unless we also step back and put some informed expert judgment on top of that is it will tell us when it's time to replace what we have. But it doesn't tell us when it's time to do something different.

I look at the Brazos River Floodgates we visited yesterday. I don't think the question is when do we need to put a new sector gate in the Brazos River Floodgates. The question is: Do we need to take the sector gates out altogether or do something completely different? That's where I think if we get too much into a formulaic maintenance cycle-based approach to capital investment, we're going to miss opportunities.

In our industry in the last few years, we have maintenance cycles on our engines and our boats. And they tell you when that an engine needs to be overhauled. We can overhaul those engines virtually forever. But in many cases, we ripped out our old engines and we put brand new engines in. And it wasn't because the old engines were worn out. But the efficiencies we were able to get both in terms of fuel and environmental performance made it cheaper for us to put something new in than just to keep overhauling what we had. We need to make sure that is also what we're looking at as we're making the long-term investment program for our infrastructure. The question isn't just what the maintenance cycle is. The question should be "What is it we really need to be doing to make this best, most reliable and efficient system that we can?"

MS. HOEY: Right. Yeah. And Matt, you bring up a good point. And one of the things that we talked about it's in the report. I might need to emphasize a bit more. But during the annual process not only will we do this total risk exposure, but we also need to identify those projects that would give us efficiencies to be considered within that new construction type of scenario. And so they wouldn't follow necessarily the total risk exposure formula. They would be things that are just added in based on the District's perspective or other people's perspective on what could benefit the system. Those would be included in an update and with the projects that need to be addressed because of condition and maintenance issues along with that, and they would be incorporated in the same way but more on a case by case basis.

MAJOR GENERAL PEABODY: Jeanine, this General Peabody again. To kind of continue on this discussion, I'm looking at the summary here. The majority of these projects are existing projects that need to be recapitalized or rehabilitated, but there are four that are existing projects that aren't either recapitalized or rehabilitated but expanded in capacity. That's the NESP [Navigation and Ecosystem Sustainability Program] projects. So could you explain how those are calculated as new projects into the mix of projects that need to be sustained?

MS. HOEY: Because these have all gone through studies, they have the BCR [benefit-to-cost ratio] and net benefits and the RBRCR [remaining benefits-to-remaining cost ratio], so we just used the benefit-to-cost ratio --

MAJOR GENERAL PEABODY: So basically we only considered things that have gone through the study. If it doesn't have a study it is not in the table for consideration under this strategy?

MS. HOEY: In this case, we have so many that are under study that fill up the 20-year time frame. The ones that haven't been studied right now are only the major rehabilitation projects at this point in time. At some point in time, we're going to get to the point where all the authorized new construction projects are already done. But we might have one in the queue for studies based on either the total risk exposure or as Matt [Woodruff] said an opportunity for efficiency. At this point, we have so many that have already been authorized they're filling up the 20-year strategy. There are some that are -- for instance the IHNC, when that GRR is done, they would get put into the mix based on their BCR. When the Upper Ohio -- if Upper Ohio gets authorized, it would get put into the mix based on its BCR.

MAJOR GENERAL PEABODY: So I'm really confused now. You're talking about a 20-year strategy. I thought we had a strategy that was independent of a specific time scope? Am I that far out in left field?

MS. HOEY: No. We just looked at the projects that fit into the 20 years. There are projects on the list that are not in this 20-year time frame because they would get scheduled beyond the 20-year time frame.

MAJOR GENERAL PEABODY: So this is exactly my concern. To me, the strategy should be independent of the happenstance, let's call it, of projects that have been studied and authorized. I get that we're not going to fund anything that has been authorized. That should not be, in my opinion, at least, Mr. Chairman, what should drive the priorities for the strategy. What should drive the priorities for the strategy are what the system needs and the most urgent issues in the system whether they're rehabs, recapitalizations, or expansions, depending upon -- it's got to follow the analysis.

Based on what you tell me, I'm not really confident that these funding scenarios really play out that what I thought was my mental construct of this strategy.

MS. HOEY: Now the NESP projects, they are high on the total risk exposure list of projects. As we looked at that list of total risk exposure, the NESP projects are on there.

MAJOR GENERAL PEABODY: But they're high for recapitalizations or high for expansion?

MS. HOEY: They're high based on the condition of the projects and the risk exposure --

MAJOR GENERAL PEABODY: For recapitalization.

MS. HOEY: For recapitalizations, correct.

MAJOR GENERAL PEABODY: So would this include the expanded second chamber for those locations or not?

MS. HOEY: It includes it because that's what the authorized project was. The way I see things going in the future is as a project comes up that has a high risk exposure, the questions that we ask are "Is that a major rehab?", "Are there opportunities for efficiencies?" That evaluation will happen, and the project will either go into a major rehabilitation evaluation report or a feasibility report based on that analysis that's done after it has been identified as having some risk exposure.

MAJOR GENERAL PEABODY: Okay. But just to be clear, what you just told me is the price of entry onto this list is the Operational Condition Assessment and the Operational Risk Assessment of the project as it is today. It's not the expansion, we're just assuming that we would fund the expansion. In the case of these projects it's because that's part of the existing authorities.

MS. HOEY: As Matt brought up on a case by case basis, one of the things we would do would be if these projects had not already been studied and they're high on the list. We would do a very preliminary evaluation of what is the direction that we should be going. And so if there was not an authorized project for any of the NESP projects, they came up high on the list. The District would look at that and say, "We think this needs to be a feasibility study because of X, Y and Z. There's an opportunity for efficiencies, for some expansion." And then we would make a call at that point whether it goes into a feasibility report or a major rehabilitation where we're just going to rehabilitate the project, as opposed to expand it. So these projects were kind of beyond that because they were already authorized. So the next set of projects that come up in that evaluation would have to be made whether it's a major rehabilitation or whether it would fit new construction and what that opportunity would be.

MS. DOMINGUEZ: And that would be an even more strategic view of the overall components to get at what Matt was saying.

MS. HOEY: Right. Right. And we may go down the road that we think something should go feasibility and it doesn't work out. It ends up being major rehabilitation as opposed to feasibility because the study doesn't warrant an investment there. But there would be a preliminary analysis as to -- does this just need to be fixed, maintenance condition wise or is there an opportunity for either a capacity improvement or efficiency improvement or in the case of the Upper Ohio where it is new construction because we can't build in the same footprint.

MS. DOMINGUEZ: Jeanine, this is Marie Therese again. I just want to make sure that the language what you just articulated, is that captured in the report?

MS. HOEY: That is in the report, yes. Where we do this preliminary evaluation and is it major rehab, is it feasibility, or is it -- that's kind of within the same group as does it go to maintenance, does it go to capital investment? If it's capital investment, is it major rehab or is it major construction?

MR. MECKLENBORG: This is Dan Mecklenborg. I wanted to just note that the statute does envision developing and submitting to Congress a report describing a 20-year program for making capital investments. And so in that sense, the 20-year time horizon would seem to me to be consistent with the statutory request.

CHAIRMAN HETTEL: Jeanine, Marty here. To dovetail on that comment, you're absolutely right, Dan. It also states in the Water Resources Reform and Development Act that this 20-year program would be looked at again every five years. Jeanine, in our conversations and our meetings, we've even discussed it may be sooner than that should a project get authorized, we may not wait for the five years to redo the capital investment strategy as you stated to see where it falls in line.

MS. HOEY: The way and what's outlined in the report is there really needs to be annual update of the information. So next year what actually happened in FY16? What were the actual expenditures? What are the new cost estimates? What are the new requirements? And that's more of just updating the data. And then the five years would be incorporating as we envisioned in the first IMTS Capital Projects Business Model report, what are the new developments? How do we evolve the process further? I look at it as the five years things are evolving the process. And every year it's just updating the data.

MR. WOODRUFF: This is Matt Woodruff again. I think it's great to have a 20-year plan, but that's not a 20-year prescription from which there can be no variance. That's based on the knowledge we have today. Here's where we think we're going to be going for the next 20 years but something could break or an opportunity could arise in the future. I think subject to what we've said fairly consistently is finishing what we've started. Once we've started something, unless there's just a set of circumstances I find it hard to get my arms around we want to efficiently complete a project. But then, anything we haven't started yet, I think if there's a change and it makes sense then we have to have flexibility to adapt. But we have to start from somewhere and we start from the plan.

MS. HOEY: Right.

CHAIRMAN HETTEL: Jeanine, Marty here again. Last question I have for you, I promise. On looking at your dates to meet, at what point in time -- hopefully, will we see a final Capital Investment Strategy document prior to the June 10th transmittal to the ASA's office and to the Congress and your T&I committee [House of Representatives Transportation and Infrastructure Committee] hearing.

MS. HOEY: Hopefully, you will, yes. That's the plan. When, is your question?

CHAIRMAN HETTEL: Well, I would rather than say hopefully. I would rather hear you say, "Yes, you will get a copy of it" before the June 10th final going to Congress. It is hard for us to agree with anything when we don't know what we're agreeing with or supporting anything if we don't know what we're supporting. So without us seeing a final document,

within the document, there are names of people that have been involved in this process. I don't want to give the impression that we approve of the final document when we don't know what the final document looks like.

MR. BELK: Yeah, the legislative basis for this whole exercise, Mr. Mecklenborg referenced a while ago, it had language in there that we would do this in coordination with the Inland Waterways Users Board. And so that means letting this Board have visibility of the report before we launch it whenever it ultimately goes over.

MAJOR GENERAL PEABODY: Yeah. General Peabody. And to your point, Mr. Hettel, while we certainly would love to perfect concurrence with the Board, we have a responsibility to get this delivered. And we may not get there, and the Board may have a minority opinion or it may take some exception to some aspects to it. And you are obviously free to do that. Having said that we want to get as close to that concurrence as we can. That is why we've involved you very carefully throughout the process.

But I don't know that we're going to have perfect concurrence at the end of the day.

CHAIRMAN HETTEL: Understood and looking at Jeanine's schedule, unfortunately it looks like the last concurrence we'll have is May 21st.

MAJOR GENERAL PEABODY: This schedule reminds me of my favorite *New Yorker* cartoon where the mad scientist has drawn on the blackboard these complicated equations. And then the blackboard says, "Then a miracle occurs."

So, honestly, we would love to meet this schedule, and this is what Congress has asked us to do. Realistically, I don't personally have a lot of confidence that we will execute this schedule, but we're going to do our best to do exactly what the Congress asked us to do.

MS. DOMINGUEZ: I would add that this report has to go through the Office of Management and Budget. And we do anticipate a good amount of questions and a rigorous back and forth. It has already been shared with them in the hopes of trying to expedite this process. But nonetheless, I think that's what General Peabody is referring to, so we're doing all we can to expedite the delivery of it and make sure that we meet the deadline. That said, I very much appreciate what your comments are, Chairman Hettel. And I think we will all work to try to make sure the Users Board has a copy before it's finalized.

CHAIRMAN HETTEL: Thank you, Ms. Dominguez. While I think it's important to meet a deadline, I think it's also important to meet a deadline with a valid product.

MAJOR GENERAL PEABODY: And validity in this case is determined ultimately by OMB. Just so we all know who is in charge of, who gets the ultimate say over our recommendations. We'll continue to work closely with you, as closely as we can to keep you informed. And again, this body is free to make its own assessments and judgments and communicate those assessments and judgments on the final report.

Having said that, I think we're going to have a reasonably close concurrence. It wouldn't surprise me at all to have some aspects that you don't agree with. We're going to do our best to close that gap as much as we can. I think we've already done a pretty good job of doing that.

But we need to come to closure on this as well. And it's as Ms. Dominguez has alluded to, there's going to be a rigorous back and forth with the folks at OMB. They have a very important responsibility to fulfill, and they have just like the rest of us are dealing with many problems. And so that's why I think that we're not going to get their -- it's really nothing against them. They just a lot going on right now. And it is hard for me to imagine them dropping everything else they've got going on and knocking this out in a matter of week or two.

Having said that they are keenly aware of this. They've already reviewed some of the earlier drafts. And it's really going to be the back and forth on the final draft that will take the rest of the time available. And that usually does take some amount of time.

MR. POINTON: Any more questions for Jeanine? Can we let her escape?

MAJOR GENERAL PEABODY: Good job, Jeanine. Thank you.

MR. POINTON: We've come to the point in the program where we're going to have a public comment period. I have only heard from one individual who wishes to make a public comment. So can I call on Mr. Jim Stark from the Gulf Intracoastal Canal Association, sir.

MR. JAMES STARK: Thank you for the opportunity to speak publicly to you today.

As you all know GICA is a 110 year old regional trade association. And as such, I know my members are pleased that the Users Board chose to come to the Gulf Coast at least twice in the last couple years and look at two incredibly important projects to our waterway, the INHC Lock back in January of 2014 I believe [Inland Waterways Users Board Meeting No. 70, held in New Orleans, Louisiana on January 14, 2014], and yesterday's visit to the Brazos River Floodgates.

There I know you saw how important those floodgates are to keeping the flow on the canal moving. Actually from a standpoint of if there's breakdown there and a delay there, how it affects commerce on our waterway. You were able to see the challenges that that structure presents to our mariners. And you also saw how busy and dangerous it can be to transit those structures.

So I'm really pleased that you got a look at that, and I'm very pleased TxDOT [Texas Department of Transportation] stepped up to work closely with the Corps of Engineers and with industry to study the floodgates and see what we can do about them. Because it's pretty clear, I think you saw yesterday that something does need to be done about them.

We're going to be working closely with TxDOT and with the Corps and in the near future at GICA's 110th seminar, which will be held in New Orleans August 3rd through 5th. We will have a sidebar session with TxDOT and with the Corps where industry will be able to provide some informal input before the study actually gets off the ground. And then we'll present that back to our membership at that seminar.

Bottom line, in all of that, I hope to see this in the future CIS report that Jeanine, since she's going to be around forever, will present -- that will be good thing. But also important to consider is O&M; and when you look at that risk exposure, the waterway here in Texas is exposed, without proper O&M. And I know the focus of this Board is major rehab and capital improvements. But O&M is something that I think the senior Corps leaders here should certainly keep in mind when you look at the O&M needs of this District and all the Districts in the Gulf Intracoastal Waterway region from a risk exposure perspective.

I've heard some numbers thrown around by the staff here about a \$20 million to \$23 million appropriation for O&M, and about a \$50 million capacity. I think as you saw yesterday and as you heard the numbers that go with this waterway, something like \$40 billion worth of a cargo and 70 million tons of cargo moving on the Texas reach of the GIWW. It's not a great leap to say that the \$20 million is probably insufficient and we ought plus that up to cover critical dredging needs, mooring buoys, and O&M needs in general of this District.

Second, I would like to go back to the topic since the Board has been very interested in - and I appreciate that interest -- in the shift of O&M responsibilities back to the Corps for the flood control structures that cross federal waterways in the New Orleans District, specifically the IHNC Surge Barrier and West Closure Complex. I would like to give you a little detail on an incident that occurred last month which I think highlights the reason it's important, and Mr. Woodruff touched on it very briefly. It's important that the Corps of Engineers take that responsibility back.

Last month a benzene barge caused about \$500,000 damage to the structures at the West Closure Complex. And that was caused basically through a lack of communications. The structures, the largest pump structure in the world, I think is what our colleagues over in New Orleans will tell you. They were exercising the pumps, and they had all the pumps running. Apparently there were no callouts to any of the mariners that normally transit this area. And the operators of the station just went on and exercised the pumps. So you can imagine with all those pumps going and I don't know how many feet per second that's going to generate. It's a considerable current.

As the barge came up unaware, there happened to be someone standing outside that called into the pump station, the pump station's windowless room, and said "Hey, there's somebody coming. You'd better turn these off." They did turn them off, but it takes quite a while to slow down and reduce that flow.

So what happened is we have about 50 percent flow when the barge came through. And with the exhaust flowing out of the pump area, it forced the barge over into the guide walls

causing damage. Then as the tow and barge proceeded through the gates it got whipsawed back to the other side as the intake took over and brought it against the fuel terminal. Again \$500,000 worth of damage, but the key is also they were carrying benzene and some other volatile organic compounds that would have been pretty nasty to have spilled in that area.

For those reasons -- and I can't say that it's anyone's fault. And I can't say that this would not have happened if the Corps of Engineers were operating the structure. But in my view, it does point to a very good reason, as Mr. Woodruff kind of touched on it, that we are very comfortable with Corps of Engineers operations, comfortable with the folks that would be operating that structure. And we hope and urge the Board to continue its focus on making that happen as soon as possible.

By the way, we have worked with Coast Guard and with the current operators of the structures to come up with some procedures that will make it a lot safer. They will now let us know about an hour ahead of time, 30 minutes ahead of time, 15 minutes ahead of time. And then when they do it via Channel 13 VHF that something is going on. And they'll hopefully have an outside observer as a matter of practice as it just happened to be. So that will be help in the meantime. But again we would just feel a whole more comfortable with the professionals doing the job out there.

Last, I do want to also thank the Board for focusing again on the Lock Performance Management System issue as it pertains to the delay counting. I would urge the senior leaders of the Corps that are present today to take another look at the Bayou Sorrel benefit-cost determination that fell short. And I think that was based largely in part on poor information that had been provided by previous Lock Performance Management System data relating to the delays that occur at Bayou Sorrel. Bayou Sorrel, by the way, is going to be down for about 6 to 8 weeks due to some critical hinge pin repairs. Again, just another data point for the risk analysis along our system of waterways.

That's all I had unless there are any questions of me, thank you again for the opportunity to speak at today's meeting. Have a safe trip home.

MAJOR GENERAL PEABODY: Jim, General Peabody. Thanks again for your personal involvement and support of this meeting and the tours and everything. And I think you raised a series of great points. I guess a comment or an observation and a question, the comment is, coming down here and seeing all the high value, dangerous cargo that moves in this area is you can't appreciate that unless you get down here and see it. You see some of the challenging physical constraints that this cargo has to transit, especially the Bayport Flare. But on Bayou Sorrel, this is my question: On Bayou Sorrel, you referenced -- apparently there was data that was dated or needed to be updated that the previous judgments were made on?

MR. STARK: I think -- and I may be wrong. But there was a recent study done for replacement of Bayou Sorrel --

MAJOR GENERAL PEABODY: Right.

MR. STARK: -- and the benefit-cost ratio didn't make it. And I believe that some of that was based on -- well, a couple of things. But since you've asked, some of it was based on, I think, poor data for the delays of going through the lock. Because they were -- that's what started this whole conversation, I believe. We found out that at Bayou Sorrel there was severe undercounting as Mr. Hettel has also revealed here.

MAJOR GENERAL PEABODY: So it is LPMS or at least in part an LPMS data issue?

MR. STARK: Yes, sir. I think the other part was the poor forecasting of energy shipments over the next 20 or 30 years.

MAJOR GENERAL PEABODY: Are you tracking that Mr. Belk?

MAJOR GENERAL PEABODY: Okay. We'll take that on and look at it.

MR. STARK: Thank you.

MAJOR GENERAL PEABODY: Thank you, sir.

CHAIRMAN HETTEL: General, just a comment on LPMS, two things. Number one, Eddie, I believe we have asked if they could reestablish the data at Bayou Sorrel on the original time that the vessel arrived, and then they changed it. I think I was told you couldn't reconstruct the actual data; is that correct?

MR. BELK: Yes, Mr. Hettel. Going back and reconstructing those arrival points that we discussed earlier is very difficult. But it doesn't mean we're paralyzed. We can kind of look at what's going on out there now. And we're changing the LPMS to capture this sort of data. So we have sources of information. But reconstructing the past is just a little difficult because we don't have a basis for it.

CHAIRMAN HETTEL: Yeah. General, I've looked at the Bayou Sorrel the LPMS data. It does look as if they were correctly logging the vessels now transiting through there. Back to the arrival point in the discussion on the LPMS. I believe the discussion went through that you're going to make recommendations to HQ and then bring it to us. Shouldn't we be involved a little bit earlier before the recommendation goes to Headquarters to make sure we all agree to what the arrival point is?

MR. BELK: Yes, Chairman Hettel. I think we talked about kind of rigid process. I don't think that it will be that rigid. We got some great feedback on what makes sense in terms of when you start the clock. I think what we've got to do is capture in the right verbiage. And certainly we'll be coordinating that with this Board as it is developed. And we should finish by July. You'll see something before we finish and have an opportunity for that to input.

CHAIRMAN HETTEL: Okay. Thank you.

MR. SOMALES: Excuse me, Mike Somales. Just one thing, I think we're confusing ourselves without clearing up this language. We keep talking about the arrival point. The arrival point is a geographic point on the charts described as part of the facility. I think we need to be talking about arrival times.

MR. BELK: Let me help you with that because I probably confused a few people. When I said arrival point I meant a point in time not point in place.

MR. SOMALES: Thank you. Point taken.

MAJOR GENERAL PEABODY: Thanks for pointing that out.

MR. STARK: Thank you for your time.

MAJOR GENERAL PEABODY: Thanks you sir.

MR. POINTON: All right. Marty, do you have any closing comments? Have you saved any up?

CHAIRMAN HETTEL: Marty Hettel, here. I don't. Hard to believe, I'm at a loss for words. Just again, a great exchange of information and collaboration between the Board and the Corps. Looking forward to some of the read aheads for our next meeting in Nashville. I think this is a good exchange of information. And just looking forward to keep it on path. Thank you.

MR. POINTON: Sir, General Peabody, any closing comments?

MAJOR GENERAL PEABODY: The Chairman always speaks last.

MR. POINTON: I think that would be a negative. Can I get a motion from the Board to adjourn this meeting?

MR. MECKLENBORG: I move that we adjourn this meeting, Dan Mecklenborg.

MR. SOMALES: I move the second, Mike Somales.

MR. POINTON: Do I have a vote?

ALL BOARD MEMBERS: (Aye.)

MR. POINTON: There are no nays. We are now adjourned. Thank you.

(Meeting adjourned.)

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COUNTY OF GALVESTON :

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