Minutes
Inland Waterways Users Board
Meeting No. 56
November 2, 2007
Quincy, Illinois

The following proceeding are of the Inland Waterways Users Board meeting held on the 2nd day of November, 2007 at the Holiday Inn, Quincy, Illinois, Mr. Royce Wilken presiding. Inland Waterways Users Board (Board) members present:

Mr. Jeffery Brehmer, Holcim (US) Inc.

Mr. Rick Calhoun, Cargill Marine and Terminal, Inc.

Mr. Gerald Jenkins, Ursa Farmers Cooperative

Mr. Stephen D. Little, Crounse Corporation

Mr. Daniel T. Martin, Ingram Barge Company

Mr. Tim Parker III, Parker Towing Company, Inc. (Substitute Board Member)

Mr. Royce Wilken, American River Transportation Company

Mr. Matthew Woodruff, Kirby Corporation

Also present were the official Federal observers, designated by their respective agencies as representatives:

Mr. John P. Woodley, Jr., Assistant Secretary of the Army (Civil Works)

Mr. Nicholas Marathon, U.S. Department of Agriculture

Mr. Robert G. Goodwin, Jr., U.S. Department of Transportation, Maritime Administration

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

Major General Don T. Riley, Executive Director, Inland Waterways Users Board, and Director of Civil Works, U.S. Army Corps of Engineers

Mr. Mark Pointon, Executive Secretary, Inland Waterways Users Board, Headquarters, U.S. Army Corps of Engineers

Mr. Kenneth E. Lichtman, Executive Assistant, Inland Waterways Users Board, Institute for Water Resources, U.S. Army Corps of Engineers

Staff support provided by the U.S. Army Corps of Engineers was as follows:

Mr. David V. Grier, U.S. Army Corps of Engineers, Institute for Water Resources

Ms. Mary Anne Schmid, , U.S. Army Corps of Engineers, Headquarters

Program speakers in order of appearance were as follows:

Mr. David V. Grier, U.S. Army Corps of Engineers, Institute for Water Resources
Ms. Mary Anne Schmid, U.S. Army Corps of Engineers, Headquarters, Programs Integration Division
Mr. Larry J. Bibelhauser, U.S. Army Corps of Engineers, Louisville District
Ms. Jeanine Hoey, U.S. Army Corps of Engineers, Pittsburgh District
Mr. Michael F. Kidby, U.S. Army Corps of Engineers, Headquarters, Operations Division
Mr. Michael B. Rogers,U.S. Army Corps of Engineers, Mississippi Valley Division
Mr. Scott D. Whitney, U.S. Army Corps of Engineers, Rock Island District
Mr. Leon F. Mucha, U.S. Army Corps of Engineers, St. Paul District

A list of meeting participants and a list of current Board Members, Federal Observers, and U.S. Army Corps of Engineers support staff are included as Appendices A and B, respectively. See Appendices C through E for materials from presentations at the meeting.

The 56th meeting of the Inland Waterways Users Board began with the Executive Secretary of the Inland Waterways Users Board calling the meeting to order at 9:00 a.m.

MR. POINTON: I would like to welcome everybody to the 56th meeting of the Inland Waterways Users Board here in Quincy, Illinois. I don't know how they did it, but we had great weather for our tour yesterday, and I would like to thank the Quincy area folks for their hospitality. This has been an outstanding trip so far.

My name is Mark Pointon. I'm the Executive Secretary to the Inland Waterways Users Board. Before we start the meeting we are obligated to read for the record that the Users Board was created pursuant to Section 302 of the Water Resources Development Act of 1986. It provides for the Secretary of the Army and Congress with recommendations on funding and investment priorities for modernization of the Inland Waterways.

The Board is subject to the rules and regulations of the Federal Advisory Committee Act. The U.S. Army Corps of Engineers is the sponsor for the Board and provides for the Executive Director, the Executive Secretary and all support activities.

This is a Sunshine meeting, and as such it's open to the public. The proceedings are being recorded, and a transcript of the meeting will be available shortly after the meeting.

I would like to turn the mike over to the Chairman now. Thank you.

MR. WILKEN: Thank you, Mark. Welcome everyone to the meeting this morning. I appreciate the significant turnout we have had in the audience today. I know a lot of you have traveled from afar to get to the remote areas of Quincy, and we greatly appreciate it.

It has been a chamber day the last couple of days. I would like to personally thank the district, the Mississippi Valley District, for their hospitality. We had a tremendous day yesterday in touring Lock 21 and LaGrange Lock. The briefings and presentations were all first class. I thought it was done in excellent fashion, and just hats off to the district. Thank you very much.

Without further delay, I would like to turn the mike over to Colonel Sinkler. Colonel Sinkler.

COLONEL SINKLER: Mr. Woodley, Major General Riley, General Berwick, Mr. Mike Rogers. I don't know if this is on or not, but I think you can probably hear me. Mr. Hancock, Mr. Bob Goodwin, members of Inland Waterways Users Board and guests, I just want to welcome you all here to the Rock Island District, and on behalf of Brigadier General Robert Crear, the Commander of the Mississippi Valley Division, I just also want to welcome you to the division.

And as many of you know, and many of you heard yesterday, Quincy is the largest urban area and the largest port between the East St. Louis area and the Quad Cities on the Mississippi River. The Rock Island District has had a long history with this part of the country. Our original headquarters was established about 40 miles north of here back in 1866. So we have got a very close relationship with the members of this community and everyone that uses the river in this part of the country. So I just want to welcome you on behalf of the Corps of Engineers.

Thank you.

MR. WILKEN: General Riley.

GENERAL RILEY: Yes. Thanks. I'm General Riley, Executive Director of the Board, and I'm glad to be back here in Quincy for a short visit. I do want to congratulate Mr. Royce Wilken, our new Chairman, on his work, and thank you for your past work on the Board as well. Then also, Mr. Gerald Jenkins for his reappointment to the Board. Gerald, welcome back.

And then also, I would like to welcome three new members of the Board. First, Dan Martin of Ingram Barge, and Matt Woodruff of Kirby, and then also Tim Parker, represented by his son Tim, of Tuscaloosa and Parker Towing. So thank you all of you Board members for your participation in support of the Corps.

Let me also introduce and welcome our Federal Observer Bob Goodwin from MARAD. Bob, good to see you again. And Nick Marathon from Department of Agriculture, and then of course, Honorable John Paul Woodley, Jr. our Secretary to the Army for Civil Works.

I would like to offer the Federal Observers if you would like to offer a few words at the beginning of our meeting. Bob.

MR. GOODWIN: Thank you, General, Mr. Secretary, Mr. Chairman. Can you hear me okay? Our Administrator, Sean Connaugthton, and Maggie Blum, our Associate Administrator, asked me to extend their greetings to you and apologized for not being here at the meeting. They consider the actions of the Board very, very important to the navigation system.

I would like to take just one minute to report that we have just gone through a reorganization. We have reduced the number of administrators back in our Washington office and re-established our field structure, and that's what I would like to touch on very quickly.

We have done away with the six regions formerly that cover the United States, and we have established what we call gateway offices. There is now ten gateway offices. Each of the gateway offices is going to have a special responsibility. For example, the new office in Houston is going to be responsible for petroleum transportation. The new office -- and there are just two new offices -- in Miami will be responsible for cruise ships and passenger lines. My office in St. Louis now has the inland waterways.

So we are trying to be a little more responsive to the needs of the nation's transportation system, and we are going to be working very hard in what we call the new American Marine Highway, which is a new term for short sea shipping and the American Marine Highway includes the inland waterways as an integral part of that system. Thank you.

GENERAL RILEY: Okay. Thank you. That's good news, Bob. I'm sure it will help out the country quite substantially. Nick.

MR. MARATHON: Thank you, General. I would just like to say the USDA appreciates the opportunity to be part of the Inland Waterways Users Board. By attending these meetings we gain considerable insight and information on the nation's inland waterways.

This year is an exciting year for us in agriculture. It's expected to have a record corn crop of 13.3 billion bushels, and also corn exports are expected to be the highest in 18 years. This is certainly positive news for the barge industry.

I would just like to say we are putting together a fax sheet, and the title of the fax sheet is "A Reliable Waterway System is Important to Agriculture", and it's on our website, and I would like to give you the website if I could. It's http://www.ams.usda.gov/tmd, and if you need that again I'll get it to you after the meeting, but this is a product of the Agriculture Marketing Service, Transportation Marketing Programs, and the Transportation Services Branch. Thanks. Thank you, General.

GENERAL RILEY: Nick, thanks. Mr. Secretary.

MR. WOODLEY: Thank you, Don. Once again I am delighted to be with the Inland Waterways Users Board. I think that I have a pretty good record of attendance since my appointment in August of 2005. I believe I have missed one meeting of the Board that has been held in that time, and that I have found them to be an invaluable tool for me and assistance to me in understanding the policies that we should be advocating in this arena.

I want to take a few minutes of my time here to describe our posture in the legislative arena. We are about to have some very interesting decisions made. The Congress has passed a Water Resources Development Act, one that has a great deal of good provisions and many things that we in the administration have asked for, many things that will be greatly to the benefit of water resource development in the country for years to come, and unfortunately, it also contains many things that are not appropriate or wise and made provisions, very expensive provisions, that will not be for the benefit of water resource development or good public policy.

And so the President is very seriously considering that he will return the bill to the Congress without his approval, and then the Congress can decide what they want to do about that. But I'm hopeful -- I remain hopeful that the good provisions of the Water Resources Development Act will become law and that if the other provisions do become law that we will of course execute them, but that's something that remains to be seen.

So that's very good. That will be the first time that that has taken -- that we had an authorization bill since the year 2000 and contains, as I said, many very, very good provisions that will substantially increase our ability over time to manage our nation's water resource development.

The other situation that we are dealing with, of course, is that once again in the year 2007 we are operating under a continuing resolution. The current continuing resolution will proceed until the middle of November. Most observers I think it is fair to say believe that since the Senate has not even passed the bill for appropriations for energy and water development that it's very unlikely that we will have anything other than another continuing resolution on the 15th of November. How long that one will go I do not know. Some are hoping that we will proceed to action on some kind of appropriation bill in December, and that is not impossible I suppose.

The difficulties associated with a continuing resolution are substantial but not necessarily insurmountable, and I want to commend the management of the Corps of Engineers for their work they have done now for many months in dealing with the challenges of operating under a continuing resolution. It is something that causes inevitable disruption, not the least of the disruptions is that the people responsible for managing the difficulties associated with a continuing resolution are actually the very same people who ought to be, and who I rely upon, and who the Corps and the nation relies upon for the work necessary to support strategic thinking, strategic planning, and improving our budget and performance integration, and so instead of achievements in that regard, although there have been achievements in that regard, instead of greater achievements in that regard, which I believe would otherwise be possible, we are managing a continuing resolution. And so that is something that we will face at least until the end of the year, and

hopefully not beyond, but then I will say that that's exactly what I would have said to you this time last year, and we were instead given a year long continuing resolution.

I think it's fair to say that none of the issues that are -- very little of the issues that are resulting in this project, this program, having a continuing resolution have anything to do with this program, that the difficulties and questions between the House and Senate that exist with respect to our program could be resolved in a conference committee if one were permitted to take place, but these are matters that are -- and issues that exist between Congress and the administration, pardon me, that are much greater than the issues that relate to the Corps of Engineers' Civil Works Program, and so we should I think take comfort and pride in the fact that our committees have supported our program in their action, their subcommittees rather, have supported our program very robustly in their action, and if we get an appropriation I think it would be a very good and robust level. And so that is something that we look forward to, and we certainly hope that all of these matters will be able to be resolved in time for us to have an appropriation before further disruptions take place in the program.

GENERAL RILEY: Thank you, Mr. Secretary. With that I will turn it back to our Chairman.

MR. WILKEN: Thank you, General, and thank you, Secretary. Just a couple of comments before we proceed on with the meeting. I believe that there is segue in from the secretary's comment regarding the administration the upcoming WRDA legislation, and as industry and I believe I speak for most of the directors at the table here that we support WRDA, and we would encourage the administration to do the same and sign WRDA into law.

It's a fundamental foundational building block of our infrastructure in the United States of America as we see it, and we understand there is some things in there that may not be acceptable to the administration, but as a total piece we wholly support it and would seek that support from the administration as well.

On a second note, we all are meeting here knowing that the clock is ticking in relation to the Inland Waterways Users Trust Fund. Every director here knows that these are serious times. We have certain milestones that we believe we will hear later on today, and the audience will hear later on today the status of the Trust Fund.

The directors and myself believe that it's time to be thinking outside the box in terms of many alternatives in order to continue on with the fine work that the Corps and the people in the Corps do in their construction projects, and that is all inclusive on how we manage projects, how we end up handling the financial end of the Trust Fund and so forth.

So we would encourage all stakeholders and all people who are involved in the process to collaborate. That would mean both government and industry to collaborate in seeking alternatives or better ways to help us manage this trust fund and continue the work, the construction work.

Without further delay, I thank you, and I would pass the mike on to -- Who am I going to hear? Oh, yeah, I forgot that. This is my first round as Chairman. Thank you, Mark, for helping

with that. I am looking for an approval of the Minutes. Do I have a motion to approve the Minutes of the last meeting?

MR. CALHOUN: Approve.

MR. WILKEN: Approved by Mr. Calhoun. A second?

MR. BREHMER: Support.

MR. WILKEN: Thank you. So approved, Jeff Brehmer. I believe we are moving on to Mr. Grier, David Grier. Thank you.

MR. GRIER: Thank you, Mr. Chairman. I believe you will find a one page handout for the status of the Inland Waterways Trust Fund. It is an update of what is in your notebooks under Tab 3. We did get some final information from Treasury which we thought was important to update the status report and provide you new copies, so you should each have a one pager with some red type at the top on the Trust Fund tables, and if anyone needs a copy I have got a few extras here.

Okay. Looking at the Trust Fund Status Report, we came into September -- from September '06 into fiscal year '07 with a beginning balance of 267.7 million. We do have it says year to date September, but that is in fact the full fiscal year numbers for '07. Revenues through '07 came in at 91.1 million compared to 80.8 reported in '06. So we did have a 10 million or 12.7 percent increase in the revenues. Interest was 10.4 million. So total receipts in 2007 were 101.5 million, which was about a 12.5 percent improvement over '06.

Transfers to the Corps of Engineers from the Trust Fund for ongoing projects concluded at 159.8 million, leaving a year end balance of 209.4 million. What I need to clarify about that balance, however, and you see that in some red lettering, below that, 71.7 million out of that 209 is considered to be payable obligations, and under outstanding transfer authority remaining for the Corps from prior appropriations, and I believe at least 60 million of that has already been obligated, so if you take away the 71.7 from the 209 we have a Trust Fund balance of 137.7 million that would be considered as available for new obligations under future appropriations.

And then on the flip side, just to give you a sense of some of the traffic trends indicated by Waterborne Commerce Statistics Center it suggests the total traffic in '02 declined a little bit, about 2.2 percent. On the plus side, petroleum traffic was up over 10 percent, a very flat farm products traffic, and a small decline in coal traffic of about five percent.

Any question from the members concerning the status report or the traffic trends?

MR. WILKEN: Mr. Whitlock.

MR. WHITLOCK: David, a question concerning the Trust Fund balance. Let me try to make sure I understand these numbers.

MR. GRIER: Yes, sir.

MR. WHITLOCK: How do I -- I guess the first question is what do you anticipate, and I note the CR is probably difficult, but what would you anticipate as being the FY08 budget authority for Inland Waterway projects?

MR. GRIER: Right.

MR. WHITLOCK: And then how does that compare with the two numbers we are looking at in terms of the 71 that you say is in essence already obligated and leaving a balance of 137.7? What I'm trying to get at is is this telling us that we are negative in '08 or does it tell us that we have got money in '08 and negative in '09 is what I'm trying to understand?

MR. GRIER: I believe Mary Anne is going to cover some of this, but it indicates that we have a 137.7 to start with, and then we have some assumptions about likely revenues in '08 that would be added to that and would be the amount that we could not exceed in terms of transfers in '08. We don't have -- We have the '08 budget request numbers, and we have what's come out of the House and Senate versions, and I believe those are in the vicinity of about 200 million or just over, so we would need sufficient revenues in '08 on top of that 137 to be able to execute the '08 numbers that we are anticipating.

MR. WHITLOCK: So if there's 200 million -- say if the total budget authority is 400 million, rough numbers for '08, are you saying then that we are roughly 60 million negative in '08?

MR. GRIER: Well, with the current balance we would be, but we would anticipate Trust Fund revenues consistent with what we saw this year of somewhere around 90 million.

MR. WHITLOCK: Ninety million. Got it.

MR. GRIER: And another 10 or so in interest, so we would have another 100 million on top of that of 137. I will move on to the Trust Fund Analysis, and I will go through this very quickly.

MR. LITTLE: Chairman Wilken, can I answer your question? David, the revenues, 91.1 million versus 80.8 million, can you explain the 10 million dollar difference?

MR. GRIER: I can't explain it with certainty. We were led to believe by a Treasury representative who reported at the last meeting that there was a lag in the impacts from Katrina, and they believe that there was a decline in traffic and decline in revenues associated with that event that then was reported in '06 when those revenues would have been reported and impacted the total revenues that were recorded, and it had to do with the '05 traffic levels.

MR. LITTLE: Okay. Thank you.

MR. WILKEN: Are there any other questions for David at this time? Matt Woodruff.

MR. WOODRUFF: To follow up on that question, is this issue resolved, or is there still someone looking to see if there's 10 million dollars out there that maybe has been lost through an accounting error?

MR. GRIER: We have been working with Treasury, and they are reviewing the data that they have on the collections. They so far have indicated that they were able to document the collections accurately in terms of what gets reported up through Treasury to the Bureau of Public Debt, which publishes these numbers. They are continuing to look at revenue comparisons actually reported by individual companies to see if there was a significant change in those reportings, and that would be a matter for further investigation by Treasury and the IRS. They have led us to understand that they will be reporting back to us on their findings within the next couple of months.

MR. WILKEN: David, would they report back up through you then or how would they report back?

MR. GRIER: I believe we would go through Headquarters, myself, and Mark Pointon, and get some kind of written report from them on their conclusions.

MR. WILKEN: Thank you.

MR. GRIER: If there's no other questions on the Status Report I will just briefly go through the Trust Fund Analysis, which is in Tab 3 of your notebook, and I have some extra copies here if someone doesn't have their notebook and would like a copy. The Trust Fund Analysis, and I'll go through it quickly because it is unchanged from the last meeting since we don't have final '08 appropriation numbers yet, and then we'll also have new '09 budget request numbers for the next meeting, so I will plan to do a complete update of the Trust Fund Analysis for the next meeting.

But just to briefly cover this one, you can see on page 4 that four funding scenarios are covered in the following tables from the analysis. Tables 1A, 1B and 1C look at the baseline, which is in effect the President's '08 budget request numbers, and those tables show the impact of the baseline project construction schedule consistent with that budget request.

1A shows the projects, 1B shows the cash flow, and 1C was added to indicate what revenues would be necessary to avoid a Trust Fund deficit for those projects. 2A and 2B show a capability scenario of candidate future projects and the impact of adding those to the program. 3A and 3B is a modified capability program that shows how the dates to start those projects would have to be staggered to avoid a deficit under current revenue assumptions. And 4A and 4B look at an enhanced revenue scenario that was presented to the people attending the industry workshop back in June that was held at Corps Headquarters.

Just briefly going through the tables, 1A shows the list of projects in the baseline. The main things to note there this is all ongoing construction, but the five year program would assume that there was no additional funding at Kentucky starting in '09. It would also not fund Inner Harbor and would not further fund the Upper Miss three major rehabilitation. Even with those deletions from the future funding program you can see in 1B we do project that the Trust Fund would have a negative in 2009 in supporting those ongoing projects that remain.

1C indicates what revenues would be needed to sustain that program without a deficit, and the revenues would need to jump to somewhere between 110 and 130 million annually to avoid that deficit.

If you look at 2A and 2B that just adds to the list of what we see now as possible future candidate projects that would be authorized in the pending WRDA Bill, and also under study throughout the Corps as future projects that would be cost shared from the Trust Fund, and again, this is not a complete list. This is the information that I have had to work with that we can see other projects will be needed to be added to this list as well such as major rehabs as we saw yesterday at LaGrange and a couple major rehabs on the Columbia Snake will also be added to this list for the next meeting.

If we attempted all of these projects on a capability level the Trust Fund would go significantly negative by 2009 and continue in a negative situation for the duration of all of these projects.

3A and 3B modifies those schedules for those projects in order to avoid a Trust Fund deficit under current revenue assumptions, and the delays are such that the last of the projects on this list would not be completed until 2041. That's in 3A. 3B shows the cash flow associated with those start dates and project construction assumptions.

And then 4A and 4B are the schedules and revenue assumptions that were presented at that June workshop that would sustain a more robust capability program and allow these projects to move ahead on a more timely schedule. If those revenues were available the projects shown here could be completed in its entirety by 2031, and most projects would be advanced by five to ten years.

And then in 4B you can see the revenue assumptions to support that accelerated capability program, and the Trust Fund revenues would need to be somewhere along the order of 200 million annually. At least in the near term that figure would probably decline further out depending on what projects were ongoing. That's the Trust Fund Analysis that was presented last time.

As I mentioned again I will be updating this in its entirety once we have the '09 budget request numbers and the final '08 appropriations.

Any questions on that analysis?

MR. WHITLOCK: Mr. Chairman. I guess I want to ask a question maybe to General Riley in terms of when we do the tours we hear almost unanimous in every District talk about the need or potential need down the road for major rehab or anticipated rehab on the dams. There was some discussion yesterday about potential rehab in LaGrange -- not LaGrange but Lock and Dam 21 on the dam. I guess the question is when we look at this we are looking at about a 25 or 30 year timeline from start to completion of some of these projects. I guess my question is have we really captured what we think the universe -- the demand for inland waterway infrastructure improvement really is in this analysis to give you a complete picture if you are thinking about this in terms of a long term program as opposed to just a one year snippet or snapshot if you will.

GENERAL RILEY: My sense is I think we have got the -- pretty much got the universe, but what I don't have, what I'm not comfortable with, and I don't think we have it yet, is the prioritization of that. That's the risk and liability work that LRD and MVD are taking the lead on, so there is more to go there. So I think we have a pretty good handle on what's out there, but it's across the portfolio -- the risk across the portfolio, which is really the highest priority work we have got to do, and I don't know if we will hear any more of that later today at all.

Mike, will we hear any discussion on the risk and liability? We have had those presentations before. We will have that update probably next time as we get further along in this.

MR. ROGERS: They are going to do it today, sir.

MR. WHITLOCK: Okay. Thanks, Mike.

MR. WILKEN: Any further questions? Miss Schmid.

MS. SCHMID: Thank you, Mr. Chairman. I am Mary Anne Schmid from the Headquarters of Civil Works, Program Integration Division, and I will be presenting some appropriations data. It's in Tab 4 of the books. For the benefit of the new members I suppose I can go through the program and funding timetable. Can you hear me?

GENERAL RILEY: Mary Anne, that mike is not working real well. If you can just get real close to it.

MS. SCHMID: How is this? Better?

GENERAL RILEY: Okay. Good.

MS. SCHMID: Again, the information is in Tab 4 of the books appropriations data, and the first sheet is a program and funding timetable, and as you know, we're always working covering three fiscal years in the Civil Works Program, and so if you look at -- We have the '07 program, the '08 program, the '09 program, and there is a row of X's or crosses which go down about halfway through the page, and that indicates we're in the month of November, and so of course, we are executing the '08 program, but as Secretary Woodley mentioned we are under the CRA right now so we are waiting for the appropriation bill to be passed, or actually issued formal work allowances.

In defense of the '09 budget, we are waiting for the pass back from OMB. They have had the hearings, and that traditionally comes around the end of November or the first of December, and the divisions I believe have already started to meet and strategize about development of the 2010 budget. Are there any questions on the timeline?

MR. WILKEN: Any questions? No.

MS. SCHMID: Okay. I'll move onto the next set of spread sheets, which really haven't changed since the last presentation because we don't have the appropriation bill. The first page,

first two pages, are the investigations portion of inland -- potential Inland Waterways Trust Fund projects. We still have the allocations through '06, what we put out for '07, the '08 budget, the '08 House and Senate numbers, and obligational capabilities for '08.

We can move on to page 3. These are the cost share projects, and the '08 budget column, of course, is unchanged with the House and Senate numbers remaining the same.

The one thing I will bring to your attention is under the major rehabs, of course, the Administration wanted to budget those in O & M, and so you have to go back a few more pages to see the total numbers for the '08 budget.

And then it goes on through the Inland Waterways Users Board expenses, and then the Non-Inland Waterway Trust Fund projects. So pretty much not a lot of changes right now. So are there any questions on this? We'll have updates at the next meeting.

MR. WILKEN: Proceed.

MS. SCHMID: Okay. Thank you.

MR. WILKEN: Moving right along, I believe we have Larry -- Are you out there? Yes. There you go. Mr. Bibelhauser will speak on the status of the LRD projects.

MR. BIBELHAUSER: Good morning.

MR. WILKEN: Those of you should have some of the hand outs that Larry's going to go over.

MR. BIBELHAUSER: There should be a handout. If not, there is a power point up here on the right.

I am Larry Bibelhauser. I'm the Olmsted project manager. I have been requested to brief the cost increase on the Olmsted project, and so hopefully I will be able to do that for you today. Next slide, please.

This is a timeline. It appears that the Olmsted project is going to go over the original authorized amount from when it was authorized in 1988, so I'm going to try to do a little history of how we got to where we are.

We initially did a feasibility study in 1985, and that's what the co-authorization was based on is a study that was done in 1985. Between 1985 and the time we actually made the decision to award the actual dam that's out there, and the reason I'm concentrating primarily on the dam because the dam is where we have had most of our cost increases. The cost of the other items pretty much has stayed pretty much in line with our original budget estimates, but the dam has gotten most of the cost increases, so most of my conversations will hint around the dam.

So in 1995 we made a decision to go with the -- We had studied four different dam designs and finally locked in on in 1995 on the five tainer gates and the bull operated wicket in a joint meeting with industry and the Corps of Engineers. Next slide, please.

Originally when we did the feasibility study and got the contract authorized with the project we were going to build this entire lock and dam in seven years. Right now it's looking like 25 years. And part of that delay has come from a funding. This slide here, what I'm trying to project here in this slide is that from about 1988 up until 2006 we had a capability, which is the top line there, and we were funded at the lower line, so we had never in that period really received the money that we could have used to keep the project moving ahead. So funding has been a problem with executing and constructing this project, and that was one of the questions I think the Board asked me a couple times ago. So next slide, please.

This is a breakdown by feature of what went into the original estimate, and I tried to put all of this in an October of 2007 cost, so the first column is what was back during the feasibility back in 1985 what was estimated escalated to '07. So that's 1.1 billion. My current estimate is the middle column, and that's almost roughly two billion dollars to construct this project. And then the last column of course is the difference between those, roughly a 900 million dollar cost increase on the cost of the project. The majority of that, as you can see, falls underneath the dam at about 665 million dollars. I'm going to give you a few more details on the next few slides. Next slide, please.

The things on this slide are primarily completed for the most part. The lands are 99 percent done, but that's been expended. We had a roughly four million dollar overrun there. The only thing remaining under lands is dispose of Locks and Dam 52 and 53. The locks are complete and run about 12 million dollars over on that. And the remaining stuff to pay out there is the Department of Justice. We owe them about 12 million dollars, and we have some upstream sales to complete.

Fish and wildlife. We have continued to monitor the water foul and mussels while the project is under construction, so every year we add to the job that costs us about $450,000.00 every year to keep that effort going. The channels and canals. We had river dikes in there on the lock side, but the sediment problem just on our models appear we need more dikes than what we planned, and so we're estimating that will go over 16 million, but we're not planning on doing that until after the project is totally operational to see if they are really needed. And the bank stabilization was a slide problem on the hillside, and that is complete. Next slide, please.

Cultural resources. We are still trying to negotiate with the SHPO on what to do with 52 and 53. We will end up paying something there, but we're not sure yet because we haven't completed those negotiations.

The buildings and grounds portion of this, because of the changes in the dam designs we ended up with total different requirements, and we had to have some additional buildings, we had to have boat mooring areas. The one thing that we did I think is a very big plus is here because of the gate lifter crane that we have now, the Shreve -- We had spare gates in here, but they were never completely built, so we have built a facility now where we have the ability the gates are completely assembled and can be changed out similar to what they did at McAlpine. That facility

is completed, and the gates are hung there at Smithland, so if anything ever happened to the gates at Olmsted we would have a quick change out gate ready.

Permanent operating equipment. Because of the original dam designs when it was authorized wasn't going to have -- we have to have boat operated wickets so we had to have a towboat, wicket lifter boat and so forth there to operate this facility based on the way other than it was originally designed.

One of the things we added was a wash down barge because the lock goes under water. That wasn't in the original plan, but it gets the lock back operational faster. I thought that was a good investment, so we created this barge with some very high powered hoses on it to wash the locks off. Next slide, please.

The planning, engineering and design as well as construction management have gone up significantly. There is a whole list of things up there why the design has gone up. Some of it has to do with things that have been added dragging the project out, construction management instead of being seven years is now 25 years, staff and so forth, and just the complexity of what we are doing is added cost.

And one of the things too that's going on is as the lock is completed, I have to have people to maintain the existing facility, so I have two O & M type guys and men that have been there already and will be there for several years to maintain the lock even though we are not using it, so I have a budget there for maintenance of the completed facility or what's completed. Next slide, please.

So the big cost increase is the dam, and the dam was originally -- I guess we attempted to award the contract back in FY02. We were not successful getting bids. We finally re-advertised it as a cost reimbursable contract and awarded the contract in FY04 for 564 million dollars.

After we made that award we were only able to give the contractor four million dollars the first year and roughly 45 million dollars the second year, which was not efficient funding, and therefore, we ended up slowing things down again because we were planning on trying to keep this contract going at about 80 million dollars a year.

So we have had funding issues. We also got into the period of -- by delaying this thing we ended up with a lot of market conditions that have affected us. Hurricane Katrina, fuel prices, availability of barges and cranes. The contractor had some omissions in his proposal. We have had to do some changes. And one of the things that when we made the award -- All of the equipment that the contractor buys during this cost reimbursable contract technically is owned by -- is Government property. The contractor assumes he will be able to sell that and credit that back. That's 30 or 40 million dollars' worth of salvage value, but I have to pay for it up front, so I have to have that money that we didn't count into it originally. Let's go to the next slide, please.

When all of that breaks down we have had -- What I have done for this 600 million dollar increase is we have had about 300 million dollars' worth of changes to the contract, and I have

about 223 million dollars' worth of contingencies built into that number so that I don't have to go back to Congress and ask again, or at least that's my plan.

The pie chart that's up there takes all of these changes that we have done to date on the dam and breaks them down just so you get a feel of how much of this 305 million dollars' worth of increases we have had since the award you can kind of look at there has been Government changes for about 18 percent, to funding issues cost us about 28 percent of the increase, market conditions about 23 percent, contractors' errors and omissions is 18 percent, and then the equipment salvage thing is the smallest one of about 13 percent. That kind of breaks down the cost growth on this contract and where it's going.

The 223 million dollars worth of -- if you go to the next slide -- of contingencies that I have added into this 600 million dollars is derived from a risk management assessment that we went through. The resident engineers' office and the contractor sat down and evaluated all of the items that could come up and bite them and add cost to the project. They identified about 60 different risk items. They went through, and they have looked at them, and they rated them on a scale of one to five in likelihood and consequences and how much, and we applied mitigation discount factors to it, and we arrived at a number. Let's go to the next slide.

This next little chart here they took all of those items, and they assess them as to whether -- They give them a red, green or yellow whether they are high risk, low risk or medium risk, and they've assigned a dollar value to them. Some of them have been totally mitigated. We continue to work on them and attempt to mitigate them. This is only 8 of the 60 that we started out with just to give you an example. Some of them deal with funding. Some deal with equipment delays. So we can arrive at a contingency number for this estimate. The estimate what the Corps -- the Louisville District came up with estimated about 296 million dollars of impact that was considered a point estimate, and we applied discount factors because of overlapping and so forth to come up with the 223 million dollars.

At the request of Mr. Woodley and General Riley we had Walla Walla District review that, and Walla Walla District applied the crystal ball methodology and came up with -- Our number because it was a point estimate was assessed only to have about a 50 percent certainty factor to it. I think the Corps is looking for 80 percent using the methodology, and that increased our number to this 223 that we come up with. So it has been independently reviewed, General Riley, as you all requested the last time I met with you and the Secretary, and we are confident now that that's a good number to put forward. Next slide, please.

In order to increase the budget we have to go back to Congress with an authorizing document. So we are in the process. This is all part of preparing a Post-Authorization Change Report. Our schedule is here on this slide. We are working that. It is the District's plan by the end of January to submit that to Division for review and Division do their review, and then it will go on up to Headquarters for review.

We are not in jeopardy of busting the 902 limit for four or five years on this project. That limit today is about 1.7 billion dollars. We have received roughly a billion dollars to date, so we have got several years before we hit that limit. That's assuming my assumption is we will get

somewhere around 120 million dollars a year starting in FY10 to keep this project on schedule. Next slide, please.

Just a little bit of an update here. We are out in the river placing stone in the river. We have several cranes and either excavating or placing bedding stone and then the large, rip-rap so that's going on. That's in the top left corner. The top right corner is an aerial view of the precast yard. It's hard to see that in the small picture, but the batch plant is erected, the precast yard is well under way. A skidway going down the hill is under construction. So that part of our mobilization is looking good. We plan to start building precast shelves later on in FY08.

The catamaran barge there in the bottom left corner, that was delivered to the site a couple weeks ago. That is the crane barge that will lift the precast shelves off of the skidway and take them out into the river and place them. And the bottom right corner is what we call the excavator barge. That is in fabrication out in the state of Washington and will be delivered sometime in '08. I can't remember. I think the first quarter of '08.

That's my briefing. Are there any questions?

MR. WILKEN: Mr. Whitlock.

MR. WHITLOCK: Larry, question. Particularly since this dam contract is cost plus reimbursable --

MR. BIBELHAUSER: Yes, sir.

MR. WHITLOCK: -- it would be good -- You have CPI indexes over time. Do they still publish that construction cost index similar to what CPI is, construction materials? If not maybe on this project help the Board members understand some of the added cost increases, what has steel done over the life of the contract and what is cement doing, both of which have gone up?

MR. BIBELHAUSER: I have those numbers in another briefing, and I didn't put them in here. I can get them for you, but there are some significant increases. As you all well know, fuel has gone drastically up, the world demand for cement. China has really affected the price of steel. We have had trouble under this contract getting suppliers to sign into long term contracts because of the demand. They don't know what it's going to do. They are not willing to sign up to long term contracts.

In fact, Lafarge has a plant right there within a few miles of Olmsted, and we had to go all the way to France to get them to sign up to commit to furnish us flash because they can't get a better price on the world market or they didn't want to commit long term to us. So it's very difficult for us to get locked into prices on this contract because of what's going on worldwide and the price increases. If you need some actual numbers, Norb, I could look into that.

MR. WHITLOCK: Okay. Appreciate it.

GENERAL RILEY: Larry, if you would send those to Mark, and Mark can get those out to the Board members. That would be good.

MR. BIBELHAUSER: Okay. Thank you very much.

MR. WILKEN: Mr. Little.

MR. LITTLE: Larry, I have a question. On your cost increases slide, I guess it's your fourth slide, you have the authorized numbers broken down.

MR. BIBELHAUSER: Yes, sir.

MR. LITTLE: That's 1.1 billion dollars. And I think I followed you on this. Explain to me again where the 1.1 --

MR. BIBELHAUSER: Okay. When the project was authorized in 1988 it was authorized at 775 million dollars in 1988 dollars. There is escalation factors, I think they come out of OMB, that you use to escalate 1988 to October of '07, so my budget analyst has escalated 775 million dollars to October of '07 and said that's equivalent to 1.1 billion dollars.

MR. LITTLE: All right. Okay.

MR. BIBELHAUSER: Does that answer your question?

MR. LITTLE: Yes. Thank you.

MR. WILKEN: Mr. Brehmer.

MR. BREHMER: My question is with that thought if you started spending money back in 1988 escalating out of those dollars to October 2007 might not be a quite straight forward analysis.

MR. BIBELHAUSER: I'm not the budget person that did that, but I think when stuff is locked in and actually expended I'm not sure which numbers he escalates, if escalates everything or if he just escalates certain things. I'm not sure. I don't have your exact answer on that. I will have to look into that to verify how he escalated those numbers. I'm sorry.

MR. BREHMER: Thank you.

MR. WILKEN: Any further questions for Larry? Thank you, Larry.

Next we will have a presentation by Miss Hoey. Jeanine.

MS. HOEY: Yes. I'm Jeanine Hoey, and I'm the Lower Mon Project Manager, and I will be giving you some information on that project. You do have a project packet in front of you on the Lower Mon, and then I will be presenting the Upper Ohio after that. If you go to the next slide.

I'm just going to very quickly go through the project location and description. I think everybody is pretty familiar with that, so I won't spend a lot of time on that. Go briefly over the project status of the major features, talk about the cost estimate. Larry has been briefing me on the Olmsted cost estimate. Lower Mon is going to be going through that same cost estimate process, in the process of going through that same process right now. Talk about the risks and the focus that the District has with that project. Next slide.

So very quickly, the Lower Mon, the three facilities are located within 50 miles of the point in Pittsburgh, and to clear up some confusion maybe, Lock and Dam 2 is now called the Braddock Locks and Dam, and Locks and Dam 4 will eventually be called Charleroi Locks and Dam, so those two terms are used interchangeably. This project was authorized by the Water Resources Development Act of 1992. Next slide, please.

The scope at each of those facilities at Lock and Dam 2 we're replacing the dam. That work is completed. Braddock Locks and Dam was put into service in 2004. Lock and Dam 3 will be removed, and at Locks 4 we are replacing the locks. Can go to the next slide.

With removal of Lock and Dam 3 that 8.2 foot lift has to be accounted for, and that will be accounted for by raising pool 2 by 5 feet and lowering pool 3 pool 3.2 feet. With those pool differentials the project also includes relocation efforts. A lot of those relocation efforts are the responsibility of the owners. We did receive Section 111 authority to do relocations for all of the publicly owned facilities, and we also have to relocate one railroad bridge. Next slide.

So just a status of the major features of the work. Braddock Dam work was completed in 2004 and is under operation. The municipal relocations in pool 2 are in progress. We are working on those as we can get to them. Those relocations have to be done before we can remove Lock and Dam 3. Port Perry Bridge relocation is also in progress. We are just finishing up the final design of that effort and will plan this year to enter into the construction agreement with Norfolk Southern to replace that bridge. That is cost shared in accordance with Truman Hobbs Act, split between the Federal Government and Norfolk Southern. They will be contributing a small portion towards that relocation.

The dredging right now again because of the pool change in pool 3, the pool lowering 3.2 feet we need to dredge that portion of the river. Right now that is inactive. We did do a small portion in 2001. We were planning on doing some of that as fill in work as we moved along, but we did do some hydrographic survey of the original dredging to make sure it kept in place, and it did not. We do have to do some redredging of that area. So we don't want to use dredging as fill in work until we actually have to dredge before Lock and Dam 3 is removed, and the dredging has to be done before we can remove Lock and Dam 3.

The main focus right now is on Charleroi Locks. That is in progress. The river wall is under construction right now, and we're working on putting together the information for the plans and specifications for the next contract, which will be to complete the river chamber. We did just go out with about seven contracts at the end of this fiscal year to do -- to pull ahead some of the features of the river chamber, the maintenance bulkheads, the miter gates fabrication items, things like that, went out at the end of this fiscal year. And then removal of Lock and Dam 3, of course, is

not started. We cannot remove Lock and Dam 3 until the river chamber is complete at Charleroi , the dredging is done, and the relocations in pool 2 are done, and then we can take out Lock and Dam 3. Next slide, please.

As I said, most of the focus is now on Charleroi Locks. Contract 1 is the river wall contract. That was awarded and began construction in 2005. The completion date for that right now is 2010. We have revised our plan to go out with the next contract as the entire river chamber. At one point we had those split up into a couple separate contracts. The most efficient way to get this completed is to do that in one contract. That would make the river chamber complete in 2013 and allow the removal of Lock and Dam 3 in 2013.

The remaining contract out at Charleroi would then be the land chamber, and that would complete the project in 2016. That actually brings that completion date in. Previously it had been reported at 2019, so with this plan we can finish that three years earlier, and that's the plan we are operating on right now. Next slide.

The project cost. The authorized fully funded cost was 750 million dollars in October 1991 when the project was authorized. The initial scheduled completion date was December 2003. Right now our scheduled completion date is 2016, September 2016. We have spent through 2007 381 million dollars. The current fully funded estimate is 975 million. Basically the majority of that is based on the extended construction schedule. That's based on a 2016 completion date. That's also based on a cost estimate that was completed in 2001.

We are in the process of updating our cost estimate. The M-CASES (Microcomputer Aided Cost Engineering System) portion of most of the work has been completed. We are doing a little bit of -- I think the relocation work still needs to be looked at but the M-CASES has been done. It is in the process of being ITR'd, and we will be doing a risk analysis just as Larry has done with Olmsted to figure out where we are with this project, how much it is going to cost.

The 902 cap right now is just over a billion dollars. We are not in any danger of getting to that just yet. I do believe once we do the cost estimate we are going to be flirting. It's going to be very close whether we bust that cap or not. It's going to be just at that limit I think based on the information I'm getting from our cost engineers right now.

The current plan with the river chamber contract, the rest of the features of the river chamber contract being done in the next contract will require a continuing contract, and that request has been forwarded to LRD, which just forwarded it yesterday. I got the e-mail that it was forwarded to it was Headquarters yesterday. So that will be coming your way. We would need a continuing contract to go ahead with that with the new continuing contract clause.

Right now the cost estimate would be completed in time for the FY 2010 budget cycle. The risk analysis and that we are anticipating will be done by the end of the calendar year with the cost analysis just as Larry has done and identified the drivers that have caused the cost increase will be doing the same thing for the Lower Mon.

Some of those drivers, examples of those, are the extended construction schedule, December 2003 versus the current plan of September 2016, the increased number of contracts at Braddock. The original plan was to do that in one contract. We did that in two. We did the abutment and then the dam as separate contracts. Charleroi right now one contract to 13. A lot of those were the small fabrication contracts that we just completed. But there is definitely a cost to go in from one contract to 13 contracts, and then there have been some construction modifications, some with Braddock, the Leetsdale issue with the site, things like that have contributed to the cost estimate, and we will be doing that analysis the same as Olmsted has done with theirs. Next slide.

We are very aware of the risks. Basically the major risk right now is at Charleroi with one operating chamber. That facility was constructed in the early 1930's, so we do have an old chamber there. There's only one there.

The other risk is at Lock and Dam 3. The dam has already failed. We have had to do some work on that dam to stabilize it. Most of -- the majority of that work was done in 2006. There is some remaining work to be done. That would be done in 2008. And although the condition of the locks and dams at Lock and Dam 3 is not good, Lock 3 does have two chambers, so we do have an alternative if one of those chambers does go down as opposed to Charleroi, which just has one.

In order to minimize the risk we are focusing on completing the chamber at Charleroi. That's the number one priority. Even if we have to delay some of the relocations, that's the most important is to get the river chamber at Charleroi done. And then of course, the next most important thing is to remove Lock and Dam 3 and in order to remove Lock and Dam 3, as I said, we have to complete the river chamber, we have to do the pool 2 relocation, and we have to do the dredging, and so that's where we stand on that. The next slide, please.

So of course, the focus is we need to buy down the risk at Lock and Dam 4. We are concentrating on that construction. Relocations will be secondary. If we can do work at Charleroi we will do that. If there's nothing that can be done with Charleroi and we have funding we will work on the relocations because we do still have to complete those relocations before we can take out Lock and Dam 3. So let's finish Charleroi and then complete the project as soon as possible.

Next slide is just questions if anybody has any questions.

MR. WILKEN: Any questions? Seeing none, thanks.

MS. HOEY: Okay. I'm also going to be briefing the Upper Ohio River Navigation Study. Kevin Logan is the project manager for that. He couldn't be here today, so I'm filling in for him. You can go to the next slide.

Again, these are the three upper most projects on the Ohio River. They are all located within the 32 miles of the point in Pittsburgh. Next slide.

Key points here are the deteriorating conditions of Emsworth, Dashields, and Montgomery. We really don't want to get into the same situation as we are in for Lower Mon. We are pouring money into Dam 3. That's going to be removed. There are condition issues at Emsworth,

Dashields, and Montgomery, and we really need to get this study done so that we don't end up in a Lower Mon situation.

This is a study that is being accomplished by the entire region, not only the Pittsburgh District. All of LRD is participating in helping us complete this study, and basically we are trying to streamline the feasibility process and produce a report in a shortened period of time, and basically the goal is to not interrupt navigation. We need to get these conditions, problems, taken care of as soon as possible. Next slide.

These facilities are all old. They range in age from 71 to 85 years. By the time we would finish the feasibility study, get an authorization, and find a plan to address these conditions, you know, they are going to be a lot more than 85 years old. So the time to address these is now.

That photo there is of Emsworth Locks and Dams. That was taken before the rehab. Similar to Lock and Dam 3 on the Mon if you actually went out to Emsworth, Dashields, and Montgomery these facilities were all rehabbed in the 80's. They don't look that bad, but it's what's underneath that's the problem. So we're saying they're a condition problem, but if you go out and look at it they don't look so bad, but they really are. Next slide.

In addition to the condition problems there are capacity issues at Emsworth, Dashields, and Montgomery. The auxiliary chamber is only 56 by 360 feet wide for both of those -- for all three of those facilities, and they have 110 by 600 foot main chamber, so when the main chambers are down there are significant delays. That's a secondary problem with all of these facilities. The main problem is the condition. Next slide.

This just shows the funding history. As you can see, in some cases it was put in as a Congressional ad. In others we were actually in the budget. In FY2007 it was part of the work plan, and we have expended three and a half million dollars through FY07. It's not in the FY08 President's budget, but it is in the Senate and House Report. Optimum funding for FY08 to keep the streamline feasibility process is going to be 4.2 million dollars. Next slide.

The team has really taken a look at the actions in trying to streamline this process. We need to concentrate on the actions that are most likely to sustain a safe and reliable navigation, and so we would only want to look at reasonable alternatives. We have a lot of smart people that could probably come up with thousands of alternatives to look at and how to address the problems, and what we want to do is focus on the things that are most reasonable. So the team has gone through and eliminated any two for three alternative from further consideration in the study. That was brought up at the feasibility scoping meeting and followed on by a decision paper with the team, and that alternative has been eliminated, which allows the team to focus a little bit more and allow that streamlining of the feasibility study will get us to the point where we can address those problems quicker and also will not cost as much to study. Next slide.

This is basically the timeline. The feasibility scoping meeting was held in September of 2007. There will be an alternative formulation briefing right now scheduled for April 2009, the Civil Works Review Board in June of 2010 with the Chief of Engineers Report in September 2010 according to the current schedule. Next slide.

And in conclusion, this is an urgent priority. We have a condition issue with these three facilities. We need to promptly complete this report and come up with our solutions to the issues there and move on with what we need to do at Emsworth, Dashields, and Montgomery.

Any questions on that?

MR. WILKEN: Any questions?

GENERAL RILEY: The reason it was 0 in the budget was that because of the CR rules?

MS. HOEY: No. It was not in the President's budget for 2008. They have funding right now. They are continuing with the study. There was some carry over funding, and because it is in the Senate and House we actually can get funding during the CRA, and so we're not stopping work because it's not in the President's budget --

GENERAL RILEY: I see budgeted for it previously in '04 and '05.

MS. HOEY: Then it was out of the budget.

MR. WILKEN: Any further questions?

MR. BREHMER: If I could.

MR. WILKEN: Mr. Brehmer.

MR. BREHMER: Back to the Lower Mon project update. Have you put together estimates of the dollar savings and the time savings that could be achieved if you were able to get all of your funding in a most efficient manner?

MS. HOEY: The best schedule that we have is the one that we are on right now, the 2016 completion schedule. The construction at Charleroi is very linear. There is not a lot we can do to concurrent construction to rein in that date. 2016 is the best. It can get a lot worse if we don't follow the plan that we're on right now.

MR. BREHMER: Thank you.

GENERAL RILEY: Right. Norb, the last one, the Upper Ohio, that probably gets back to your earlier question do I know the universe of the -- I mean this is part of that upcoming universe.

MR. WHITLOCK: Right.

MR. BREHMER: I also think when we looked at some of the analyses here the analyses are based on 1.5 billion for Olmsted, which now you know there are several new numbers that are not in the analysis of this book.

GENERAL RILEY: Right. So the picture is worse.

MR. WILKEN: Any other questions? Okay. Thank you, Jeanine.

MS. HOEY: Thank you.

MR. WILKEN: We're going to take a break now. Synchronize your watches. We'll try to get back here at 10:30. Thank you.

(Whereupon a recess was taken.)

MR. WILKEN: We're going to have a presentation on the Corps' efforts to improve navigation safety by Mr. Michael Kidby. Mr. Kidby.

MR. KIDBY: Thank you, Mr. Chairman. General Riley, Mr. Woodley, Board members, General Berwick, Colonel Sinkler, Federal Observers and guests.

I would like to talk for just a few minutes about an initiative that General Riley asked us to pursue. We have constrained funding. We have had that for years. We have approved projects for safety improvements at many of our lock and dam projects that have been authorized but not funded. We are looking to improve safety in the interim before some of these things are actually funded for construction. Next slide, please.

Most of you in the room have seen the result of severe out draft currents at our lock and dam projects, cross currents that are caused by the dam drawing water away from the lock approach either upstream or downstream. Next slide, please.

In large part due to a discussion with Scott Noble who used to be a member of the Board and through collaboration with our Engineer Research and Design Center in Vicksburg, Mississippi and Vanderbilt University we have come up with a system called real time current velocity, which will actually measure real time current velocities and at the bull nose at our projects the divider between the dam section and the lock approach that will be put up on our inland electronic charts in the wheelhouse along with wind information that has been -- and we had a work shop in March of 2006. We had a demonstration that Tom Bevill Lock and Dam on the Tenn - Tom in September of 2006. We had a demonstration at Emsworth project on the Upper Ohio River in November of 2006, and currently the prototype is being used at Tom Bevill on the Tenn - Tom fully operational. That information is sent automatically without the Corps people at the projects having to report. It's real time, and it appears in the wheelhouse wirelessly. Next slide, please.

We are working on a distance measurement system that would measure the distance, be a laser instrument on the bull nose or on the lock approach cell that would reflect off of the lead barge on a tow and give the information as to the distance from that laser instrument to the lead barge as the tow is coming into the lock approach. That information would also be available on our electronic navigation charts. Next slide, please.

We are also looking at the number of accidents that have happened at our projects. Each of our divisions within the Inland Waterways System have been looking at this from January 2002 through May of 2007, and in the 8th Coast Guard District we are working with the navigation industry and the Coast Guard to look at those accidents that have happened from January 2006 through May 2007 to look for the cause, the impacts that resulted, whether its damage to our project, whether its damage to the navigation industry, equipment, the delays that were caused as either the Corps infrastructure was repaired or the damage to the navigation industry infrastructure had to be checked out in order to try to reduce the number of accidents in the future to improve the reliability of the system and reduce the costs of those collisions. Next slide, please.

We also are aware that there are some of our projects out on the waterways that have glare problems where nighttime vision using the spotlights in the wheelhouse to see the approach wall that the bull nose reflects back from some of our large signs causing the night vision to be lost in the wheelhouse and causing other problems as the tows are approaching. We are going to be working with the navigation industry to try to identify those sites that are especially critical for this glare problem and seek ways to minimize or eliminate that glare. Next slide, please.

I know that this topic was removed from our agenda, but I wanted to talk about some of the benefits for this effort. This is the Coastal and River Information Service. The benefit would be there for all users, the Corps, the Coast Guard and the navigation industry. It would improve the level of reliability at our projects, the ability to share information, critical navigation information, not only for the tows that are coming to the locks, but the information at the locks that can be shared like the real time current velocity, Coast Guard information on closures, that kind of thing, river stage, water releases, and on the industry side be able to share information with the projects on the tow and the commodity information. Next slide, please.

Currently there are five locations on the Inland Waterways System, and they are listed on this slide, where the industry has to report in as they approach these areas. This is part of the Coast Guard National Automatic Identification System, and the Coast Guard is expanding this from these locations to pretty much the entire Inland Waterways System. Next slide, please.

We are working with the Coast Guard presently to share their architecture, the Automatic Identification System, so that we can provide our real time current velocity information, distance information off of the hard critical parts of the Corps infrastructure of the projects and get the information from the industry. There will be a demonstration at McAlpine Lock. No time set for that yet, but we are working with the Coast Guard to provide a location at McAlpine for a tower that would be used to provide this AIS capability and the ability for us to get our information to the wheelhouse. Next slide, please.

The navigation industry in the Gulf region approached us. They know of our real time current velocity information. There is a location in Galveston, Texas called the Galveston Causeway Bridge that is hit on a regular basis. The currents are very treacherous there, and when the bridge is hit there is automatically a shutdown of the waterway until the damage can be assessed. The industry has asked that we provide our real time current velocity package at that location, but the Coast Guard and NOAA would be the leads with this. We would provide the

package, but the industry has indicated it wants to buy the package and then operate and maintain the equipment once it is in place. Next slide.

The way ahead. Our real goal is to provide the cost effective solutions at low cost. A number of sites were identified at our lock and dam projects where there are severe out draft conditions. This was done by the Captain's Panel at the Inland Waterway Conference in March in Cincinnati, and these are the locations that were identified, Smithland being the most critical according to the Captains.

What we are planning to do is have our divisions and our districts work with the navigation industry to confirm that these locations are the ones that are critical in their regions and then have those locations receive a real time current velocity package so that that information could be provided to the wheelhouse so that the mariners can make wise decisions in how they approach those conditions. We are also working towards the continued development of that distance measurement system providing additional information to the wheelhouse. Next slide.

In '08 this year we have asked ERDC to lead a PDT to look at literature and other information on energy absorbing systems that could be adapted to our lock and dam approaches so that as tows come to these locks and dams if they get out of shape that they would be able to hit something that will absorb that energy without snapping their lines and make it safer for them and reduce the damage on the industry equipment and the Corps infrastructure.

This year we are planning, as I said before, to have the RTCV equipment at the at least top ten most critical locations for out draft conditions, and we are asking our divisions and districts to work with the industry to identify other locations beyond these critical ten. Next slide, please.

With CRIS that's an ongoing effort, the Coastal and River Information System. We are working with Corps and NOAA to develop a memorandum of understanding so that each of us knows what role we are to play in providing a way of information sharing that would be a standard across the Corps.

We will be working with the navigation industry. We are doing this under the Committee for the Marine Transportation System as one of their interagency action teams so that all of the points of contact within the Federal Government that have information or want to share information about our Inland Waterways System or our waterways will be able to be part of this, and again the navigation industry will need to be part of this process as well. We are also working towards that demonstration that I mentioned earlier in Louisville at McAlpine Lock. Next slide, please.

So we will be partnering with the navigation industry, the Users Board, Navigation Advisory Council, the Safety Advisory Council, AWO, and the Inland Waterways Conference to get the information and share the information that we will need in moving forward with this.

We will have one federal standard for data sharing, and it will be cooperative and collaborative with the industry so that we give you the information you need and we would be able to get the information that you have to share. Next slide, please.

So in summary, each of these activities, the RTCV, the Distance Measurements, Accident Review, glare elimination or reduction, and the CRIS are all things that require federal industry or the navigation industry input and assistance. We need your help in making our inland waterways safer. That's all.

MR. WILKEN: Thank you, Mike. Any questions for Mike?

GENERAL RILEY: If I could just add -- I mean I gave the team a mission I think it was in the spring time -- I said we have to stop accidents, the numbers are way too high, and this sounds all very simple. It's not quite so simple, but it sounds like something that ought to be done. I mean one federal standard, and one AIS system. We are not going to add another one onto your tows. That would be nonsense. So we are working very, very closely with the Coast Guard and the industry around the country to make sure we do this right. And it's relatively inexpensive in comparison to what the costs of accidents that happen, so I think we are making, thanks to Mike and the team, making very, very good progress on this, and we'll have the Chief and the Commandant of the Coast Guard get together soon and shake hands over this deal to move forward and really improve navigation safety.

I see Brazos wasn't up here as one of the locks that has a particular problem, number of allisions. What are we thinking about there?

MR. KIDBY: I think that part of the problem there is the information they are getting is not updated as frequently as real time, and we would ask them to go back and look at the equipment that they have got and compare that with the package that's been developed over the last year and a half so that we are putting out the information that is real time it gives them a little bit better feel for that.

GENERAL RILEY: I think that's -- I mean the number of allisions there are off the chart.

MR. WILKEN: Just to comment then, a couple questions, Mike.

MR. KIDBY: Yes, sir.

MR. WILKEN: Coming out of the last industry meeting in Houston with American Waterways Operators they established a technical committee that I think that you may or may not be aware of. If not, we will make sure and get those folks in touch with you to transfer this exact type of information.

I am very encouraged to hear there is a memorandum of understanding between yourself and the Corps and the Coast Guard or in the works, and I would encourage NOAA to get involved in that too because we truly believe electronic buoys are the next big push, and this is instant offense for the industry for those of you who are not familiar with it. This is immediate value to the bottom line. When we start talking about lower allisions, lower collisions, less damage to fixed structures, less time, improved transit times, and most importantly safety, both to the public and our mariners that are out there. So we highly encourage you to continue that, and if there's anything that I can do personally as Chairman, please let me know.

MR. KIDBY: Okay. Thank you, sir.

MR. WILKEN: Anybody else?

GENERAL RILEY: On that, Pat (Mutschler) we might have a brief Marine Transportation committee meet, a short segment on that at the next coordinating board and talk about broader collaboration, especially with NOAA.

MR. KIDBY: Absolutely, sir. Any other questions? Thank you.

MR. WILKEN: Seeing none -- Thank you, Mike. Next we have another Mike, Mr. Rogers.

MR. ROGERS: I notice she's taking notes over here. I would usually say something like Mr. Rogers and his hood, but I will not say that today. It's good to see you all again. Many of you saw in Houston at the Waterways Council meeting and had good discussions about this very same subject, and I'm here today representing some guys that are doing some very hard work, Bobby Duplantier and Greg Miller, who are both in New Orleans working on these two projects, but I will try to represent them today if I could. Next slide.

Here I am talking about the two things I want to talk about are IHNC and MRGO, I talk about MRGO but this is part of the system -- as you well know helps get traffic around the city of New Orleans and also provided, used to, deep draft navigation. I'm going to talk about where we are with these studies that we're doing on these two items. Next slide, please.

Deep draft navigation. What I want to tell you on MRGO is the studies that we were told to do or asked to do by Congress, told to do by Congress, I need to scope them a little bit for you. I tried to do this last time for you to make sure we are all on the same page when we start.

That study about MRGO said a comprehensive plan to de-authorize MRGO, and based on deep draft navigation and then also to look at MRGO to evaluate any navigation function that might be associated with it. Also, these measures that we look at, we should look for measures for hurricane and storm damage reduction, and also all of this should work hand in hand with LACPR, so I wanted to give you that background as to what our challenge was, our charter was, to work on, and then tell you about the bottom line there.

We have a tentative recommendation. This recommendation is total closure of MRGO with a rock structure at the end. I know many of you have known that for months, but I thought again the background and the results. Now I would like to just tell you why. When we did the BC ratio for this, when you look at deep draft the BC ratio came out to about .3. We did shallow draft discussions the BC ratio was around .2, and the total closure when we looked at the total closure and the cost associated with dredging and the ecosystem, remember we are supposed to do this to make sure we are adding benefit to the ecosystem, the ecosystem benefits that could be derived down the road, etc., and the BC ratio and best bang for the buck came out to be the total closure of MRGO.

As I mentioned last time, there were a lot of comments about this, over 2000 comments, over 2,500 actually, and they fall into a variety of categories. We are addressing and have addressed the vast majority. In fact, we're down to just a few, and I will talk about those few in just a second, addressing all of those comments, many of them about the shallow draft navigation, which I'm sure a lot of the industry folks presented. Next slide, please.

Activities to date. I mentioned last time we were presenting at the Civil Works Board on the 19th of October. Well, I think most of you know we have presented there. General Riley knows specifically. And that Board listened to the direction we were headed and the comments and everything around the studies that have been performed, and they recommended that we move forward with the state and agency review.

Once we had a few significant comments that we needed to continue to address. Those are based primarily on policy issues that our ITR team within the Corps of Engineers told us we needed to make sure we got right so we're doing that now, and when we get those satisfied, which we believe we will have in the very near future, today, tomorrow, or very closely behind this, we will be ready to go out for a state and agency review.

We are targeting sometime around the middle of this month. It's very important that we get that done in the middle of this month because if you will notice our schedule 30 days for state and agency review puts us to the middle of December. We would like to beat our commitments to Congress and ASA and others that we get this thing done by the end of December, so to meet that type of schedule we are going to have to get out and get this report out for state and agency review very soon. But we believe we can do that, and we're on schedule to do that.

I'm really not going to go any further with this unless you have some questions. If you have got any questions of me I would be glad to ask them to the knowledge I have before I go to IHNC. Okay. Go ahead to the next slide.

The next slide is about the Inner Harbor Lock. Many of you know as we just showed in the first slide when I put it up there that if you haven't got MRGO and you haven't got IHNC that there is a real problem because you have to go way around the world to deliver products, and I know the petroleum industry is very interested in that.

We did one thing different to this slide that I didn't do on the last one. I will address the slide as it existed the last time we gave a briefing, that was the EIS. Many of you know we have been enjoined to do a study to look at the surrounding area around the lock there to make sure that what has happened during Katrina did not contaminate or various problems that we might have. We are continuing to work on that IES. I want you to know that we are still on schedule to complete that by December of '08, so we are still on schedule to do that as we promised earlier. As far as I know we should meet that schedule right now.

The next part of that though is reliability, and we mentioned that it was about a 34, 35 million dollar O & M bill we were looking at over the next three years to make sure that we got the lock in a state of repair that we can count on it for the next ten, which it looks like we may need to do.

So we have a set of projects determined. They are around as you can see up there gates, all operating structure, very similar to what we saw yesterday on our trip as many of you have looked at the deteriorating gates and other equipment that go along with the locks, guide wall issues and concrete issues, very similar to what you saw yesterday. I mention that because that is not in the '08 budget. As you might imagine, we didn't plan for all of this extension when we were putting the budget together for '08 years ago in bringing that forward, but it is not in there now so we will have to do some work to get that kind of money budgeted over the near future. That's information for you all as well.

Any questions on IHNC or Inner Harbor? Yes, sir.

MR. WOODRUFF: Just looking at the two projects together, if I understand, if we can get the money and do this work that's going to give us another ten years of reliability at the Inner Harbor, and I think history shown us every ten years we have to go in with a major closure and de-watering of that lock, is that right?

MR. ROGERS: I think that's been the history, yes. That should improve with this amount of work however.

MR. WOODRUFF: But if it's going to give us ten years I don't think there is any questions, but that it's going to be any more than ten years before we have another lock, is that right?

MR. ROGERS: You know the funding stream as well as I do. Yes, I think it will be a while.

MR. WOODRUFF: So what that's telling me is that we are going to have another need for another major de-watering at the Inner Harbor before we have a new lock beyond this one. Is that what you would think as well?

MR. ROGERS: That's been the history.

MR. WOODRUFF: So that points to as we are planning the future we need to plan a way around the Inner Harbor for at least the next ten or so years it would seem to me.

MR. ROGERS: And that's a good point. It should be. Thank you for bringing it up. Matt was one of my briefing partners before. You can see what happens when you break up a partnership.

MR. WILKEN: He's done well.

GENERAL RILEY: He’s got a good logic.

MR. ROGERS: He's very knowledgeable. He's very knowledgeable.

MR. WILKEN: That's right, General. The logic is very sound, and reliability is the key here to the petroleum industry specifically.

MR. WOODRUFF: I think it's 40 million gallons a week according to the LPMS that goes through the Inner Harbor. Petroleum.

GENERAL RILEY: A lot of trucks.

MR. ROGERS: Okay. Next slide. And I only bring this up to get me off the hot seat on those other two issues. Actually not. I know you are very interested in the crane removal down at Port Allen, the alternate route there, and I know I heard last night Norb Whitlock tell -- It's amazing how much you all know. You all keep up with this a lot better than we do it seems like. I just want you to know they are making significant progress, that the boom has been removed and tagged to be lifted out, so that's good, and also they are making considerable progress in getting the main part of the crane free so they can start removal processes. That is going well.

The good news is we haven't heard of any big impact so far as far as the construction efforts, so good news. I wanted to give that update to you.

Last question of course is the any question slide. Any more questions of any me? Thank you.

MR. WILKEN: Scott. Scott Whitney is going to speak to us regarding the Upper Miss Navigation Ecosystem Sustainability Program. We call it NESP.

MR. WHITNEY: It’s called many things, and we're still waiting for an official name through an authorization. NESP is our working title, formerly known as the Nav Studies, Upper Mississippi Nav Study as many of you have obviously come to know it over the years.

We have been before this Board many times, and we do appreciate you coming out to our district here and seeing firsthand some of the legs of this stool that we are going to talk about our infamous three legged stool. Sue, if you could go to my next slide.

Being that we have covered extensively some of these O & M annual needs and major rehabs, Bill Gretten and Rick Granados did a fine job with our lock masters showing you firsthand what these really mean to us, the dedication we have out there in those lock and dams and the hard work those fellows are doing.

Being a midwestern farm boy myself I can tell you give a farm boy some bailer twine and some duct tape and we can do wonders to repair things, and a lot of these farm boys out on those locks and dams done what they could to keep these things in place.

Again, the primary mission responsibility of our agency is to ensure the safety, the reliability, the efficiency and ultimately the sustainability of these locks and dams for the greater good of the country, our region and the navigation industry. So I'm going to talk a little bit about the NESP Program. You got some bits and pieces here the last few days. As many of you know,

we have recently undertaken the task per the direction of our Assistant Secretary, Mr. Woodley to look at the economic modeling efforts bringing to bear some new technologies our Institute for Waterways Resources Office has put together through the NETS Program, taking a better look at world markets.

Some of the questions some of my former colleagues were up here being asked was about the increased cost of construction materials. Obviously, that is a great concern to us. We are still down here at the base camp trying to make the way to climb this peak, and in seeing what's happened on the Ohio and working closely with those folks we are very concerned a lot of these issues as well.

So I'm going to talk a little bit about where we are at today but not go into the economic reevaluation. It is premature. We're still working very closely with our independent technical review team members as well as an expert panel that was convened to help us in that and hope to have a final report out here before the end of December. So I will save my comments on that. No further. Next slide, please, Sue.

As many of you have come to become aware, the collaboration that we have seen on the Upper Mississippi River as far as Corps' projects go has really been unprecedented. You have a strong contingent of environmental groups, ag interest, business interest, trade unions really rallying around the cause here. I think what you have seen in the last few days in your visit here has really been a dedication, a passion and a sincere vision on a wide variety of stakeholders, local community government that really see this as being vital to the economic interest and environment prosperity of this Midwestern region. So again, the collaboration is truly a strong suit. Regionalization was being enacted here in the Upper Mississippi River base long before it became a new buzz word that many like to use. Next slide, please.

Just to reacquaint you again with the primary components of the nav efficiency aspects of the NESP Program, we really worked from left to right here from small scale measurements. We believe there are additional items we can do, nonstructural as well as small scale structural activities, to maximize or get some additional efficiencies, 5, 10, 15 minutes off that lockage time through the use of mooring cells.

Bill Gretten talked about Lock and Dam 21 right here. At many locations those barges are waiting a mile and a half, two miles down river and have to wait there until that barge gets out of the lock and passes them so there is a considerable loss of efficiency right there. If we can bring them up closer to that lock we can get them in much quicker.

The switch boats is another thing, getting them in remake facilities or getting those out of the locks for the next one are additional efficiencies here, but again, these small scale improvements have small increments of benefit to them as well. We are talking 15 minutes maximum here for each one of these on a lock. With the large scale improvements come at a significantly higher cost, but again, we are cutting that locking time almost in half from what you have seen out here demonstrated on the 600 foot chambers taking anywhere from an hour and a half to two hours. We feel we could get them through in half an hour to 45 minutes.

Also as part of that traffic management is another area where we think taking a look across the country, some of the new technologies that are being applied, GPS tracking, there's other ways out there that we will continue to look at adaptively trying to factor it into our lockage process and into our process lock and dam up here, and to maximize that efficiency aspect of the system.

Lastly, as part of the navigation efficiency there is the ongoing systemic environmental mitigation activities. Still trying to put some final touches, some designs for fishery projects, mussel projects, aquatic plant projects, et cetera, and again, this is an area I need to mention ARTCO has really stepped forward here and assisted us in learning about the fisheries in the main channel, which was previously an area that was foreign and unknown to most biologists.

Most of our sampling gear, most of our equipment, do not operate in the main channel. We design the world's strongest and largest net for inland navigation, and we pull it behind a barge, so with full operating barge ARTCO folks helped us sample during different periods to see the entrainment that has been a concern for a lot of our constituents for years. And low and behold, what you are seeing is there is a lot of fish that goes through those props, but believe it or not, it is just like a gigantic slide. They just go through it, and we're not seeing nearly the damage that many predicted, but what we are seeing is a tremendous volume of fish in the main channel, but again, many are getting out of the way as many have speculated through time, and we're not seeing the high mortality rates. So it's going to allow us to take a better look at the fishery's mitigation aspect out there. But like I said, for many years that's been an area of concern for a lot of different environmental groups. Next slide, please.

Again, just for a reminder, here is the first increment of the navigation efficiency improvements add up to a total of a little over 2.2 billion dollars. Again, this is a 50/50 cost share with the Inland Waterways Trust Fund. And the language here should be very familiar to everybody. This is almost right out of the WRDA authorization straight out of the recommended plan for the most part. That recommended plan has been fully incorporated into the current Water Resources Development Act.

The one thing I will point out, and this was an area the industry was urging some flexibility, was in the mooring facilities. As we got out and started looking more on the spot and doing some surveys within industry we found we need more flexibility. We can't lock ourselves into these. In fact, there are several sites raising their heads saying we have bigger issues and bigger problems, we would like to see this site. So the current legislation will allow some of that flexibility so we are not locked into the sites that you see there. The ones highlighted in green are the ones we're pursuing first.

The next slide, Sue, please, will show you the current status, and that's really what I wanted to share with you here today. We have achieved some progress on the detailed design. We are ready to go to construction or contract awards in the case of mooring cells and switch boats within about six to eight months we feel at this point. With an authorization, with appropriations we feel we can get those mooring cells going very quickly, and as we said, it is our interest to get some of these improvements out there as soon as possible, again with minimal savings, but again, it is still something that can assist the industry and the locking process, so we are interested in getting these

small scale measures in place, monitoring their performance and really determining where to go from here on the next set of these. Next slide, please.

Here is the slide most are interested in. This has been recently updated with current progress we have made over the last three years. We have had detailed schedules and cost estimates prepared previously. We are finding on an annual basis we are having to relook at those, readjust those, and play the what if games of what if you get this amount of money, what if you get that, what are the consequences to the schedule, what are the consequences to the overall cost, so these as of the first of October were the latest numbers we have as far as the total cost for these five locks on the Miss and the two on the Illinois as well as our anticipated construction start dates and completion dates.

A few of the questions that I fielded yesterday on the locks was, and I have heard this from a number of different fronts, how fast could you build these if money was not an option. As we all know, money is always a major option here, but having to put that to our engineers again what you have seen out there and what may not be the case on the Ohio and some places is we have to do this construction in the wet while operation of that lock and dam continues unabated, and that puts a major bind in terms of how fast you can put these structures in place. What we are showing here is about an eight to nine year construction period. That does include periodic closures during the winter period, the three month winter closure period, but as you see here with 21, and as mentioned, they do ship commodities year round. We would allow at least a one day per week opening to basically clear out any barges that have been on the system here. So those are partial closures, and we would have one point in the end of that period as we are getting close to three months closure towards the end of that construction period. But again, if we could work with industry and get some other accommodations we feel we could get that done in five years, but that would amount to more closure periods and more issues with the industry, but again having to know those in advance could you get some of those materials out. So some of those questions we would have to have a lot of back and forth discussions, but bottom line is we think if money was not an option we could get these things in place individually in approximately five years, so approximately 20 years have all five of those locks in place.

Again, that's the key point to remember here is that this is the five lock package. This is the funnel of that sand, basically constrictive point in this system that we need to get all five of those in place to really see the benefits, the economic benefits that have been forecasted here. Next slide, please.

Again, a few of the facts and figures on Lock No. 22. The next 2, 3, 4 slides here kind of capture the issue of why are we looking at these locks, what are the issues. Lock 22 in the Upper Miss has the highest average delays of any of our locks. As you can see, over the last decade here approximately four and a half hours. This is strictly waiting time. This is not inclusive of the two hour lockage time that the barges have to go through as well.

Average about 33.3 million tons are moving through that facility. Many will tell you in the last few years we have seen a tremendous amount of back hauls materials coming back up from the Gulf, so we are not hauling near as many empties, so the tonnages are going to reflect that. While corn tonnages are seemingly going down in some places there is a tremendous amount of

commodities returning to the Midwest from the Gulf. Again, some of the other information has already been covered on the previous slide. Next slide, please.

Again, this is a characterization of -- Again, very simplistic. Again, we have very detailed MS project schedules for each of these locations down to the individual resourcing elements that go into it, but I asked our engineers to kind of boil this down to break it into design phase as well as construction. We feel we need about 30 million dollars on this particular lock to get it ready for that major construction, and to do we have spent just a little over 5.1 million dollars.

So according to our original schedule, in the last three years we have made about a year's progress on that schedule. So again, as we have seen before, and my colleagues, you stretch out those construction periods those overall costs will continue to climb up. Next slide.

Again, the same information for Lock 25. Again, you have these in your handouts. I would be glad to go through these. I don't need to spend additional time. The one thing you will note here before we jump to the next slide is all five of the Upper Miss locks are being constructed riverward of the existing 600 foot chamber, and as was mentioned the other day, we have got one lane traffic out here in this system right now, and this will create obviously some capacity for double locking or for multi-directional locking. We have got a lot of recreational boaters coming in here. Again, this is a system that's long needed some of this additional capacity and capability. Next slide.

Again, same story here. Again, just roughly 5.3 million has been spent on Lock 25 project status. Folks have asked the questions why 25, why 22. I think, as you heard discussed yesterday, we have different foundational elements out here that we're working with. We want a design consistency across a sand and rock founded structure such as we need to start on a sand and rock at the same time, making sure our design plans were such that they would follow through on all five of the locks. We can keep the compatibility there from one lock to the next. And keep in mind the five lock package really has to be done before we see those benefits. Yes, 24 and 22 or 20 are going to see increased traffic pressure when the upper ends of this are feeding them more traffic. Next slide.

Again on LaGrange, here is the major difference. We are constructing landward of the existing lock here. We aren't going to have nearly as many conflicts with ongoing navigation, hopefully a more accelerated schedule over here on the LaGrange Lock and Dam, better channel alignments and that sort of thing.

Again, folks have been asking and a bit surprised. Look at the total tonnages that are moving through the LaGrange Lock and Dam. You will notice Lock and Dam 22 is about 33 million tons. We are pushing about 35 million tons on LaGrange, and recognize that there is a significant portion of the year that that lock is open pass, and those wickets are down, so there's a lot of tonnage going through there, and in a time period when the wickets are up those locks do get very congested and backed up. Next slide.

Again, same story there. We have only had a very minimal start here. Again, LaGrange has always been at the back end. We are pushing hard on the two Upper Miss locks. I am getting

some of the structural modeling, physical modeling, ready to step forward when the additional funding comes forward for LaGrange. Next slide.

Again, here is sort of the updated cost breakdown for the overall first increment, and this includes both the nav component and the ecosystem component for the NESP Program. The blue is reflective of the nav efficiency aspect, and the green is that of the ecosystem restoration, and to the left there again we are marching along at the base camp here hoping to start the climb up the peak here, but as the previous presenters were mentioning, the way in which those fundings will come in will really determine the ultimate nature of that curve and cost down the road. Next slide.

More of a focused look at the next five years. Again, we played a lot of different scenarios and alternatives with our senior management and vertical teams here. Private sector contractors will factor in very heavily, and you don't need to talk to many mayors and businessmen and Congressmen in this region to recognize the importance of the jobs that will come to this region. Approximately 2,000 jobs annually over the next 30 years will be required to accomplish the task, and a lot of private sector contractors will play into here. The Corps' base about 20 million over the next several years is really going to be fairly static. It's going to be the contractors that we're going to depend on very heavily, and as they are competing for other jobs in other areas, again that is a concern, as is some of the resource material costs going in.

A lot of question marks about '08. It's really going to be an interesting year here if the House version is prevailing and we are looking at two million. I will tell you we are about a month and a half from complete shutdown of this program, and my resource providers, my engineers and others have raised many concerns there is a lot of additional work out there, hurricane relief, HPO work down south, and they are telling me if we should close the doors and send them away it would be at least eight months to nine months before we can pull some of those team members back. So a shutdown is going to be disastrous for the continued momentum that we have been able to maintain at this stage. Next slide. I think I'm near the end.

Last slide is just taking the aspect of the former outlay of funds for the program. This is the Inland Waterways Trust Fund portion of the nav efficiency costs, and I've talked to Dave Grier. We have looked at his 2005 evaluation. If you follow the logic and some of the options he has portrayed it would take to maintain that positive balance without any further adjustments would push our construction start dates out minimum of six to seven years from what we are currently showing if we are put in that queue and prioritization is as such as some of the options we are portraying, so it is a concern for us, and again, I appreciate your wisdom and guidance in this area.

And that's the last slide I have. One more slide, Sue. So thank you again for your time in visiting our region here.

MR. WILKEN: Any questions for Scott? Scott, the total cost of the project of the seven locks and dams is what in total?

MR. WHITNEY: 1.59 billion for just the seven locks. That's not inclusive of the small scale measures.

MR. WILKEN: And then there is an environment component to that as well?

MR. WHITNEY: There's an ecosystem restoration component as well that's roughly 1.8 billion in that first increment that same time period. The current authorization is for a first increment of a much larger 50 year plan that we portrayed in the feasibility report, but again recognizing we need to take this in a chunk, the first increment gets you about 80 percent of the nav improvements. The ecosystem improvements are roughly 5.5 billion over a 50 year time period, so they would continue on for more than the 30 years we think it's going to take to put these 11 locks in place.

MR. WILKEN: Okay. Thank you. Another question. I just want to go through again beginning in Lock 22 as far as any queue of the five lock construction package. Once again, the rationale behind 22 versus the lowest lock on the river, did I hear you say it is sedimentary or foundational in nature?

MR. WHITNEY: That is one of the three, yes. Other considerations are the work load sharing in the three districts that are working in this, and again, this is really a three district effort. We have engineers, biologists from all three districts working on both of these locks.

From an engineering technical perspective they made a very strong argument that we really need to start looking at those two simultaneously. You can't start working only a sand and then come to the rock one ten years later and find out there is going to be some pretty significant changes to the design.

So we actually had two contractors come in individually, one look at a rock founded, one look at a sand founded, what are our construction options here looking at what's been done on the Ohio elsewhere in the world, in the country, and both of them came to us with three or four highest recommendations, and then we put those two or three together and say okay now which one of these plans will really work best on both of these foundations. So we came in from two directions, came up with what we believe is a design that will work well across all five of those.

MR. WILKEN: Okay. And finally, you mentioned, and I'm not going to hold you to that, but fully efficient funding where there may be five year completion time and without on the prioritization what was the number again on completion?

MR. WHITNEY: As pointed out earlier, if we look at our current pace, what we had originally envisioned to be a three year heavy design period, needing again roughly that 25 to 30 million per lock to really get into construction heavily, and seeing as we have received what we have in the last three years, we are looking at about a 12 year design period now instead of three if we keep the similar funding we have had here over the last four years or three years, and now looking at the same thing for '08 about 10, 12 million a year. Right now we are keeping a wide front ecosystem restoration projects going at the same time as doing the navigation efficiency. We have to keep that comparable progress in investing on both sides to maintain the strong support that we enjoy on this program.

MR. WILKEN: I agree. And above and beyond that twelfth year is the construction phase, which would be --

MR. WHITNEY: Yes. If you follow the same funding could be another 25 years instead of eight years for construction, and again that's a pretty big concern for all of us.

MR. WILKEN: Thank you for putting this in perspective. Any other questions? Matt Woodruff.

MR. WOODRUFF: The ecosystem sustainability, the environmental component of this, 1.5 billion over 50 years, is that to be cost shared with the Trust Fund?

MR. WHITNEY: No, that is not. That is again a very large federal presence here on the Upper Mississippi River. A lot of this is federally owned lands. There is cost sharing opportunities with the states, Nature Conservancy, and others for some of the projects there, but that is not Inland Waterways Trust Fund's share. That 1.5 billion is over the first increment, the 15 years. The full 50 year plan for the ecosystem was a little over 5 1/2 billion.

MR. WILKEN: Thank you.

MR. WHITNEY: Thank you.

MR. WILKEN: And now it's my honor to introduce Leon Mucha for presentation.

MR. MUCHA: Good morning. Slide, please. I will be talking and giving you a recap of our ongoing Mississippi Valley Division prioritization process. We presented this to the Board previously, so I'm not going to into a deep level of detail. This will be an overview of a recap of what we have done and improvements we are making. Slide, please.

Okay. We will touch upon the process timeframe, why the process was needed, what the results have been, some very broad overview basics of the system, and the continued improvements. Slide.

Okay. On the timeframe we developed this process in early 2006, and by developing we started and we finished within about a month and a half in 2006. We never would have been able to accomplish that without the strong support of Jim Hannon and Steve Jones at MVD in getting the statistics together and the work on putting that together. We were able to finish it in time for initial evaluation in April 2006 for '08 budget. A year ago in November of 2006 we did the '09 evaluation, and next week we will be doing the evaluation for FY10. Next slide.

Okay. The reasons for the process, the driving force primarily, was the President's Management Agenda. You have all heard that for years, but that's where it came from. We had – OMB implementing those agendas, we had performance metrics required through the USACE system and also Congressional interactions this topic comes up. There is questions regarding it.

Secondary reason was the MVD was we needed a regional approach for this subject matter. Our funding decision process was undefined or at least undocumented at the time, and there is a general appearance that the funds are not going to the highest needs, and that was pretty much verified by what we came up with. Next slide, please.

Okay. The results, the key results any way, on the national basis is that -- I don't want to misquote what I was given – OMB's evaluation of the Corps performance based budget initiative was upgraded to amber. This process was a key component of what was presented to OMB.

On the Mississippi Valley Division System our success level there is pretty much unbelievable. When we first completed the process and the first evaluation in 2006 I evaluated the functional work group, which is the Division Operations Chief, plus the six Divisions' Operations Chiefs. I briefed the Project Review Board, which is the Division Project Management Chief, plus Regional Project Management Chiefs, and then the Regional Management Board, which was the Division Commander and six District Commanders. All three of those groups endorsed this with very few adjustments being made to it. There might have been none. And upon completion of that General Crear signed a Mississippi Valley Division Standard Operating Procedure making this the way we do business.

Next slide. Okay. Now this is a broad overview on the basics. It is a very simple concept. We go in, we identify what needs to be evaluated, and in our case the current list has 390 tasks on it. We establish a weighted parameter system, and then we have a regional team use that weighted parameter system to evaluate each of those tasks, and the key word that makes what we have done so successful is in our division is the first word to remember is regional. The people that do evaluations are representatives from six different districts. When they come in that room the district hats don't come in the room. They are regional representatives. It may be hard to believe, but we have been very, very successful in achieving that. It's unbelievable the cooperation we have gotten from the group, and it kind of ties back to those three other groups with the six district representatives. They all signed in, and although some of them realized this wasn't going to help them short term it was going to hurt. The next slide.

Okay. When we chose the parameters there is a list of what we considered. We had the Civil Works budget performance measures, and we had service to stakeholders and associations such as the (inaudible) interest and looked at others were doing and considered the safety impacts. The next slide.

Okay. The parameters we ended up selecting, and there's been hardly any change since the first year to this, the total maximum number of points in our parameter system is 143. Of that 143, 80 of them are assigned to key component that deals with risk, the reliability, the consequences, the condition goes into that criticality factor. The next tier is traffic volume, which gets 30 of the 143 points, and that's our economic category.

Our team wasn't assigned at the time to do economic analysis and come up with return on investment and numbers such as that. We feel this is a pretty direct correlation, and it worked well for all we have done. Okay. Then the remaining 33 points were split among those six, and I believe there are six minor parameters. Next slide.

Okay. As far as the continued improvements, we make an effort to learn each time we go through this interaction, and this is our third main evaluation session is coming up. The two tweaks we have done in preparation for next week is we are incorporating an asset hierarchy system into it. This is a process that many systems within the Corps are addressing right now. So that's going to be on our list, and we've also increased the emphasis on possible loss of life. We haven't used that yet. I suspect it's not going to have much influence, but we are going to have it in there, so there is a potential if we can clearly identify that particular benefit it's going to get quite a bit more weight within the Division than we have up to now.

We have continued to emphasize the accountability for execution of what is funded. This process is used because it's the basis for the five year planning and also the basis for the execution phase. If funds were somehow to become available this fiscal year that weren't on the list, this list -- the powers to be would look at this list and decide what is the next highest thing we need money in and go from there. Okay. And we will continue to solicit stakeholder input throughout this.

One other improvement that's come up just here in the last week is when I have become aware of this is navigation business function at the Headquarters level is initiating a process to make on a national basis for the FY10 budgets to make things far more consistent. So there will be changes to what we are doing, but we're just not sure what they are going to be yet.

Going back to the stakeholder input, which is the opportunity we have here, I will point out a year ago when we met in Memphis and did our evaluation we had two or three other divisions come in with representatives just to observe because they were all looking at creating or adopting something similar to what we had. We also had Headquarters there, and that's where they picked up stuff that went to OMB,and so forth. There aren't any secrets on this. We shared this with the industries previously. The list can come any way, but these eight pages have our 390 things identified on them. We shared that before.

If anybody wants to show up at the Holiday Inn in Bettendorf next Tuesday you are welcome to watch us grind through it for two days. There's no secrets. We're open. I'm serious, if anybody is interested. The people that come in really get educated as to what we have got out there. Next slide.

Okay. There is some contact phone numbers, and next slide. Andy Schimpf from the St. Louis District, if he is still back there, he is one of our team members, he will answer any questions that you have. Next slide, please.

MR. LITTLE: Mr. Chairman.

MR. WILKEN: Mr. Little.

MR. LITTLE: I'm not so sure I have a question or just an observation or comment. Being from the Ohio River Valley, I'm a little bit more familiar with what LRD has done, and they worked through the risk and reliability questions, and tried, as we all want to do, to manage these limited assets the best way we can, and I was impressed with what I saw over at LRD, and so we

seem to be going through a similar process over in the Mississippi River, and I think there has already been some discussions. I think they had a meeting Wednesday on this topic, and looking at the LRD approach this seems to me might make a lot of sense to take a good hard look at that approach and the value there and use whatever we can that may have been already are developed over there.

GENERAL RILEY: We certainly will. Those two divisions have been working together on this, and we want to incorporate one standard for the Corps, so we will pick the best of both of them and make it standard so that we can be in better shape with OMB and our budget justification.

MR. MUCHA: I did have item I meant to mention. If there is more interest in the details of the parameters there is a work sheet laying on the table that has definitions and examples.

MR. WILKEN: I might make an observation, Leon, that I remember when we had this discussion originally in Paducah, Kentucky two years ago now I guess, and we talked about trying to get to this point, and then I had the luxury of traveling with you this summer, and WCI and walking Lock 18 and really listening to the process and gaining a better understanding for it, and now this presentation, and I guess my observation or my comment is that we are seeing traction in progress in what we think is a good program and redundancy and commonality and one common standard, and General, I appreciate your support on that. So thank you General and thank you, Leon.

MR. MUCHA: Thank you.

MR. WILKEN: Okay. We are coming to the conclusion of our formal meeting. We do have about ten seconds left for public comment period in case anybody is interested. And so now is your time to speak your peace. Seeing no one, I would move to just thank everyone as my first meeting as Chairman and the support and of the staff that has helped me, and Mark specifically, thank you very much, and Secretary and General, thank you again.

The City of Quincy I would like to also -- I'm not sure if any of their members are here, but the city fathers and the people opened up their arms and welcomed us here. Thank you to the directors for coming, and some fine presentations with all of the presenters today.

So with that said, I would like to ask General Riley for a final comment, and everyone please have a safe travel home. Thank you.

GENERAL RILEY: I just wanted to add my thanks to everyone who helped put on the tour. Sorry I missed it yesterday, but thanks for that, and all of the good works that go into these meetings as well as the great work that has been displayed in the presentations this morning. As you can see, we've got tough roads ahead when it comes to funding and efficient project management, so we continue to commit to work with the industry to do the best that we can for the nation and the work what we are doing.

Mr. Secretary, did we get a confirmed update on the WRDA Bill?

MR. WOODLEY: I think that --

GENERAL RILEY: I think I saw other people --

MR. WOODLEY: I don't have official confirmation

GENERAL RILEY: We heard the President has vetoed it. Okay. Got a couple confirmations. So that's the latest update. So more to follow. So, Mr. Chairman, thank you very much.

MR. WILKEN: Thank you. Meeting adjourned. Thank you everyone.

(Meeting concluded)