

Minutes
Inland Waterways Users Board
Meeting No. 70
January 14, 2014
The Westin New Orleans Canal Place Hotel (Terrace Room)
New Orleans, Louisiana

[Note: The following minutes of the Inland Waterways Users Board meeting No. 70 were approved and adopted at Inland Waterways Users Board meeting No 71 held on May 1, 2014 in North Little Rock, Arkansas.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 14th day of January 2014, at The Westin New Orleans Canal Place Hotel in New Orleans, Louisiana, Mr. Martin T. Hettel, Chairman of the Inland Waterways Users Board presiding. Inland Waterways Users Board (Board) members present:

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

MR. DAVID CHOATE, Bruce Oakley, Inc.;

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

MR. JEFFREY KINDL, American Commercial Lines, Inc. (substituting for MR. MARK K. KNOY, who was unable to attend the meeting);

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

MR. DANIEL P. MECKLENBORG, Ingram Barge Company;

MR. LANCE RASE, CBG Enterprises, Inc. (substituting for MR. G. SCOTT LEININGER, who was unable to attend the meeting);

MR. MICHAEL T. SOMALES, CONSOL Energy;

MR. WILLIAM M. WOODRUFF, Kirby Corporation.

Board Member MR. BRUCE REED of Tidewater Barge Lines, Inc. was not in attendance at the meeting and did not send a substitute.

Former Board member MR. LARRY R. DAILY (Chairman Emeritus, Immediate Past Board Chairman) was also in attendance at the Board meeting.

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

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

MR. JAMES R. MURPHY, Director, Eastern Gulf/Lower Mississippi Gateway Office, Maritime Administration, U.S. Department of Transportation, New Orleans, Louisiana;

MR. TIM OSBORN, Regional Navigation Manager, Central Gulf Coast Office, Office of Coast Survey, National Oceanic and Atmospheric Administration, U.S. Department of Commerce, Lafayette, Louisiana.

Note: There was no federal observer from the U.S. Department of Agriculture in attendance at the meeting.

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

MAJOR GENERAL JOHN W. PEABODY, Executive Director, Inland Waterways Users Board and Deputy Commanding General for Civil and Emergency Operations;

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

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

MR. KENNETH E. LICHTMAN, Executive Assistant, Inland Waterways Users Board.

Program speakers in scheduled order of appearance were as follows:

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

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

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

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

MR. MARK R. HAMMOND, U.S. Army Corps of Engineers, Inland Navigation Planning Center of Expertise, Great Lakes and Ohio River Division;

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

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

MS. MINDY M. SIMMONS: Folks, we're going to get started here. If everyone can take a seat. I'd like to welcome you to the 70th meeting of the Inland Waterways Users Board here in New Orleans, the Crescent City. It's been almost three years, since April of 2011, since the Board has met in New Orleans. And it's my first time.

My name is Mindy Simmons. I'm the new Designated Federal Officer for the Inland Waterways Users Board. I look forward to working with you. We've got a lot of exciting things going on here, especially with some recent news with the budget for FY (Fiscal Year) 14.

I'd also like to thank Jim Stark and the GICA (Gulf Intracoastal Canal Association) for hosting our social event last night. It was fabulous. I would also like to extend a big thanks to Colonel Hansen (Colonel Richard J. Hansen, District Commander, New Orleans District, U.S. Army Corps of Engineers) and his folks at the New Orleans District as well as the Mississippi Valley Division for a great tour yesterday. We were able to see a couple different facilities, one that was constructed, what, almost 90 years ago, that was constructed by somebody else and then transitioned to the Corps for ownership and operation, and then a brand new facility that we just completed that will be turned over to someone else for operations. So it illustrated the complexity of our system and the challenges that we operate on. We also had witnessed firsthand trying to bring -- well, the Corps working with the industry to try to bring one of the facilities back online and get everybody efficiently locked through. And did we actually get IHNC Lock (the Inner Harbor Navigation Canal Lock) open, sir?

COLONEL RICHARD J. HANSEN: We opened about 10:00 this morning. I wanted to report that good news.

MS. SIMMONS: I didn't mean to steal your thunder, sir, but good to hear.

Also, I wanted to thank them for finding this great venue where we have a view of the Mississippi. Hopefully we don't find people drifting off and looking out the window too often during the meeting.

A couple of reminders. I wanted to remind folks here to use the microphones. You need to actually push the button in the center of your microphone because they are going to be muted. So if you have a comment to please speak into the microphone and actually push that button or we won't be able to hear you and to identify yourselves before you provide a comment.

So before we start the meeting, we're obligated to read for the record that the Users Board was created pursuant to Section 302 of the Water Resources Development Act of 1986. It provides the Secretary of the Army and the Congress with recommendations on funding levels

and priorities for modernization of the Inland Waterways System. The Board is subject to the rules and regulations of the Federal Advisory Committee Act of 1972, as amended. And this is a “Sunshine in the Government Act” meeting, and as such is open to the public. The U.S. Army Corps of Engineers is the sponsor of the Board and provides the Executive Director, the DFO (Designated Federal Officer), and all the normal activities.

If anyone wishes to make a public comment at the appropriate time or submit a statement for the record, please let myself or the Chairman know during the meeting or at the break. And just to note, the proceedings are being recorded and a transcript will be available shortly after the meeting.

I’d like, before turning the floor over to Colonel Hansen, to go around the table and have folks introduce themselves. We do have some new people here in addition to me. So, Mark?

MR. MARK R. POINTON: You all know me pretty well. My name is Mark Pointon, and I am the former Designated Federal Officer and now I’m the Alternate Designated Federal Officer. So hopefully I get the pleasure of still working with you all in the future when we meet. Thank you.

MR. CHARLES A. HAUN, JR.: I’m Charles Haun representing Parker Towing Company, Tuscaloosa, Alabama.

MR. ROBERT R. McCOY: I’m Robert McCoy representing Amherst Madison in Charleston, West Virginia.

MR. DAVID CHOATE: I’m David Choate. I represent Bruce Oakley, Incorporated in Little Rock, Arkansas.

MR. JEFFREY KINDL: Jeff Kindl representing American Commercial Lines in Jeffersville, Indiana and Harahan, Louisiana.

MR. TIM OSBORN: And I’m Tim Osborn with NOAA’s Office of Coast Survey. On behalf of Admiral Gerd Glang, I’d like to offer our apologies for the fact that the National Weather Service thought the tour was today, so we’re adjusting the knobs, and we thought we’d try to make up for it at your next meeting.

MR. JAMES R. HANNON: Good morning. I’m Jim Hannon. I’m the Chief of Operations and Regulatory, U.S. Army Corps of Engineers, Headquarters.

MR. JEFFREY A. McKEE: Good morning. Jeffrey McKee. I’m Chief of Navigation at the U.S. Army Corps of Engineers, Headquarters.

MR. JON SODERBERG: Good morning. Jon Soderberg, Chief of the National Programs Branch, U.S. Army Corps of Engineers, Headquarters and also your Inland Waterways Trust Fund Manager.

MR. KENNETH E. LICHTMAN: Good morning. Ken Lichtman, Alternate Designated Federal Officer and Executive Assistant to the Users Board.

MR. JAMES R. MURPHY: Jim Murphy, Maritime Administration.

MR. LANCE RASE: Good morning. I'm Lance Rase representing Consolidated Grain and Barge, Mandeville, Louisiana.

MR. MICHAEL T. SOMALES: Mike Somales out of Pittsburgh, Pennsylvania.

MR. DANIEL P. MECKLENBORG: Dan Mecklenborg with Ingram Barge Company, Nashville, Tennessee.

MR. WILLIAM M. WOODRUFF: Matt Woodruff with Kirby Corporation in Houston, Texas, also Vice Chairman of the Users Board.

MS. MARIE THERESE DOMINGUEZ: Good morning. I'm Marie Therese Dominguez. I'm the Principal Deputy Assistant Secretary of the Army for Civil Works.

MAJOR GENERAL JOHN W. PEABODY: Good morning. John Peabody, Deputy Commanding General for Civil and Emergency Operations in the Corps of Engineers Headquarters.

CHAIRMAN MARTIN T. HETTEL: Welcome all. Marty Hettel representing AEP River Operations in St. Louis, Missouri.

MS. SIMMONS: Okay. Thank you everyone. And I'll give you a quick reminder. If you turned your microphone on, to remember to turn it off as well because we are taping this, just so we don't hear a lot of rustling.

So with that, I'm going to turn the floor over to Colonel Rick Hansen of the New Orleans District to provide some opening remarks on behalf of his District and the Mississippi Valley Division.

COLONEL HANSEN: Thank you, Mindy. And, again, good morning. As Mindy said, I'm Colonel Rick Hansen, Commander of the New Orleans District of the Army Corps of Engineers. And on behalf of Brigadier General [Peter A.] DeLuca, Commander of the Mississippi Valley Division, and also on behalf of the New Orleans District, it's a privilege and a pleasure to welcome you to New Orleans for this meeting of the Inland Waterways Users Board.

I'll start off, as Mindy led into, with some good news. The IHNC [Inner Harbor Navigation Canal] Lock should be back in service this morning. The dedicated crews that many of you saw working yesterday worked late into the night last night in the fog. And once they set some limit switches and make some final electrical tests, the lock will be open this morning.

And they will be clearing a long queue, working with you to do that, that has developed over the last 11 days of closure.

And so with that, I thank everyone who came out in the rain -- and it was raining buckets yesterday morning -- to see the IHNC Lock, the Algiers Lock and the Western Closure Complex. I feel fortunate we're able to share these sites with you. And the visit to the IHNC Lock may have been even more instructive because we can talk about the challenges we face there and what we were doing about them. And we face those challenges together.

Now, the New Orleans District is geographically one of the smaller districts in the Corps in terms of area, but there is a lot going on here. With our three primary missions of supporting navigation, flood risk reduction, and environmental management and ecosystem restoration, all coming together at this major crossroads, major crossroads of all three of those missions.

We have over 2,800 miles of navigable channels. We have nearly a thousand miles of Mississippi River and Tributaries levees here in South Louisiana. We have over 325 miles of hurricane levees. And then the majority of the Nation's coastal wetlands are here in Southeast Louisiana. So the need and urgency for what the Corps is charged to do is great here. It's very great here.

But as you know, we sit at a strategic crossroads of the Nation's economic productivity where the Nation's third largest drainage basin and all the navigable channels that traverse it meet the Gulf of Mexico. And the Lower Mississippi River provides a wonderful deepwater port all the way from the Gulf [of Mexico] to Baton Rouge. And then it's directly linked to the thousands of miles of waterways that crisscross that Mississippi River drainage basin. And it just happens to be overlaid over the most productive farmland in the world. And I grew up in small town Iowa and then in Missouri, so I know where the corn and soybeans that come down the Mississippi River come from.

But add to that then the Gulf Intracoastal Waterway, and then those goods can traverse east to west all the way from Brownsville, Texas to Florida. And it's because of these waterways that bulk cargoes can be shipped exponentially cheaper on water, 10, 20, 30 times cheaper than on land, safer and with less pollution.

And as [Brigadier] General DeLuca would say, the United States' military instrument of power is so relevant, more relevant than any other military in the world because we can project that power. We can project it by air and sea almost anywhere in the world. And we've shown that we can sustain that military power should we choose to do so. And the inland waterways of the country here in the Mississippi River Valley are like that. They're critical to our ability to project economic power to the rest of the world.

So we serve our country, members of this Board and the Corps, by developing and maintaining that capability within the Nation's resources and priorities and working with Federal, state and local governments, industry, and Users Boards like this one, the Inland Waterways Users Board.

For those of you who visited the Inner Harbor Navigation Canal Lock yesterday or who have previously visited before, what do you see? You see a 90-year-old facility. It's functioning, but it's well past its prime. And it's becoming less and less reliable. It's starting to vote, okay, by having more and more downtime every year.

The Institute for Water Resources completed a study of USACE capital infrastructure and showed that the value of that capital infrastructure increased in value by \$5.3 billion a year over a 50-year period from 1932 to 1982 and peaked, peaked in 1982 at \$265 billion.

And what has happened since 1982? That same capital infrastructure has now declined in value by \$2.3 billion a year and today is worth \$73 billion less or \$192 billion. Why? It's due to degradation and lack of proper maintenance and recapitalization.

So the challenges that we face together are very great. It's important that we communicate priorities and strategies at forums like this. You couldn't have chosen a better location, as I mentioned, at this strategic economic crossroads for the country.

So with that, I know you have a full agenda for the day, and there are lots of productive conversations to have. So once again, on behalf of the Mississippi Valley Division and the New Orleans District of the Corps of Engineers welcome to the Crescent City, and thank you.

MS. SIMMONS: Thank you, sir. And with that, I'll turn the floor over to General Peabody to provide his opening remarks.

MAJOR GENERAL PEABODY: Thank you, Ms. Simmons. I appreciate that. Well, good morning, everybody. Thank you very much for attending. I especially want to start off by thanking the Mississippi Valley Division and the New Orleans District for hosting this. These things don't happen by themselves. There's a lot of administrative work and logistics coordination that goes on, and that occupies a lot of people's times, so we really appreciate that because this Board is very important.

As pointed out, the Board has met in New Orleans before. This is the first time that we've been here in three years. And I would say somewhat propitious given the issues that we've had with some of the lock systems here in New Orleans in the last year or so, as well as with the progress made in the Hurricane and Storm Damage Risk Reduction System, which the Board had an opportunity to see yesterday.

We've got a lot of new faces. All of you were installed almost a year ago now, about nine months, I think, ago, eight or nine months ago. And although I'm new to this position and I'm new to sitting on the Board, I think most of you know I spent the bulk of my time in the Corps working in the inland system, both in the Great Lakes and Ohio River Division and the Mississippi Valley Division. And I'm really looking forward to working with all of you to address the very challenging issues that we all face to deliver a system that enables the economic competitiveness of our country.

I want to thank Mark Pointon -- or Pointon as they say in France, I think -- for your career of service and all the many years you've spent serving this Board and our Inland Waterways System partners. And I know you're going to continue to do that from the Institute for Water Resources and as Mindy's alter ego from time to time. But thank you very much.

MR. POINTON: She calls me her evil twin.

MAJOR GENERAL PEABODY: I won't go there. And, Mindy, you're doing a great job in your new role as the DFO, so thank you very much.

I'm also really delighted to serve with our Chairman, Mr. Marty Hettel; we've known each other for several years now and I've come to admire and respect him and value his opinion. So, Marty, it's a great honor for me to sit beside you in this meeting.

Thanks to all the Board members for getting here. There are a few Board members who could not be here. Unfortunately, Mr. Mark Knoy from ACL could not be here today, Jeff Kindl is here on his behalf. Thank you very much for attending, sir. And Lance Rase is representing Scott Leininger from CGB, Inc. Thanks very much, Lance, for you being here as well. And I understand that Bruce Reed could not make it. I think he's the only member that couldn't make it. And Marty and I have pledged to each other that we're going to schedule these far enough in advance that Board members are able to work around their own competing priorities and be able to attend.

We also have our Federal observers here. And we don't have anyone from the Department of Agriculture. But Tim Osborn, Jim Murphy and Ms. Marie Therese Dominguez are here with us today. And when I'm done with my remarks, I'll give each one of them an opportunity to make some comments, if you would like to, before the Board.

Several things have happened since the last meeting in August in Louisville. I think probably of most concern to this body, the elephant in the room, was addressed with the last Continuing Resolution [Section 123 of Public Law 113-46 signed into law on October 17, 2013], being the 902 limit on Olmsted, because General Burcham [Brigadier General Margaret W. Burcham, Commanding General of the Great Lakes and Ohio River Division of the Corps of Engineers], who I'm very glad to see here, and Colonel Leonard [Colonel Luke Leonard, Commander, Louisville District of the Corps of Engineers] were faced with the prospect of bringing the execution of that project to orderly closure as of two months ago. They would have had to have been executing that in November if we didn't get it. So we had some just-in-time legislation that increased the 902 limit which was very good news.

The issue associated with the cost share which has been very high on this Board's agenda and concern was not addressed. It prospectively may be addressed in WRDA [Water Resources Development Act] if we get a WRDA bill. More to follow about that.

At that time we were concerned about the possibility of a government shutdown. A government shutdown as we all know very well did occur. And it did have an impact on the Corps. We had a number of people that had to be furloughed. It definitely occupied our, I would say, nearly 100 percent of the senior leaders time for the period of shutdown. It was something to behold. And we were really not able to get any of our normal work done during that period of time, not the senior leaders at least, although many of our folks were able to proceed forward.

We've had some significant challenges in the past year in the system. The biggest unforeseen closure that we've had was the Marseilles Lock and Dam on the Illinois River. The Illinois River, by the way, had the flood of record last year. Not everybody knows that. And as a result during that event, several barges from Ingram Barge made contact with that dam, did some damage to the structure. And it took a long time to salvage the barges. We're in the process now of determining the best way to move forward with the permanent repairs. The dam has been saved. And we are able to pass traffic again at that location.

Algiers Lock and Dam here in New Orleans was down for almost four months because of an unforecast problem with the gates.

The IHNC Lock just went down for -- I guess it would be 10 or 11 days by the time all the accounting is done.

COLONEL HANSEN: The 3rd of January.

MAJOR GENERAL PEABODY: Thanks. Thanks, Rick. LaGrange [a lock on the Illinois Waterway] is down right now and Mel Price [a lock on the Mississippi River], although we expect both of us to come up in very short order.

So the reliability of the system continues to be challenged. And this is just more evidence of the big picture, which I would like all of you to keep in mind.

The Inland Waterways System is only one of many responsibilities that the Corps has, one of the most important in my view, but nonetheless only one. And it is in some ways the most acute problem that we have. But it is emblematic of the larger challenge that the Nation has and that the Corps has, in particular. And that is very simply this: The Corps of Engineers has been asked and directed to execute more missions, build out more infrastructure and carry out more responsibilities than the Nation has decided it is really willing to pay over the course of time. And now as we built out in the last century, as pointed out by Colonel Hansen, the value of our capital stock is now declining because we're not building out as much capital stock and, of course, the capital stock is depreciating -- that we own is depreciating every day. It's not only depreciating, but it's deteriorating. It's deteriorating at an increasingly accelerated rate.

And unless and until we can change our Federal resourcing model, which in my judgment is fundamentally unsustainable, or shut down some of our projects or de-fund some of our projects, the reliability quotient is going to continue to go down. And that's the challenge that

we face in the Corps at large. It's also the specific challenge that the Corps faces along with this very important body in the inland navigation system.

Fortunately, we've got some good news. I think most people know, last night the Congress filed the Omnibus [Appropriations] bill which includes an appropriation for the Corps' Water Resources Program, Civil Works Program, that's \$641 million above the President's Budget Request. That is, I think, evidence that there is recognition in the Congress, that while many other agencies are either having the same or lower amounts in their budgets, from the budget requests of the President, that the Corps -- the purposes that the Corps delivers are very important.

We haven't had a chance yet to look into the details. It's my understanding that the bulk of that additional funding is going to Operations and Maintenance. We have 45 days to come up with a work plan. I will be asking our regional commanders to inform us in the Headquarters what they plan to do with the additional funds that will be allocated to them and how they're going to buy down risk. But that is fundamentally good news.

WRDA 2013, I had a discussion with somebody who knows a lot more about that than me, John Doyle [representing the Waterways Council, Inc.] last night. And we obviously have two versions passed in both chambers of our national legislature. A lot of discussions going on before Christmas, a lot of positive signs and hopes that we'd get a WRDA. And, of course, we still have not. So, a lot of conjecture as to whether we will or will not get a WRDA this year.

With regard to this body, there are two different proposals for cost share provision changes in the WRDA associated with Olmsted. Whether that passes or not, we'll see. The Senate bill has recommendations about project delivery and process development associated with the, what I believe is outstanding work, from members of this body and the Corps on the Capital Projects Business Model, which even though it has not been formalized, there are many, many aspects -- in fact, most aspects of that -- that we have incorporated and are continuing to prosecute. And we'll continue to work with you to improve on that model.

Civil Works Transformation, that was formalized shortly after General Walsh [Major General Michael J. Walsh (Ret.), former Deputy Commanding General for Civil and Emergency Operations, U.S. Army Corps of Engineers] assumed responsibilities in the position that I have. But it was really the outcome, outgrowth of many years of work by a lot of senior leaders in the Corps on how to address the challenges that we face in Civil Works.

My view on Civil Works Transformation is very simple. It's a really outstanding framework for the Corps to use to address this compelling challenge that I talked about associated with resources and reliability. At the end of the day though, I think we all have an obligation to continually question and challenge ourselves to improve the activities that we carry out and the models that we're using.

And so while I think it's a great framework, I do think there are some areas that we could improve that. I don't intend to really change the framework, at least not very much. I've had

many discussions with Mr. Stockton [Mr. Steven Stockton, Director of Civil Works, U.S. Army Corps of Engineers] and other senior leaders in the Corps. In general what I would like to do is accelerate and improve the execution of -- operationalize, if you will, or actualize the Civil Works Transformation.

We are moving toward a watershed-informed budgeting process. So when people hear us talk about watershed budgeting, it's about understanding all of the issues in a watershed and all of the resources from both governmental, Federal, state, local and nongovernmental capabilities that may be able to deliver solutions associated with problems in the watershed and, thus, ensuring that the role that the Corps plays in those watersheds is appropriately focused.

We don't have that kind of an understanding today in most of our watersheds. Planning modernization is probably the most well known aspect of Civil Works Transformation because the three-by-three-by-three rule that has been applied to it. But in essence, as we cycle out and complete all of these planning projects that are on the books, if we don't get new starts for more planning, then that gives us another challenge, and we'll be working on that.

Infrastructure Strategy is the area that I'm personally very invested in and that I'm, quite frankly, frustrated with because we've spent an incredible amount of time describing the problem, theorizing about solutions, but we have not made the kind of advancements that I would like to see us make in actually carrying out some activities to execute the infrastructure strategy. Jim Hannon will talk to us about that in more detail. And we intend to work with this Board to advance some aspects of that, and to include extending and improving the Capital Projects Business Model which, again as I indicated, I'm a fan of. I think it's a great start for us to work on.

Methods of Delivery is really associated mostly with our Centers for Expertise, particularly with the Inland Navigation Design Center which has two locations. It's co-shared responsibility in the Mississippi Valley Division and the Great Lakes and Ohio River Division.

But what I would like to see us do is focus not just on these Centers of Expertise but rather on delivering outcomes for all of our water resources responsibilities. And that fundamentally means that we need to orient ourselves more toward executing our business as a Corps, as the business aspect of our responsibilities. So that's in general where I'd like to go with Civil Works Transformation.

We had a lot of drought impacts last year, a pretty severe drought. I was intimately involved at this time last year with the St. Louis District and the leaders in the MVD [Mississippi Valley Division] working on the rock pinnacle work. We successfully executed Phase 1 of that work and widened the channel itself -- or I'm sorry -- deepened the channel itself. But the channel needs to be widened to make it safe for full-size tows to go through there. And so Phase 2 work -- taking what the river gives us, Phase 2 work began this past December and got interrupted by some ice jams. And Mr. Steve Jones from MVD will give us an update on the status of that and how much more work we might expect the rest of this year.

Well, at this time, I think I've talked quite enough. I'm very much looking forward to the deliberations of the Board and participating in that. I will tell you there are two fundamental things that I would like to work on with this Board. Marty [Board Chairman Martin T. Hettel] and I have talked about both of these. One is the relationships and make sure those relationships are positive, respectful and transparent, and the communications.

I think there's been some frustration that we in the Corps have not provided the Board members information far enough in advance to allow you to make the kinds of deliberations at these meetings that you might like to have. I'm going to work with Mr. Hettel and the members of the Board to provide you information on, perhaps, a more recurring basis and far enough in advance of these meetings so that we cannot just use these Board meetings as information sessions where the Corps is updating you, but also as opportunities to deliberate on what to do about and make recommendations to policymakers about the issues associated with the Inland Marine Transportation System.

With that, thank you very much for allowing me to make these remarks. I'm really excited to be here. It's a passion of mine to work on the Inland Marine Transportation System because I'm so personally -- I believe so strongly in what it does for our Nation.

And at this time, I'd like to turn it over to our Federal observers to make any remarks they may have, starting with Mr. Osborn from NOAA.

MR. OSBORN: I'd like to thank General Peabody and also, at large, the U.S. Army Corps of Engineers for the close coordination we've been enjoying now for the last several years. As the General has outlined, it's almost really a matter of necessity as much as also professional collaboration that we're working together.

I'll put more documentation into the record itself, but I'd like to go through since your three year interval here, there is a lot of good news that we've been working on.

First of all, I'd like to touch on the coordination. Anyone in this area in the last two years has probably gotten to know each other very well from our storm briefing conference calls that we've had with every storm, from Tropical Storm Karen to Hurricane Isaac and everything.

The good news is, while you may think that this is something that is really almost an indication of the problems that we face here, I'd like to really point out the fact that when we all get together and we all make decisions on a consensus basis, looking at the threats that we face at the same time, coordination goes up dramatically. And that is one of the good news in terms of this area. And working with you as the membership, not only within the inland waterways group, but also with deep-draft and inland river ports and other things like that.

One of the other things I'd like to also point out is that we have new resources. If you're in this area, again I'll point out for the record; we also are now offering tools, the same tools that our emergency managers in this area are using for looking at storm warnings, looking at river conditions, looking at forecasts for hurricanes and tropical storms.

And, in fact, in about the next month, we will actually be coming out with a new Mississippi River Mile Marker Weather Forecast Support tool that for every mile as you are transiting the river, you can look ahead mile-by-mile and see the weather forecast and the storm warnings that may be out in those areas. When you're talking about 200 or 300 miles of river, this is actually not a bad resource. And the National Weather Service in Slidell [Louisiana], I really thank them for their awareness.

I'd also like to point out that the Mississippi River, just as we look at working together, has actually instituted a lot of new positions and programs in place. The RNA [Regulated Navigation Area] is helping to safeguard the flood protection levee systems around this area. While it may be challenging because Hurricane Isaac, a slow-moving, tropical storm that was a Category 1 for maybe eight hours caused tremendous amounts of damage in and around there. However, the flood protection risk reduction programs that were in place and now are being completed here around this area safeguarded the New Orleans area.

We don't have to worry about the Cat 3's [Category 3 hurricanes] and Cat 4's [Category 4 hurricanes]. What we really have to worry about is the Cat 1's [Category 1 hurricanes], the tropical storms, because in a lot of ways, the coastal landscape we are actually working with today is changing. And the storm vulnerability outside of these risk reduction systems is actually growing dramatically. You, in terms of the navigation community, have to make those transits through those landscapes and in and out of those risk reduction systems. And then, thus, the coordination is so valuable in terms of the RNA and the coordination calls and the port coordination team calls and navigation calls.

One of the other things I'd like to say is that we are actually increasing the number of coastal observation stations along the coast. Storm surge is really, really specific and a time critical type of event. In the case of Hurricane Isaac -- I'd like to go back to it since it was so fresh -- we saw storm surge events happening on the eastern side of this area and then transiting across into the Central Barataria, Grand Isle and Terrebonne Parish across a three-day period.

So when you see a storm surge value at Shell Beach outside the -- in St. Bernard Parish of over 12 feet, and obviously -- unfortunately, the flooding that we saw in Braithwaite in South Plaquemines Parish, Terrebonne Parish and Port Fourchon and Grand Isle hadn't seen an inch of water in terms of storm surge yet.

And so our densification of coastal observation stations, water, weather stations, storm surge monitoring in real time is becoming more and more critical. And we are, in fact, adding more systems, more stations that you can all access very easily by the web in which the Corps of Engineers with their own gauges are using to help complete out a much fuller understanding of what water levels are doing.

We need only to look outside that window and see where a 10-foot storm surge from Hurricane Isaac was seen during the storm event up the river in terms of the storm surge and at 10 feet. And it was really quite surprising, very much a reminder of the fact that anything with a

tidal signal is now subject and will be increasingly subject to storm surge with any passing storm along the Gulf.

Some of the other things that I think we've positively moved forward -- and I know a lot of you industry members are doing so -- is E-Nav. E-Nav is a really broad term, "Electronic Navigation", in terms of how you move your vessels and tows across the coast and up and down those rivers. We have really enhanced our distribution and publication of electronic navigational charts.

In fact, almost every ship moving up and down that river -- and I know most tows -- are looking at electronic displays in terms of navigating up and down that river and looking at the AIS [Automated Identification System] systems in terms of conflicting or de-conflicting of traffic as you're going forward.

I'm very happy to finally say that our lithographic printing of charts is now being retired. I know it's historic. I know it's been going on for a hundred or more years. But now the fact that you can go onto the internet and you can download for free PDFs of our charts anywhere that you will be going, anywhere you are or that you can look on our websites and you can go to the Raster navigation charts which are now seamless. No more picking the chart number you want to look at. You can just go across the coast, and it will automatically update and give you that seamless display of charts, not only for navigation support but also for incidence response in terms of dealing with spills, hurricanes, navigation closures, incidents such as that. So we have many good news and many good collaborations that I really -- a lot of you in the room have probably gotten to know us.

The challenges are in the three year period that you have gone and met elsewhere, as you come back here today, in this area of the New Orleans area as part of NOAA's National Geodetic Surveying, we can report to you that you've lost almost 30 millimeters of elevation along the surrounding landscape in the Lake Pontchartrain, New Orleans East area through subsidence and compaction of the soils.

In about two months, we will be updating the datums. Mean sea level now will have water levels elevated against it. In the spring with Grand Isle's tide station, we usually update tide stations every 19 years. Grand Isle is moving so fast, the coast is moving so fast, we're updating every five years. So this spring we will see water levels elevated to the Grand Isle mean sea level data over a ten-year period of about four inches.

So when you're talking about Terrebonne Parish where the GIWW [Gulf Intracoastal Waterway] is running through and that 80 percent of Terrebonne Parish today is at an elevation of two feet or less, when we lose an inch, two inches, three inches of elevation where water levels are raised against a free-board, so to speak, of two feet or less, then you can see how the storm vulnerabilities and the need for our collaboration is going to be increasing.

If you were at yesterday's tour, apologies, please, already from the National Weather Service. We just can't help control those guys sometimes. But you'll have noticed and talked

and discussed the fact that we have a growing constituency of operators of flood gates and storm surge barriers that can affect navigation across the Gulf Coast.

I'd like to go back not only to the Lake Borgne storm surge barrier, but also to Seabrook and also to Caernarvon, and that in an example of this, we were out just last week in Terrebonne Parish where two years ago they had four flood gates. In about 18 months, they're going to have 13 flood gates, a \$50 million Houma navigation canal storm surge barrier, all operated by the Terrebonne Levee and Conservation District, who's starting to learn, oh, guess what, there are actual vessels moving up and down this channel and through these flood gates and what is our decision-making in terms of operating these gates.

I think it's very much -- while the ownership may have been transferred, and I'll leave my remarks at this point -- I would like to say that our job collectively as Federal partners is really just starting. We are encouraging you to go to the National Hurricane Center. We have schooling there. There's a storm surge workshop that the Slidell office of the National Weather Service is going to be holding next month. It's just up the street here.

And in addition to just parish emergency managers, we're trying to get all these flood protection authorities and levee districts to go there to learn not only how we forecast, how we are producing enhanced storm surge models to create better understandings of weather conditions that these structures should be operated in, but also at the same time provide us as the Federal partners an idea of their thoughts, their operational plans of how they're going to operate it so that we can anticipate their needs and hopefully anticipate their operations so as to reduce the impact on navigation as much as possible.

It is a growing and changing world. The vulnerabilities are, in fact, increasing dramatically. The average elevation of this coast today in Louisiana that you hear today is about three feet of elevation. We're forecasting three and a half feet of sea level rise by the end of the century.

So the job of us and with this Waterways Board is certainly not only very, very important, but also really commend your interactions with us on a daily basis, to talk about your problems, what are the issues, how we can work with you and continue to try to stay ahead of the challenges before they overwhelm us and create a situation beyond our control.

And thank you again, General.

MAJOR GENERAL PEABODY: Thank you very much, Mr. Osborn. Mr. Murphy, MARAD.

MR. MURPHY: Thank you, General. Thank you, Mr. Chairman. I appreciate the opportunity to visit with all of you all today. I certainly want to echo the comments that Mr. Osborn made. As somebody who has sat in on many of the emergency teleconferences, the National Weather Service does a terrific job for all of us. I want to emphasize that the

coordination has been improved, and we all benefit. I certainly want to thank Jim Stark for the leadership that he's exhibited in the emergency arena in this neck of the swamps.

I bring greetings from Chip Jaenichen, our Acting Administrator. He has a continuing interest in inland waterways and in the Inland Waterways Users Board. When he was here in town shortly before Thanksgiving, I was able to take him out to the Inner Harbor Navigation Canal Lock. He inspected it. I believe he appreciated it as someone who is an engineer himself. He actually got down below and was looking and asking about the gears and whether anybody was actually checking the teeth on the gears and how that was done.

He also visited the American Commercial Lines barge fleet here in town. I want to thank Jeff Kindl for that. It was a terrific learning experience for Mr. Jaenichen, and he appreciates now much better how fleets support the entire Inland Waterways System.

I wanted to mention that our agency is now involved in doing an economic impact study for the tug and barge industry with the American Waterways Operators (AWO). They're now at the stage where they're about ready to select a contractor. So that's one that we're all looking forward to helping out with and seeing the results.

The Maritime Administration has a Memorandum of Understanding with the Corps of Engineers. And we just want to say that our agency looks forward to continuing to work with the Corps on matters of common interest of which there are several, and I did want to mention that the new Secretary of Transportation, Mr. Foxx [Mr. Anthony Foxx], has just let us know that one of his priorities is to create an Office of Infrastructure in his immediate office. So that will be another area on which our department and our agency will look forward to working with the Corps of Engineers in the future.

Thank you very much for the opportunity to observe and thank you very much for the opportunity to participate.

MAJOR GENERAL PEABODY: Thank you, sir. And Ms. Dominguez from the Assistant Secretary of the Army for Civil Works.

MS. DOMINGUEZ: All right. Good morning, everyone. General Peabody, thank you very much, Chairman Hettel, for the opportunity to join you all today, all the members of the Users Board. I am fairly new to the Office of the Assistant Secretary for Civil Works, but I'm very pleased to be here today.

I look at this very much as a listening and learning opportunity, but more importantly, I recognize the incredible work that you all do on a daily basis, but also the incredible significance of what you do. I think our inland waterways program here at the Corps is indeed very robust. But what your contributions are and your partnership here, not only to our national economy, to our national security but also to the value of what we do globally is truly remarkable.

So I know that there are many issues -- we've heard some of them over the course of the last couple days. I think we've got some interesting opportunities moving forward in terms of investment. And I will say that I think that our inland waterways really do contribute an incredible link for our Nation's economy moving forward and I think they'll continue to do that.

We certainly face different opportunities with what our partners here at NOAA have outlined a little bit, but I think that all of these things are issues that we can certainly tackle and look forward to doing that.

Again, thank you very much. I'm here as a Federal observer and will continue in that role, but look forward to meeting with all of you. I know you have various interests in Washington when you come to town and hope that we can continue this relationship moving forward. So thank you all very much.

MAJOR GENERAL PEABODY: Thank you, ma'am. At this time I'll turn it over to our Chairman, Mr. Hettel. Sir.

CHAIRMAN HETTEL: Thank you, General. First off, congratulations on your appointment to Deputy Commanding General of the Civil Works and Emergency Operations, like you didn't have enough on your plate. We on the Inland Waterways Users Board certainly look forward to working with you over the next 16 months in our current term.

I also want to congratulate Mindy Simmons as our Designated Federal Officer for the Inland Waterways Users Board. Welcome as we continue to look forward to the support of the Designated Federal Officer for our Board.

Mr. Pointon, we certainly want to recognize you, as the General did, for your many years of service to the Board as Designated Federal Officer. I'm sure we haven't seen the last of you and we wish you well in all your future endeavors.

MR. POINTON: Thank you.

CHAIRMAN HETTEL: Welcome also to Deputy Assistant Secretary Ms. Marie Therese Dominguez. This is Ms. Dominguez's first time attending the Users Board, as she stated, and the Board is happy you're here. And we certainly hope you can convey the importance of our discussions in this meeting to Secretary Darcy [Ms. Jo-Ellen Darcy, Assistant Secretary of the Army, Civil Works] when you return.

Welcome to all the other Federal observers and other attendees to the Inland Waterways Users Board meetings to meeting No. 70. We had some informative site visits yesterday. And I'd like to thank the New Orleans District for all their planning and time they put in to enable us to see firsthand these structures that are so vital to our Inland Waterways System.

Lastly, the Board would like to thank Jim Stark and the Gulf Intracoastal Canal Association (GICA) for sponsoring the social event last night.

Mainly, my remarks will be brief here. As we heard from our tour yesterday, in many times the inland waterways is a system. And when one part of that system is closed, whether planned or unplanned, it affects the delivery of fuel, raw materials, finished products, imports and exports throughout our Inland Waterways System.

I'm a firm believer that with the U.S. Army Corps of Engineers and the inland navigation industry collaborating together on the best time to schedule planned outages in order to alleviate weather concerns, inventory concerns, delivery schedules and disruption to employment, we can eliminate or at least minimize the disruptions in costs in the deliveries of these products that drive our economy and drive our jobs.

The Board has finalized our Annual Report to Congress and the Assistant Secretary for 2013, along with our recommendations for 2014. With regards to our recommendations in 2014, we've established the following goals for the Users Board this year. And the General has touched base on some of them.

So No. 1 is to have a more open and collaborative exchange of information between the Corps and the Users Board. I appreciate your comments on that, General.

To appoint Inland Waterways Users Board members to the top four priority projects in the Capital Development Plan, which currently are Olmsted, Lower Mon, Kentucky and Chickamauga. We already have three Board members who are ready to participate in this goal. I was fortunate enough to attend a meeting at Olmsted. And so we need to move forward with that.

No. 3 is the scheduling of our meetings with appropriate lead time, as the General said, in order to have a full complement of Board members, Corps personnel and Federal observers at the meeting.

Our fourth goal is to schedule meetings in locations that emphasize the system, the Inland Waterways System, as a system. So while we appreciate coming to New Orleans, we should be expanding into the McClellan-Kerr [Arkansas River Navigation] System, maybe down to the Tenn-Tom [Tennessee-Tombigbee Waterway] and the Black Warrior [River System].

The fifth goal is to start the inland waterways appointee process with appropriate lead time to avoid disruptions in important work this Board is assigned to do. We just can't afford to have these lapses in the Users Board.

And, of course, our last goal is to get our 11th member appointed as soon as possible to the Inland Waterways Users Board.

We the Board feel the accomplishment of these goals will enable us to make more prudent recommendations going forward.

In regards to the Water Resources Development Act, while we don't know the final outcome of the WRDA legislation, we believe the duties of the Inland Waterways Users Board will expand once this legislation is passed. The final language may very well add additional responsibilities to the Users Board, and that very well could constitute more than a minimum of two meetings per year in the current law.

We also believe we should hold at least three meetings for the remainder of this calendar year, maybe even more depending on the outcome of WRDA.

So that will complete my brief comments. We look forward to reviewing the information provided in today's meeting. And, Mindy, thank you.

MS. SIMMONS: Thank you. And now I'd like to call upon the voting members of the Board to offer a motion to approve the minutes from Users Board Meeting No. 69. Do I see a motion?

MR. MECKLENBORG: So moved.

CHAIRMAN HETTEL: Second.

MS. SIMMONS: Okay. All in favor say "aye."

(THE BOARD VOTED BY SAYING "AYE.")

MS. SIMMONS: Any nays?

(NO RESPONSE.)

MS. SIMMONS: The motion passed. With that, I will turn the floor over to Mr. Jon Soderberg who will discuss the financial report and the project summaries for Trust Fund funded projects. You should have a copy of the presentation in front of you, and it's also on the screen behind you. Jon.

MR. SODERBERG: Good morning again. Over the next couple of minutes, we'll go through the status of the Trust Fund and a few quick summaries of projects, and then entertain questions on both.

I'd like to start with the end of FY 13 [Fiscal Year 2013]. The report as of 30 September [2013], we started FY 13 with a balance in the Trust Fund a little over, or a little under \$46 million, and an additional \$7.3 million already authorized to be spent by the Corps. Both those numbers would be available trust fund [dollars].

This meeting we've chosen to represent them separately to draw a distinction between what is actually in the Trust Fund and what has been apportioned or available for the Corps to spend on our books.

The tax revenue for FY 13, the revenue itself is a little over \$75 million. The interest made on that was a little over \$43,000, for a total income of \$75,153,325. That would be new funds into the Trust Fund in FY 13.

Below that you will see three lines for the activity during the year. Separating the transfers or the requests that we have made of the Treasury to transfer to the Corps for expenditures, a little over \$87 million. You will see it here presented as the removal from the Trust Fund, put on the Corps' books for our expenditures and distribution to projects.

The next line is the "Sequestration and Across the Board Rescissions" that occurred in FY 13. They were removed from the Trust Fund and transferred to the Corps; however, they were unavailable to the Corps based on their coding because they were rescissions and sequestrations. And I'll touch on that in a little bit.

And then final transfers to the Corps from the former way of accounting -- and several projects still are being managed that way -- an equal balance available in the Trust Fund is \$4 million. We transferred that money to the Corps and to the projects. Most of that is money on projects that have been ongoing for several years, contract close-outs, remaining contracts for projects that have been completed, or work that has been completed on projects and we're doing the final accounting. Those funds were previously transferred to us, and we're expending those. And savings, money that we had transferred to us but no longer need on those projects, we returned to the Trust Fund. That's why you see a positive transaction for the Trust Fund and a negative transaction for the Corps.

The total activity based on our transfers and the income, there is \$12 million less in the Trust Fund than we started the year based on income and transfers. And then you can see the positive of \$87 million to the Corps. The ending balance for the [fiscal] year for the Trust Fund, the \$33,820,821, and then a little under \$7 million on the books at the Corps.

Moving to the next slide for FY 14, that number transfers over as we start the year with that \$33 million. We started the year with the Across the Board Reduction and Sequestration on our books but unavailable. And then monies on book but yet to be expended on the previous transfers of authorities, that old 8861 account -- down to \$2.9 million, that we're working on several projects to close the books, either put that on the projects or return it to the Trust Fund, not have it sit at the Corps waiting.

Through the first quarter ending 31 December [2013], the reported or estimated income to the Trust Fund from the fuel tax revenue, \$17.6 million. Based on that, an estimated interest income of \$6,699.

What you'll now see is activities so far, and that is a transfer of that Sequestration and Across the Board Rescission dollars from the Corps' books back to the U.S. Treasury into the Trust Fund, making that money available. Again, I'll touch a little more specifically on that in a moment.

So then you can see the total activity, income to the Trust Fund and the debit to us, getting it back to a balance of \$55.5 million so far in the Trust Fund and that \$2.9 million -- old 8861 -- available to us on our books.

Next you'll see as we started presenting at the last Board meeting the years and the income across the -- at least now for the last four years of where we're reaching by the end of the year, basically, ranging between a \$75 million income and just shy of the \$90 million income. And you can see the differences in the early goings of the year and then trailing off based on use of the waterway and the reporting of the tax.

Interesting to see that FY 13 last year started off strong through the first quarter, and then you see it level out in January and February, with a dip in March and then recovery in May. If you look to understanding the potential reason for that dip, look at the use of the waterway, flooding, rock work on the river, closures during that part of the year. You'll see activities that occurred in the January/February timeframe impact the reporting of the funds in the next quarter.

We're working with the Navigation Data Center and the waterways user community to understand specifically certain parts of our waterway downtimes, emergency work, flooding, Mother Nature's influence on the system and how that affects the income to the Trust Fund over time. But you will see a lag from the time those closures or work on the river occur to the potential decrease for short term income on the Trust Fund obviously expect -- impacting the overall income to the Trust Fund.

A short little blow up for the first quarter. You can see that \$17.606 million, we're ahead of FY 12, so we're pretty much right in the middle. But I would yet to project what the entire year would be based on the first quarter. Now that we've seen a significant lock closure here in this area and we're having an interesting weather season in the north that may impact us come the Spring, to see the income to the river -- or from the movements on the river. And we'll see this play out as we move forward.

In FY 13, this is the distribution of funds from the Trust Fund to the projects. As expected, Olmsted the largest draw. The next, Lower Mon [Lower Monongahela River Locks and 2, 3, and 4] with a little over \$11 million. A good portion of that \$11 million was previously appropriated funds that had been held back either due to income -- or income to the Trust Fund not at a rate that could support several projects at one time or the decisions at Lower Mon and project status when they needed the funds.

We distributed a majority of that holdback to Lower Mon, and the Trust Fund was able to support that this year and still leave us a balance to continue to work and project additional work.

And then some small change to Lock and Dam 27 and Emsworth, both the funds that were appropriated in a prior year but needed this year.

Sequestration, as reported -- yes.

CHAIRMAN HETTEL: I'm sorry. Marty Hettel here. Just one quick question on your previous slide, the \$474,000 for Lock and Dam 27. I was under the impression that was all ARRA [American Recovery and Reinvestment Act] funding at 27.

MR. SODERBERG: Not necessarily. Also, ARRA or the American Recovery and Reinvestment Act funding expired December 31st. And work that needed to occur, funds from ARRA that may have been unobligated but sitting on the project needed to return to the Treasury. And at that point we had to make some decisions that if there still needed to be work, that we could not use ARRA because it had expired. But needing to close out that work, we would then have to use the combination of construction and the Inland Waterways Trust Fund.

MAJOR GENERAL PEABODY: Jon, to clarify that, ARRA authority expired December 31st of 2012 or 2013?

MR. SODERBERG: December 31, 2012 but the 2013 fiscal year.

MAJOR GENERAL PEABODY: Right.

CHAIRMAN HETTEL: And do you think that closes out 27 as far as funds from the Trust Fund?

MR. SODERBERG: I would have to look to see its fiscal close out position. If we are not fiscally closed out and we do have to do some balancing, there may be some additional draw from the Trust Fund.

CHAIRMAN HETTEL: Okay. And just for my clarification so I understand, the ARRA funding closed out December 31, 2012. So if there were any monetary expenditures at Lock and Dam 27 left, that comes from the Trust Fund?

MR. SODERBERG: Depending on how the legislation may be written and which projects may draw from the Trust Fund, it is possible that the Lock and Dam 27 will have some additional draws from the Trust Fund.

CHAIRMAN HETTEL: So the simple fact that we couldn't spend ARRA monies up until December 31st, the remainder comes from the Trust Fund.

MR. SODERBERG: Because there may be expenses that occurred that we had not planned for, a contract close out, from a fiscal standpoint there may be additional --

CHAIRMAN HETTEL: Thank you.

MAJOR GENERAL PEABODY: Mr. Hettel, I'm going to ask staff to come back with a more comprehensive review and explanation of Lock and Dam 27 for the next meeting.

CHAIRMAN HETTEL: Good deal. Thank you, General.

MR. McKEE: Sir, this is Jeff McKee, Chief of Navigation Branch at Headquarters. We did have additional expenditures on Lock and Dam 27, and so we actually budgeted additional funds beyond ARRA money for that. And that's what's reflected here.

MAJOR GENERAL PEABODY: And, Jeff, at the next meeting I'd like also if you could provide the Board an update related to the design deficiency on Lock and Dam 27 as well and how we make decisions on what's cost-shared with the IWTF and what is not related to the design deficiency.

MR. McKEE: Yes, sir.

MAJOR GENERAL PEABODY: Thank you. So basically a comprehensive report on Lock and Dam 27 at the next meeting, without getting into it. Thank you.

MR. SODERBERG: As reported at the last Board meeting, the Trust Fund is subject to the Sequestration and Across the Board Rescission. The sequestration number was set in advance. And based on the distribution of funds out of the Trust Fund, the \$3.8 million would be sequestered. It was reported that this was temporary and only sequestered during the FY 13 year. This is why you saw a specific transfer to the Corps but yet unavailable. That's how the U.S. Treasury accounted for that sequestration. It was a separate line item in the transactions, specifically coded as a sequestrable amount on Corps' books but not available for Corps' expenditure.

The good news, last time we reported that the Across the Board Rescission of \$175,000 was permanent. We've since worked with the Treasury and Office of Management and Budget (OMB) to lock down that statement, and collectively we've agreed it is not permanent. It is temporary.

There was a separate line item in the transactions for \$175,000 transferred to the Corps but unavailable because of a reduction since going back to the Treasury and available to us. The change from the last report again there is originally reported as permanent; however, as the Administration would come back and it is temporary, those funds are back in the Trust Fund.

One other thing that we mentioned at the last Board meeting, and I committed to bringing some more information back to you, was the policy of the Corps in rebalancing projects that may have got out of a 50/50 balance with the Trust Fund. After 2009, conference reports changed some language on which projects could or wouldn't draw from the Trust Fund for a given period of time.

The policy starting in 2009 was if a project came back into being supported by the Trust Fund, we were obligated to bring that project back into a 50/50 balance with construction funds, Trust Funds. We reported at the last Board meeting that we were looking into that with the Office of Counsel to review that opinion and look at possible changes to that policy.

I'm pleased to report that we've internally changed that policy with the Administration's support, that based on legislation, if a project is not drawing from the Trust Fund for a given period of time, when it comes back into the full withdrawing from the Trust Fund, we would not go back and recoup that money. Basically, a project may draw 100 percent from the Trust Fund until it was back into balance or until it was a closed project.

We will no longer be doing that. If it's out of balance, it stays out of balance. The period it's not drawing from the Trust Fund, we're not going to go back and recoup.

Part of that policy was, we looked at the years and the projects that we did bring back into balance and evaluated the policy and have gotten from our Office of Counsel that we should undo that balancing. So projects for a period of time that may have been drawing from the Trust Fund at 100 percent rate, we will now go back and look at how to put that back to its imbalance, unbalance the balancing.

We're working with the Districts and Divisions to look at the most appropriate way to do that with the least amount of impact on the existing projects, drawing from the Trust Fund and how that will play into future year funding and how we fund that project.

We estimate that's about \$9 million of Trust Fund money that will be again available in the Trust Fund or in some fiscal transactions, to bring that back into Trust Fund or support other projects with that.

I don't have an exact dollar amount. We're going through all the transactions back to 2009 on these projects to get a more accurate dollar amount. At the last meeting I committed to getting you answers on those two policy updates, so I'm pleased to report we're no longer going to balance it 50/50 if we don't have to and we're going to unbalance the balancing.

CHAIRMAN HETTEL: Jon, Marty Hettel here. I'll just leave the unbalance and balancing alone. Do you think you'll have that final number by our next Board meeting?

MR. SODERBERG: I plan to, yes.

CHAIRMAN HETTEL: Okay. Thank you.

MR. SODERBERG: Any other questions on the Trust Fund and its accounting for FY 13 and beginning of FY 14?

Project updates. You will definitely have more Olmsted information following my presentation by Mr. Dale [Mr. David F. Dale, Director of Programs, Great Lakes and Ohio River Division, U.S. Army Corps of Engineers], so I'll give you some highlights here. You can see on the slide the project cost, the allocations of FY 12 and FY 13, what is the FY 14 budget. The slides were prepared prior to yesterday, so the potential income to the project for FY 15 would

not be on these slides. You see the total ARRA amount being presented and the remaining balance, the projected cost to finish the project.

One of the things if you compare slides, this presentation and last presentation, you've seen that remaining balance dollar go down. That's because it is a remaining balance. And as with all of these projects, as we place more work in the ground, incur more costs, we're spending down that balance. So the difference is this is what's left.

So since the presentation in August [August 2013, Users Board meeting No. 69] and a higher amount -- a little over \$100,000 higher, you would see that about 100,000 plus dollars worth of work has been placed or charged to the project, so that remaining balance has gone down.

CHAIRMAN HETTEL: Jon, Marty here. I don't mean to -- well, I'm going to correct you. It's \$110 million difference. Just so the Board understands, at Meeting No. 69, the balance was a million 560 -- or one billion 560 million. That did not include any funding for which would be Fiscal Year 2013. The money that we spent in Fiscal Year 2013, is that the differential to the report this year that you've got a final number of what we expended at Olmsted for Fiscal Year 2013?

MR. SODERBERG: It would be the difference between that reported in August and now. So that drawdown is the amount of work that had been charged or placed on the project between the last reporting.

CHAIRMAN HETTEL: So the number in Meeting No. 69, was that an end of Fiscal Year 2012 number?

MR. SODERBERG: That would have been as of August Fiscal Year 2013, the remaining balance from that point forward.

CHAIRMAN HETTEL: Well, I think it's good news. It's \$110 million differential between the two.

MR. SODERBERG: Yes, Chairman. It would be a combination of work in the ground that has been charged, cost savings, as we've learned a lot moving forward with the Olmsted project and the potential to accelerate work. You could also have a little bit of the cost savings in there.

Specifics, I'd look to Mr. Dale, either in the follow on presentation of Olmsted for now, if it pleases the Board, to discuss any specifics on that difference. But it's work in the ground and cost savings.

CHAIRMAN HETTEL: Okay. My last question is, you're showing a FY 13 allocation of \$143.712 million to Olmsted. In the partnering meeting October 30th I attended, it looks like

we've spent on construction \$122.243 million. The differential of \$21 million, is that \$21 million just carry over for the Corps to use next year? Where is that \$21 million?

MR. SODERBERG: I'd ask Mr. Dale to articulate that for us.

MR. DAVID F. DALE: David Dale speaking. That money, some of it is carryover. Some of it is a difference between what we report at the partnering meeting that Marty attended which is a contract meeting where we're talking about the contract itself. What you're seeing is a project level reporting. So there's going to be a delta because there's some Corps' effort that goes on which is internal to the Corps that doesn't show up at the partnering level briefing. And some of it is actually work that's carried over.

If you remember early in the year that we had some high water that we weren't expecting. We didn't get started as soon as we thought we would this year. And then consequently that money that we had planned to spend during that period didn't get spent, so that becomes carryover. So it was a combination of carryover and expenditures from the Corps.

But the one thing when we go to these partnering meetings, for those of you who participate, typically what you're doing is you're talking with a contractor about that specific contract. And multiple times you're in multiple contracts on any given project. So therein lies the difference.

CHAIRMAN HETTEL: I appreciate the explanation. Thank you, David.

MR. DALE: Sure.

MR. SODERBERG: Thank you, Dave. Moving on in the status updates, Locks and Dams 2, 3 and 4 on the Monongahela, in the same format that we have seen, the total project cost followed by those FY 13 allocations. Notably that split of \$11.1 million between Construction General and the Trust Fund and the budget number of \$1.9 million.

Here, a significant amount of ARRA dollars, the \$68 million applied to the project, and then the remaining balance as of this meeting to continue with the project of \$1.2 billion.

Again, status, they've completed the Charleroi river chamber prep and guard wall contracts and award of the emptying basin contract and then we will continue to work on those as funding permits.

CHAIRMAN HETTEL: Jon, Marty again. I'm sorry for all the questions.

MR. SODERBERG: Please.

CHAIRMAN HETTEL: Under the parameters you explained in Olmsted on the remaining balance, in Users Board meeting No. 69 we had \$1,202,609,852, and in our meeting

today it's \$1,202,611,000. So it looks like -- would I expect that the costs from Lower Mon has increased with the funds that we've spent?

MR. SODERBERG: That, if you look at the amount applied to the project versus the small change in remaining balance, then you could extrapolate that costs through the years to complete Locks and Dams 2, 3 and 4 have gone up.

CHAIRMAN HETTEL: Okay. Thank you.

MR. SODERBERG: Next in line, the Kentucky --

MAJOR GENERAL PEABODY: I'm sorry, Jon. Could you just -- I don't think -- on the Lower Mon slide, "Funding plus Five Years", could you explain or what "Plus whatever number" it is? What does that mean precisely?

MR. SODERBERG: The "Funding plus Five Years". An example line of the Charleroi river chamber, upon that contract or that work being funded, they expect it to take five years to complete that construction.

MAJOR GENERAL PEABODY: Thank you. That assumes efficient funding?

MR. SODERBERG: Correct.

MAJOR GENERAL PEABODY: Thank you.

MR. SODERBERG: The Kentucky Lock, looking at total project cost of \$857 million, this project received all Construction funds in FY 13, nothing from the Trust Fund, for \$43 million. Another large recipient of ARRA. One of the things we did specific in Kentucky Lock is, as we were reaching the end of the availability of the ARRA funds and had savings within the Corps in construction, we looked to complete as much work at Kentucky Lock with the ARRA.

As funds were being saved elsewhere and becoming available from other ARRA projects, we applied it to Kentucky Lock to do as much work as we can with those ARRA funds. So you see a large amount of ARRA funds for the Kentucky Lock.

You can see that the upstream monoliths, all ten options have been exercised. We're currently 50 percent complete on that. Most of those options were ARRA-funded. The construction of nine monoliths and we're staying on the critical path to move forward with the project, again, due to some smart decisions in applying ARRA funds to that project. There's still --

CHAIRMAN HETTEL: Jon, Marty Hettel again. And I think these numbers are important for us to understand. In our Meeting No. 69, you stated in FY 13, we'll spend almost \$43.4 million. Of course, not from the Trust Fund, but for the remaining balance of

\$445,622,892. This meeting, the remaining balance is plussed up by only about a thousand dollars.

So can I make the assumption – I hate to use that word -- that because of lack of funding, Olmsted has increased by the \$43.8 million we put into it last year?

MR. SODERBERG: That can be one --

CHAIRMAN HETTEL: Not Olmsted. Kentucky. I'm sorry. Kentucky.

MR. SODERBERG: Kentucky. That can be one explanation. Due to delays in doing work, because of inadequate funding or not receiving appropriations for a specific project, the time and the cost associated with the time would increase the overall cost. There could be other specific factors that are project specific: cost of materials, cost of labor to accomplish the project, other delays that are not funding based but occur on projects that would increase that overall cost.

Inadequate funding can be one of those factors.

CHAIRMAN HETTEL: Unfortunately, that refers to the point the General made in his opening comments. And it's almost like we spent \$44 million and didn't get anything from it because we still need \$455 million to complete the project because of the delay in funding on construction accounts. That's the only point I wanted to make. Thank you.

MR. SODERBERG: Yes. You will see that as these monies are applied to the project, that the remaining balance costs either stays equal or only drops a little bit, that the increased cost of executing these projects to completion will go up the longer they take.

MAJOR GENERAL PEABODY: This is a point that, Mr. Chairman, we may want to explore more fully. But this is documented in the – I forget what we called it, but the report that was produced about 2004 or 2005 about the three projects. And as I recall -- and LRD [Great Lakes and Ohio River Division] could give us an update -- but somewhere around \$500 million of the cost increase associated with Olmsted is purely because of inefficient funding. It was a substantial amount of money. Maybe more than that.

MR. SODERBERG: Moving on to Chickamauga, the total project costs. The \$705,000,000, the project received no allocation in FY 13. It was not in the FY 14 budget. Another project where we were able to do some work with some significant ARRA funding.

Right now we're temporarily suspended for construction based on the funding stream. We were forced to close the cofferdam contract. We're doing what we can under the remaining ARRA funds that are obligated on the project, and we may still expend because they are obligated on the project. And they're listed there - the gates, valves, bulkheads and so forth.

Moving forward, the lock design completion is, we cannot award or move forward until funded. Even though there are holdback funds available, they're not significant enough to continue to move forward. And we're looking at that cost risk analysis in progress. And the same as the General asked before, you can see some of the activities that are set for the future are funding dependent.

You can see here Emsworth, the one thing I will point out here with the fiscal, you can see the FY 12 allocations and the FY 13 allocations, this is an example of a project that was out of balance, the 50/50 balance that we -- previous guidance that was striving toward. We would no longer be bringing this back into balance.

And this is one of the projects we're looking at specifically on the transactions to make sure we're following current policy and potentially recouping funds to the Trust Fund with future transactions.

Another project based on prior appropriations but lack of Trust Fund availabilities, at the time we've provided a significant amount of the holdback in FY 13 to continue moving forward with the work at Emsworth. You can see some of the delays, the high water impacts, end of the year, the October -- the high water impacts delayed moving construction completion out to 2014.

And you can see the schedule for the project benefits and the capitalized costs, adjusting into calendar year 2014 and then capitalized costs closeout all the way into 2015.

Moving down river, Lock and Dam 27 Major Rehab [Lock and Dam 27 Major Rehabilitation, Mississippi River]. Looking at the close of that project, all the ARRA contracts have been awarded. They're finishing up. The lock gates are installed and functional. All the contracts were completed in FY 13. And the remaining costs are developing those O&M [Operation and Maintenance] manuals for the project. Those scheduled costs that Mr. McKee described in his brief statement.

Lockport, another major rehab, looking at total project cost of \$130 million, with \$120 million including the ARRA funds already applied to that project, with a \$10 million remaining balance. The canal wall is back in service. Controlling works have been returned to service. And we're looking to complete the forebay wall on schedule, funds depending.

CHAIRMAN HETTEL: So that \$10 million balance, you could look for a 50/50 split with the Trust Fund, is that what you're telling us, or because of the ARRA funds expired, weren't spent?

MR. SODERBERG: For Lockport?

CHAIRMAN HETTEL: Yes.

MR. SODERBERG: Not having read the proposal, the bill that was proffered yesterday, to see how it impacts the Trust Fund, right now Lockport would not draw from the Trust Fund. It is not one of the listed projects to draw from the Trust Fund.

CHAIRMAN HETTEL: Thanks for the clarification.

MR. SODERBERG: And finishing with the project we visited yesterday, the IHNC Lock Replacement, those that were with us and the presentation from the District, currently the project is on hold because of the enjoinder and no additional work because of that legal matter, we'll go forward with the lock replacement.

That concludes the fiscal status and brief project updates. Any questions? Or we'll move on to Mr. Dale.

CHAIRMAN HETTEL: Just a comment here, Jon. It's a good report. And I apologize for all the questions, but I just need to make sure I understand where our dollars are being spent. So thank you for your report. It was a good report.

MR. SODERBERG: Absolutely. And a closing comment that, as you've pointed out with the remaining balance and General Peabody has talked about in the previous report, that delays in time cost the users, the Trust Fund, and the Corps additional funds based on those delays.

CHAIRMAN HETTEL: Along with the taxpayer.

MR. WOODRUFF: Mr. Chairman, this is Matt Woodruff. I do have a question. With respect to the last project that was discussed, the Inner Harbor Navigation Canal Lock Replacement, when we were taking our tour yesterday, there was some discussion of the design of the replacement lock going from a deep draft lock to a shallow draft lock, and it was referenced that the shallow draft lock would be a 20-foot lock; whereas, there was some discussion that the other modern locks on the Gulf Intracoastal Waterway are 16-foot locks.

And so I think, perhaps, a question that could be addressed at our next meeting is why 20 foot versus 16 foot and what the cost effect of that is, because from my perspective as an inland operator, we don't own a barge that would take advantage of that extra 4 feet. I understand you have to have a little bit of extra, and maybe that's why we're going at 16 instead of 12.

But I guess my question is: What is the proper depth for that lock and what are the cost implications when we dig them deeper?

CHAIRMAN HETTEL: Thank you, Matt. Absolutely. It would be nice to know the differential in a 16-foot chamber versus a 20-foot chamber, if that number is available. I know we wouldn't utilize the extra 4 feet, you're absolutely right. So who would? Good point. Thank you.

MS. SIMMONS: And now I'll ask folks who have microphones, if you could be sure to put yours on mute. We've got a little background noise going on. And I'll turn the floor over unless there's any other questions.

MAJOR GENERAL PEABODY: Just an administrative point. We're almost 30 minutes behind schedule, Mr. Dale, so if we could knock this out in about 45 minutes. That will get us closer back on schedule with still a reasonable break. Thank you.

MR. DALE: Good deal. Thank you very much. I appreciate the opportunity to talk to you about Olmsted and appreciate the challenge of getting done a little bit ahead of schedule. It's a theme that we like to talk about on Olmsted, so we're going to try to work that through the briefing here.

Just a brief introduction. Again, my name is David Dale. I'm the Programs Director in the Great Lakes and Ohio River Division. Prior to that I was the DPM [District Program Manager] in Louisville [District]. And literally up until August of last year, I was spending my time full time at Olmsted, working that project solely as the senior rep on site. So it's near and dear to my heart. I'm really proud to be there.

You do not have presentations in front of you. It will be on the screen behind you. For those of you on the far side of the room, my apologies for that. That's my fault. I forgot to bring the copies. We had a little cross-communication there.

Here's what I'm going to give you. It's just a brief overview of the project. We can talk about authorization. That will be very quick because we've already talked about that. I wanted to talk to you about what we've accomplished and what we planned to accomplish in the low water season 2013. That's kind of how we judge time down at Olmsted was by low water seasons. And that doesn't have a precise start and stop date because the river kind of does its thing, and we have to respond to it. And then I'm going to talk to you about what we're planning on doing into 2014, low water season 2014, give you a glimpse at a scorecard that we have used to try to monitor the project on a real regular basis within internal Corps up to the Headquarters level, talk to you about some challenges that we have. I think many of those that you'll know about and the realities and then close it with discussions.

I will touch on a point before I dive into that. Marty [Board Chairman Martin T. Hettel] kind of commented on it. At the last Users Board meeting, there was some discussion about bringing Users Board reps into the team as observers so they could better come back to the Board and talk about the project.

And we've executed that on Olmsted. Marty came down and spent a good full day with us and got a good overview of the project, also saw kind of the inner workings on how we partner with our contractor and heard some of the good news. There's a lot of good news, but there's also a little laundering you do at those types of meeting. He heard that too.

So we were real pleased to have him there and look forward to bringing him back. Marty, any comments there?

CHAIRMAN HETTEL: Yes, thank you, David. Marty Hettel here again. Just from my four or five hours I spent down there, I have a better appreciation that the people that are in control of that facility are doing everything they can to control costs and to escalate the completion date. I don't think they put a show on for me.

So, yes, Olmsted is what it is. And General Burcham, thank you for your leadership down there also. I'm a firm believer that they're being conscious of costs and wanting to finish that project as soon as possible. And I appreciate your leadership and inviting me down there, David. And let's continue that. Thank you.

MR. DALE: Marty, we will. We really enjoyed having you there. And just to reinforce, the team does on a daily basis fight the fight, if you would, of how do we try to pull that thing to the left, how do we keep making schedule. Literally -- and I'll hold that for a second as we get into a little more schedule discussion.

Just for you guys, this is a picture that we've shown in the past. It kind of gives you a feel for the Olmsted project. If you would, this is the Illinois side. The lower right hand corner is Illinois. The upper left is Kentucky. You see on the lower end there you have the locks that are currently in place and completed, and then the dam portion that we are working on building going across the river. We're progressing from the Illinois side, working our way towards the Kentucky side from kind of the lower right to the upper left.

What we're currently working on right now is in this general area out to about halfway across the river, setting shells for the tainter gate portion of the dam -- that's this portion right here -- and then prepping the foundation out here on what we call the "nav pass" [navigable pass] portion. So, essentially, you have the locks, the tainter gate section, the "nav pass" section. Then you have a fixed weir that's in place already. And you kind of see where we're at.

So I'm not going to dwell on this. Needless to say, at the last briefing we were getting very nervous about authorization. The good news came through. And we're off to the races now. We are watching the current legislation to see how the cost share might affect the project. And cost share, obviously, is a big player in the project. And that's probably all I want to say about that one.

I mentioned the tainter gate portion of this. This is an isometric of a computer drawing that we use. We've been briefing you guys for the last several years on this, trying to give you a feel for how we're progressing. If you would, this is upstream. The upper left hand side of the screen is upstream to downstream in the lower right. The dam would be in your lower left hand corner is where the tainter gate abuts the dam, just to kind of orient you to the slide.

When you look at the colors, you can see we have fiscal years broken out, what we have done in the past. And then this blue coloring you see here is what we're working on in this year,

ongoing 2013. I'm here to report if you look down at the bottom right hand of the screen here, you can see that we have accomplished most of what we had said we needed to accomplish this year. As a matter of fact, we've accomplished the critical path activities.

And our critical path that we were really working on accomplishing this year was setting all the flat shells, finishing out the flat shell work for the tainter gate portion of the dam and went back and done that. Right now what we're working on are, we have two pier shells which we had established as stretch goals because we knew we were getting late into the season and it was going to be a bit of a challenge with the river conditions.

And literally last night, we had folks working very closely with the Weather Service, working with TVA [Tennessee Valley Authority], working with our water management folks in the Division just trying to figure out is there a way we can hold a little water in Barkley [Lake Barkley] and Kentucky [Kentucky Lake], to try to give us that advantage so we can get there. And we almost got there. But ultimately what we did and what we were shooting to set was this pier shell right here, but we didn't get that accomplished. We have not given up yet. We see a window that might present itself later in the weeks coming, and we'll attack that again.

But ultimately what happened is, the conditions were such that we probably could have set the shell. But one of the things you do once you set that shell, you have to put some treme concrete in place to lock it down, and we were concerned that river conditions were not going to allow us to get it lock in place in time. So that's kind of where we're at right now.

But that kind of gives you a feel for what we've accomplished. And the big significance, if you walk away with anything is, what we said we were going to do in 2013 was set all the flat shells, complete the tainter gate section flat shells, and we've done that.

And now we're still working, we're trying to squeeze out at least one, if not two, of the pier shells for this season. And the team works that every day. In addition to that work --

MAJOR GENERAL PEABODY: Mr. Dale, just to be clear on the diagram -- this is General Peabody -- the dark blue is what you had planned to execute for the 2013 season which is continuing but you may not complete that, correct -- what you just told us?

MR. DALE: That's correct. Let me give you one subtlety. What we had said is for the 2013 season, we established three shells that we wanted to set, the flat shells. Those were critical path. We had to get those set, otherwise, we'd see a schedule slippage. That has been accomplished.

We set some stretch goals of things that were not necessarily on the critical path, the two pier shells that we've not yet accomplished.

MAJOR GENERAL PEABODY: Got it. Thank you.

MR. DALE: We'll go on to the next slide. So that kind of gives you a summary of what we've accomplished in the 2013 low water season. I'm not going to go over that all again, other than to touch on one of the big things that we did do early in the season is we brought the Dredge *Hurley* down, a very cooperative effort with MVD [Mississippi Valley Division], brought their dustpan dredge up, and that really made a big difference for the season. It gave us some time advantage and some cost advantage in the foundation clean-up to a significant amount. And we plan to do that again next year. So that was a very significant accomplishment, getting that dredge in there, getting it cleaned up and then moving forward with setting those shells.

A couple of pictures just to give you a feel for the work. If you look at picture No. 1 in the upper left hand corner, it gives you an aerial. What you see sticking up in the water are the pier shells that are currently in place. What you don't see is there are flat shells out here that we've set in the river itself that are underwater.

And then once these pier shells are in place, that's the shells you cast on shore, you carry out and you set in place. And then you have to cast in place in the river the upper portions of the pier shells, and that's what you see in Picture 2 and 3 is the work of forming up, setting the rebar and then placing the concrete in what we call the Upper Pier sections which is cast in place in the river.

No. 4 in the lower left is a picture of the Dredge *Hurley* that was out there. It was very, very helpful for us. And then you see some of the sheet piling work and the lifting of one of the flat shells that we've already set. So, just to give you some visuals of what we've accomplished so far this season. We've been very successful.

So while we're out there trying to execute the current year, we're also constantly looking ahead at planning the next season. And it's not as simple as you can just plan it and forget it because the river is always moving things for you. You don't quite get started when you think. There are always things you learn through the process.

So what we have laid out here is a summary of what we plan to execute in 2014. And one of the things that we've learned is we've had some significant cost savings as we go through the process of setting shells, casting shells. And we've recognized that -- in the past what we would do is we'd go out and we'd drive foundation piles, we'd try to set shells, and then we'd move back to driving foundation piles, then set shells, hence, kind of this back and forth effort.

And we were successful with that, but we've recognized now looking back that we can save some money if we focus our efforts on driving all the foundation piles and then get in and setting shells. So next season we've tweaked a little bit our process. And what we're going to focus on next season is mainly driving piles in the "nav pass" so we can get ready to set shells in the future and get ahead of it so we have the efficiencies of that kind of sequence in our processes. So that's essentially what we have planned for low water season of next year.

This is what we call our Balanced Scorecard --

CHAIRMAN HETTEL: David, Marty here. One quick question for you. Does the river restrict you from driving the pilings?

MR. DALE: Yes, it can. It can. When you're driving piles, there are some upper limits in elevation relative to what the equipment can reach and drive piles. There are also some limits relative to velocities in the river because you can imagine these big sheet piles hanging in 40, 50 foot of water that's moving sometimes 6, 7 foot --

CHAIRMAN HETTEL: So I can understand, it's not as restrictive as setting the shells?

MR. DALE: That's correct.

CHAIRMAN HETTEL: Thank you.

MR. DALE: That's correct. So this is our Balanced Scorecard that we report out on. And what this is very honestly, is an executive summary. And literally there are probably thousands and thousands and thousands of pages that go in to make up this information, because it's a very large project. We have a very robust monitoring system in place, planning and monitoring.

So what we routinely track on -- literally at the project site, we track it on a weekly basis. We're updating costs and schedules on a weekly basis. We report out at the Headquarters level monthly and then, obviously, report to you guys routinely. But we track expenditures, what do we plan to expend.

See this "Planned" up here, when you look at the numbers, you'll see that number is a little different than what you budgeted costs to work performed, what you earned. The subtlety there, remember I talked about the resequencing of work, we had some low water, that's what the difference is there. The real significance there is the last two is you'll see that what we earned, the budget cost of what we performed, so what we budgeted, the estimate for that work, the actual cost was ultimately a little bit less. And that's an ongoing trend of we're looking at efficiencies, ways we can trim out costs out of the process. And you'll see that present itself in those expenditures.

So that's really just to track how we spend the money. When you go to the upper right hand corner under schedule, we track the schedule. What sits behind these projections is literally about a 10,000 activity schedule, a Primavera schedule, very detailed. It's cost-loaded, resource-loaded. And we monitor that on literally a daily basis, it gets updated.

The key points here is we have two things that we're tracking. One is the PACR, the Post Authorization Change Report, that we did where we went back and we said here's what we can do and we plan to do. So that's kind of our -- what we track as a team is our performance metric.

And you see from a schedule perspective what we said is our plan was in the PACR, complete no later than September 2024. And for the dam to be operational in September of

2020. We still track that as kind of a performance measure; however, the team is constantly looking at ways to pull that to the left -- what we call pull it to the left, to do it sooner.

And that's what you see showing in the current schedule that we, in fact, if we have good river conditions from this point forward, what we anticipate, if we get funded at an efficient level and we don't have any unexpected things happen, then we should be able to complete this project by those dates you see, either March of 2023 or March of 2019 for operational dates. That's a significant accomplishment.

We continue to look at ways to pull that to the left even further, but we're not comfortable at this point in time that we've got anything else defined to the point that we're ready to roll that out. But our current schedule tracking is 2019 would be the operational date.

Down in the lower left hand corner, we have the Olmsted TEP Trend. TEP stands for "Total Estimated Price" for the project. So what we're tracking is you'll see two bars, two vertical bars. One is the dark blue bar. That's essentially the PACR number that we produced, that \$3.1 billion, total estimated price for the project. And then the white bar you see next to it is what we currently think we will deliver that project at.

And what you can see is that we're considerably underneath that number as we stand here today. And we track that every month. We report out a TEP number, how that's trending. And what you'll notice is it moves. If you go back here a few months ago, it would have been down a little bit. It's up a little bit here. But we track it monthly. And we watch it very closely because we believe we have a very firm commitment to deliver within the commitments we made in the PACR.

And then over here to your lower left is we track the schedule for the project in more detail. What you see is just one snapshot summary report of the project's schedule for 2014. So, really, it's kind of hard to see here. We're just trying to capture those activities, summary level activities we plan to execute in 2014. You will not see precise dates because the team is actively looking at the 2014 season. At the next update, we will have very precise dates and we'll brief that out to you, similar to the way we did for 2013 and then track against that.

Our kind of battle rhythm is about this time of year is we go from one low water season, go through the high water and we plan out our work for the next season and tweak that and come up with precise dates and then we work against that. So that's our Balanced Scorecard.

Challenges we do have. Many of them we've talked about in the past. Efficient funding, we've said the efficient funding stream is a minimum of \$150 million a year through 2020. That's a key assumption we've made. Less than \$150 million will have direct impact on our ability to deliver that cost and schedule, because as we talked about in one of the earlier presentations, we drag this project out, the cost will grow.

During the PACR, we produced what we call an optimal funding level. The \$150 million was, essentially, generated based on what we saw as a cash flow constraint driven by the Trust

Fund. We also said here was the optimum level of funding that we might be able to pull it back even sooner.

Many of those opportunities we talked about in the PACR, we've lost, they're behind us. And we are actively looking right now -- the team is looking at, is there a different number. And there is a different number than \$150 million. It's not \$250 million. It's not \$150 million. It's something probably a little bit above \$150 million, but it's not a whole lot more than that.

So by March we should have that fleshed out and be able to produce and provide you guys what we consider optimal funding at this point in time. Yes, sir.

CHAIRMAN HETTEL: David, Marty here. Optimal funding, would more than \$150 million, whatever that number comes out to be, can you also tell us how soon you would finish the project at an optimal funding level versus the \$150 million?

MR. DALE: Yeah, at this point in time, how soon is not necessarily the question. It's what it costs, because there are some physical constraints relative to how many shells you can set per year that's driving the boat. We are looking at some sequencing that maybe will allow us to double up. So we're not quite there yet, but it's not really driven by optimal funding.

It's more -- so optimal funding really gets at controlling cost, some bulk buys, getting some stuff awarded earlier and moving forward with that. So it's not necessarily doing it sooner.

CHAIRMAN HETTEL: Okay. Thank you.

MR. DALE: Although, I don't want you to leave without that on a daily basis the project team is asking that question: Is there anything I can do to bring this in at a lower cost or bring it in sooner. So it's not like we've given up and just laid back on where we're at. But we're not actively looking at that optimal funding at driving completion.

MAJOR GENERAL PEABODY: General Peabody. When will the optimal funding review be completed?

MR. DALE: It should be March. Shortly after March we should have that number.

Let me get you to that last bullet here, passing traffic as work continues. As we get further and further out across the river, we've already started to impinge on traffic. We've been pushing the navigation channel towards the Kentucky side. Things are getting tighter. There will ultimately come a time when we will have -- and that could start as early as next year or the following year -- where we will have the river shut down for a few days while we go in and work some concrete placements.

So that's out there. We're working with industry at a local level, visiting with them, talking to them, talking to the Coast Guard about how to minimize those types of actions. But we are going to start seeing those impacts occur.

MR. WOODRUFF: This is Matt Woodruff. You say you're working with the industry at a local level, and I understand the importance of that. But the reality is that's the linchpin of the national system. If you're not talking with the industry on a national level about that, you should be because it has implications for shippers from Texas to Pennsylvania and every place in between when we make those decisions.

And the next question I have, and I think we potentially touched on this a bit with the situation that presented itself in the last year or so, what are the options of using the lock in an open pass mode to pass traffic when you're working in the nav pass section of the river?

MR. DALE: We actually did a test passage. We pushed some boats through there to kind of test that concept. We haven't really finalized that. We're still looking at it. The team is still evaluating, to be quite honest. We're not there.

It depends on who you ask right now. There are certain operators that you will ask them and they'll say it's not a problem. There are other operators who would be very concerned. We've looked internally. There are certain folks that kind of have the same – so we're working our way through. We plan to do another test to kind of see if that's an option. So we've tried to minimize those.

MR. WOODRUFF: I would hope that navigating through that lock would not be a problem.

MR. DALE: Understand. And there are some temporary things downstream that do present some challenges. There's some test piles downstream as you come out of the gate that's a little tight getting out of during construction. So we're working that.

And your comment about local, I do recognize that. We are talking at a more national level. And when you say local at Olmsted, you really are talking national because just what you said is true. Those folks that are coming through there are coming from all over the country.

MR. MECKLENBORG: David, this is Dan Mecklenborg. What is the forum in which these discussions are being held? Are they phone calls or are they meetings?

MR. DALE: We've had a couple meetings with the Coast Guard. And I'm trying to think what the group is. It's not RIAC [River Industry Action Committee].

CHAIRMAN HETTEL: ICE Committee.

MR. DALE: Yes, ICE Committee, thank you, where we've got them talking about those things.

MR. MECKLENBORG: Thank you.

MR. DALE: Next slide. I'm not going to read these to you. This is really just some realities and facts just to reinforce with you. You're pretty aware of the large number of jobs. As we speak, there are about 300 blue collar workers on-site working the project. That peaks to about 500 during the peak of the shell setting in the summer season.

As we just talked about, the hub of the inland navigation system, kind of look through that, we just wanted to put that in there just to give everybody kind of a refreshing of what we call the realities or the facts associated with the project.

And that concludes my presentation, subject to any questions.

MAJOR GENERAL PEABODY: Mr. Dale, could you go back, the estimated annual net benefit has changed over time, so could you talk a little bit about Item 4 there, the \$640 million and how that was derived and how confident we are in that figure.

MR. DALE: Well, it was derived using what we call the Inland Navigation Design Center -- or excuse me -- the Inland Navigation Planning Center that we have within the LRD. They went back and evaluated that. We constantly update that on a yearly basis to make sure that those numbers are still intact. So that is a number that has been very well analyzed by the Corps' economics folks. And it's based on current river condition, current traffic projections, all that stuff.

MAJOR GENERAL PEABODY: Thank you.

CHAIRMAN HETTEL: David, Marty here. One question and one comment. I understand your 2014 schedule is to drive the piles and get the nav pass ready for shell setting. If you get an opportunity to set these other two pier shells, does that disrupt the pile driving or can you do them both simultaneously?

MR. DALE: It does not. That's what's nice about the piers. If we don't get these last two piers set, we can put those in the sequence next season and not impact the critical path.

CHAIRMAN HETTEL: Okay. My comment down there, and I appreciate the Corps' efforts to control costs and move this project to the left, as you say. Make sure we do it safely too. That would be our concerns.

MR. DALE: And let me just touch on that because that is something that is very near and dear to my heart and within the Corps as a whole. We do have a very robust safety program on that project. We have had some instances. It's a large project. We get a lot of exposure. So it's not like we're without incidents. But this contractor and the staff down there, we spend a lot of time on safety because we put a lot of people at risk.

And I'm very comfortable that they have very a strong safety program there, but I appreciate the comment. Thank you. Any other questions for me? Thank you all very much. Appreciate the opportunity.

MS. SIMMONS: Thank you, Mr. Dale. And thank you for catching us back up on our timeline. I appreciate that. We are slightly ahead of schedule.

Let's go ahead and take our break. We've got some refreshments out in the lobby. I'd ask you if you did not fill out a registration form when you came in, if you could do that now and then turn that in, we'd appreciate that. We will reconvene at 11:30.

(WHEREUPON, A BREAK WAS TAKEN.)

MS. SIMMONS: All right, folks. If you can take your seats, we'll go ahead and get started. I do want to note too that we have some folks who need to leave right at 1:00; so to all the speakers, if you'll try to keep on schedule. And Dan [Mecklenborg] has to head out a little bit earlier.

So I'll go ahead and turn the floor over to Mr. Hannon to talk about some long-term infrastructure management strategies.

MAJOR GENERAL PEABODY: If I can make a couple comments -- this is General Peabody -- before Mr. Hannon gets going.

So as everybody knows, we did have the Congress file the Omnibus [Appropriations] report last night. Everybody is wading through 1500 pages of bill language. But there are at least a couple things that I wanted to make people aware of. And this is kind of initial reports, so take it for what it's worth because the details -- there'll be devils in the details and there's additional analysis that we have to do.

But one of the provisions in the bill called for the Olmsted project to be cost-shared 75 percent from the General Treasury, 25 percent from the Trust Fund, which from the Board's standpoint, I suppose, is good news, not necessarily from my standpoint because that means there's less money for other construction purposes.

So the assumption that I currently have is that means from this point going forward, it will be cost-shared on that basis. And more to follow as we get through the legal analysis. [Post meeting note: The cost sharing formula of 75% from the General Treasury and 25% from the Inland Waterways Trust Fund for the Olmsted Locks and Dam project applies to appropriations for FY 2014.]

In addition, there's language in Investigations and Construction that allows new starts. Again, I don't know what that means, whether it's specific projects or in general. But that is a very big deal because we have not had any new starts. And there's been a general inclination against new starts, particularly in the House, for several years now. I anticipate some of those may be focused on navigation, but again, we've got to do a lot of analysis.

There is additional funding in Investigations, I think, of \$35 million on top of the \$90 million in the President's Budget Request. Construction is actually \$300 million over the President's Budget Request. And I think Operation and Maintenance is something on the order of \$275 million and MR&T [Mississippi River and Tributaries] I think is \$28 million over the President's Budget Request. So that's as I indicated overall, a \$640 million increase.

And some of that will obviously be for navigation work. But there's also -- and I'm not quite sure I know what this means at this point -- \$81.5 million of unallocated funding for inland navigation. So there's \$81.5 million in the bill language for inland navigation construction -- I think it's inland navigation construction -- which we'll have to sort through.

Again, this is all initial reports. I may have some of these details wrong. It's an e-mail report. So take that for what it's worth. But I did want to share that news with the Board members. As we go forward with the analysis, we'll work through you Mr. Chairman--

CHAIRMAN HETTEL: Yes.

MAJOR GENERAL PEABODY: -- to transmit the details and the general intention of the Corps of how to execute these funds once we've done our analysis. And we've got a heavy lift ahead of us because at the same time we're doing this, we'll be doing -- we'll be working on Passback, whenever we get it. But we think we're going to get it in the next couple weeks or so, I hope. Thank you.

MR. HANNON: Well, good morning, and glad to be here today to talk about where we are headed with, as you see, "Quantifying and Using a 'Total Risk Exposure' to kind of Revisit the Capital Projects Business Model Strategies."

To kind of make reference back to what General Peabody said this morning, the Capital Projects Business Model plan is a good plan. I'll talk a little bit about that in just a minute as we kind of lead into some of the history. But we need to be looking forward on how we can improve upon that plan.

So what I'm going to tee up today is more of just planting some seeds for thought. I'm not going to get into any specific project details. We're not quite there yet. But we will talk about when we will have kind of our first draft and how we want to -- again, in conjunction with what's been discussed this morning by Marty [Board Chairman Martin T. Hettel] and by General Peabody -- how we can collaborate together as we lead into the future IWUB [Inland Waterways Users Board] meetings and be prepared to make decisions at the meetings versus you all seeing it for the first time. I think I'm in control of this so that could be dangerous. There it goes.

The next slide here, just a little bit of background history. Most folks know this. For some that may not though, in 2010 we collaboratively developed a Capital Projects Business Model, looking at those projects that needed significant work, recapitalization, and major rehabilitation type work. Using the information and the tools that we had at that time, it was a really good starting point, a good baseline, and it's served us to the point where we are today.

The focus at that time, while risk and reliability, certainly was really kind of from a higher level, top-down conditions rating, conditions-based approach to how we were kind of racked and stacked and prioritized. It did also include economics. As you see here on the next slide, as we looked at severity multipliers, which kind of got into tonnage, and how that in concert with annual transportation rate savings determined from the shipper/carrier costs, how that kind of worked together as far as conditions and some of those economics as well as we continue to look – and Mark Hammond will talk about a little bit later some of the remaining cost benefit and cost benefit analysis as well.

Interestingly enough, this slide here is taken out of that report that was done in 2010 when it talked about the future of Capital Projects Business Model. We all knew at that time that about every five years, at least every five years if not more so, we needed to be taking a look at what have we done, what's changed, where do we need to go, how do we need to kind of tweak this.

And at that time, the team then realized that a lifecycle asset management analysis approach was really where we needed to be headed as opposed to kind of where we were at that time. And, really, that was foresight, I think, on the team at that point in time. And that's what we're really talking about today as we move forward, more of that lifecycle asset management analysis approach where we do look at that total risk.

Kind of a little bit of then and now, next slide. Again what we did in 2010, since that time, we have done condition assessments on over 166,000 components that are out there on our lock and dam systems.

Now, what we're doing right now is looking at what we would classify as critical versus noncritical components, so we're categorizing that. We've worked with our Risk Management Center out in Denver to establish baseline failure curves. And we've improved our economics as we look at the shipper/carrier cost models to where we can consider various intervals, not just what would two weeks do, what would one month do to help us evaluate, well, should we go to a complete rehabilitation -- major rehabilitation or it's just a shutdown for a shorter period of time or we do major maintenance. So that's the kind of thing that we've improved upon, getting to that total risk exposure which I'll get into in a little bit more detail here in a minute.

Are we 100 percent? No, we're not 100 percent. Are we at a 70 percent solution? Probably. It's time though to take a 70 percent solution, from my perspective. Let's start collaboratively working this together and move forward and improve on where we go.

The "Total Risk Exposure Analysis", from this Board's perspective, we look at that operational risk, those things that are in that lower -- if you look at that upper left, the bar chart from A down to F, from green to red, one of those operational risk things that are going to cause complete failure to where we need a major rehabilitation or we need a recapitalization or a new lock, et cetera, out there.

There's another component of this, which I'll get into a little bit more on the next slide, this residual risk that's remaining out there. As we look at the component level of things, these are not things that are necessarily creating that major shutdown, catastrophic failure, if you will. But what are those things that really fit into our O&M [Operation and Maintenance] world when we look in that "A", "B" category up here, that we need to be focused on with O&M dollars to be able to address and take care of issues before they go to "C", to "D", to "F" as you see on that slide.

Again, inventory condition, probability of failure you see across the bottom there, what's that economic impact when we get to that summation of total risk. But it's something that we need to look at completely in total, not just focus on the things that we as a Users Board would look at from a recapitalization perspective, but look at the totality. I think this will help a little bit more.

If you look at these pie charts, kind of that spectrum of investment strategies, where we have that high residual risk exposure, that's in that kind of "A", "B" category you saw from the previous slide, probably some of that "C", but low operational risk exposure, that's where you get into making strategic maintenance management decisions. That's that major maintenance. That's that O&M that we would attack through our appropriations annually.

You go to the bottom pie chart where we're seeing a low residual risk exposure but a high operational risk exposure, certainly you might classify that as a point of no return, major rehab, recapitalization, got to have a new lock out there, this one is about to go south completely.

But it's that middle pie chart, really, is where I think not only would we have discussions within the Users Board on the bottom, but that middle. Here's where it kind of gets gray. Do we focus our attention on the O&M, the major maintenance pieces, a system component type, addressing what -- maybe it's miter gates, maybe it's tainter valves, or -- no kidding -- this is where we do need to make some decisions on it should be a major rehab or it may even need to be a recapitalization.

And as we look at this, I think this approach will help us in four months to be able to make those kinds of decisions. Certainly the Board is not about the O&M piece, not that it doesn't affect what we would do on this Board, it's more about where do we go with recapitalization. But this total approach will help us get to that point.

Again, here's this kind of a snapshot. When we get moving forward, we will develop a "1 - to - n" list. And this kind of is a different way of looking at those three pie charts. You have this "1 - to - n" list. If you look over there on the right side in that kind of green going to yellow, focus on strategic maintenance management, that's the O&M aspect of things. You see the two red lines. There's a zone in there where we've got to look at do we maintain or do we restore, and how do we make that decision.

And that's where we want to collaborate together to come out of informed decisions from this Board. And then certainly as you get down to that bottom, that's where we look at it's

beyond being able to just maintain things. The residual risk aspect doesn't play into it. It's more operational.

Certainly we believe, without going into any details, that as we go through this process -- and we're working these numbers right now. We're working this list right now -- we may see some -- I expect to see some of the projects that we have in major rehab that we would say now really ought to be more up into that upper column, that residual risk, where we focus on maintenance.

So it's going to tweak and change some things is what I'm expecting to see. And that's where collaboratively we will need to understand what we're doing and begin to make some decisions moving forward.

Just a summary of some of the things that I talked about right here. But, really, the intent is that we will have this first cut -- I've told our folks we need the first cut in early March, the "1 - to - n" list, that goes to that total risk from operational -- from residual to operational so that we can begin in March, working through Marty [Board Chairman Martin T. Hettel], sharing information, to be able to start having some dialogue so that we can by the next Users Board meeting ensure that we've kind of vetted and discussed and answered questions and had input, and we can come together to see what decisions we would need to make as we move forward.

And I think that's it. Any questions?

MR. MECKLENBORG: Yeah, Jim. This is Dan Mecklenborg. I am pretty impressed with what you just presented, and it seems like it will go a long way to organizing this information and really aid in prioritization.

Am I seeing correctly, does this apply both to the Operation and Maintenance side and the capital side?

MR. HANNON: Absolutely, Dan. That's why we call it the 'Total Risk Exposure.' As you get -- one of those previous slides there in that little chart from "A" to "F", as you go from that kind of somewhere in "C" category back up to "A", you're talking more about the appropriations, traditional O&M operations which is not tied to Trust Fund work.

MR. MECKLENBORG: Right.

MR. HANNON: But it would inform what we would or wouldn't do as we make those decisions from "C" going to "F".

MR. MECKLENBORG: Yeah and, Jim, I think one of the areas that I've seen as maybe an area that would be wonderful to enhance is the ability to see how much Operation and Maintenance dollars are being spent in each segment of the river system, whether it's on a Divisional basis or a subdivisonal basis. But right now it's hard to get an aggregated number that's going to navigation O&M.

MR. HANNON: Yeah. And the approach that we're laying out right here, instead of just looking at a single lock approach, you could take a river system like the Illinois, the Ohio and break them out. You could take a system along the Gulf Coast here and look at it so that you're looking not just to say, well, I need a gate replacement at IHNC, is that the highest priority. It may be in New Orleans. It may be in MVD. But where does it rank among all of the national priorities?

And you can look at it and break it down that way. So that's the intent that we're moving towards.

MR. MECKLENBORG: Yeah. And just to further illustrate, if somebody asks Jim Hannon, well, how much did you spend in Fiscal Year 2014 on Operation and Maintenance for navigational projects -- or navigational issues, is that number readily available or is it tough to get? And to the extent that we can make it more readily available, that would be great.

MR. HANNON: Yep, got that. Thanks, Dan.

MR. WOODRUFF: This is Matt Woodruff. As one of the industry participants on the team that came up with the Capital Development Plan, I remember many meetings. And I do remember that there was a certain level of, maybe not frustration or dissatisfaction, but lamentation of the fact that we didn't have all the data that we wished we did to allow us to make finer-tuned decisions. We took the data that was available and did the best that we could with it.

And what this suggests to me is that the better data that we hoped for is starting to become available. And I think it's wonderful that we're looking at maybe some discussion of this at the next meeting.

But I also remember that there was a lot of judgment that went into the weighting of factors. And we spent days agonizing and going back and forth over what is the best formulaic expression of prioritization of projects.

And so what my caution would be this, that I don't think we can simply crunch some numbers and come into our next Users Board meeting and in the course of a couple of hours come up with a solution. I think once you get to that next step, it probably is going to be incumbent upon us to either as a committee of the whole or select a team like we did before and spend some two-day periods like we did previously to help those of us who, quite frankly, don't do this for a living, don't understand it. We've got to really tax our brains to get our arms around it, to give us that opportunity to develop the confidence level in what we're looking at and give you good input in terms of prioritization recommendations.

MR. HANNON: Yeah, Matt, that's exactly right, which is why I said our first run of this, I said I want by 1 March so we can begin to, through Marty [Board Chairman Martin T. Hettel], get this distributed with definitions of what we're doing, what we're doing now, because what you just said is correct. And that way we can begin to have some discussion, dialogue and

leading into the next Users Board meeting. And the next Users Board meeting in April may not be -- if it's April or if it's May, whenever that one is -- may not be where we make a decision, but everyone will be more informed about what we're talking about, and it may lead to over iterative steps.

And the key part of this is, this is not a one-time, does everything, and solves everything. This is iterative along the way. And, like I said, this may be only the 70 percent solution right now, but it's better data, we think a better process, and we'll continue to refine it as we move forward. But we can't not move forward. We can't wait until we get 100 percent solution; otherwise, we'll never do anything. So that's kind of our intent for marching forward.

MR. WOODRUFF: Matt Woodruff again. And I think that makes perfect sense because what we can do -- circumstances change, and so we'll certainly have to take that into account when more facts become available. The more facts we have and the more up-to-date facts we have, the better our recommendations will be. And they'll just continue to get better over time as the data becomes more readily available to support decision-making.

CHAIRMAN HETTEL: Marty here, Jim. I can't agree more with Dan and Matt, and especially -- for us to make recommendations, we need the collaboration of the entire Board. Sometimes that goes beyond the Board to other industry executives such as the Capital Projects Business Model.

I would be remiss to say at the next meeting we can make recommendations to you, but we certainly -- this is exactly what we've been asking for. I think it's a great opportunity for us to forward the whole picture.

MR. HANNON: Right, right.

CHAIRMAN HETTEL: So thank you for your efforts.

MAJOR GENERAL PEABODY: This is John Peabody. If I can make a couple of points.

First of all, I want to echo the discussion about the perfect being the enemy of the good. And part of the challenge that we have had since I've been in the Corps working on this issue is that we're engineers, and we like to calculate things to several decimal points of certainty.

But the truth is that the judgments behind these calculations are based on assumptions associated with operating mechanisms that cannot necessarily be measured or detected. Lock and Dam 52 is a great example of that. We just don't have the superman X-ray vision that General Burcham or Colonel Leonard or Mr. Dale can take and put on that project and understand with clarity and certainty exactly when the dam, which is subsiding, is going to fail.

So we need to get over trying to have perfect information and micro-measuring every single aspect of every single project. We're not going to do it. It takes too much time, too much

energy. And even if we had it, we still wouldn't necessarily have all the information. We need to be set -- we need to reconcile ourselves, in my judgment, to the fact that we're always going to have imperfect information and we're always going to have to rely on the judgment of the professionals who are closest to the projects and understand the nuances of them.

There is one aspect of this decision tree -- it's not portrayed as a decision tree, but in effect is a decision tree -- that's missing, I think. And this is very important. In fact, I think it's decisive.

And that is the choice that Jim [Hannon] talks about is rehab, past the point of no return, rehab is the only option. Well, no, it's not the only option. There's another option, and that is terminate, de-authorize, de-commission, de-fund, whatever you do.

But the fact is that we collectively, all of us, we're in the business of making recommendations about Federal investments. The more we make recommendations that don't allow Federal policymakers to make choices about what to invest in and what to let go of, the more we prolong the dilemma the Corps faces and the more likely the catastrophic failures for those parts of the system that are consequential will come to pass.

And so I would propose that one of the things that we will need from this body as we move forward is, in collaboration with us and based on analysis and recommendations from us, but you're going to need to start making recommendations of what pieces and parts of the Inland Marine Transportation System are no longer affordable given the funding models and the constraints that we're under.

Now, that's not going to stop us from continuing to pursue alternative funding approaches. Okay? General Burcham, for example, and her team in Pittsburgh is working to potentially have some local authorities take some responsibility for some of the Upper Allegheny locks and dams. We are in the very beginning stages of doing some analysis on some public/private partnerships.

But these are all very difficult issues that are going to either require statutory changes or a lot of funding from willing partners. And they're very complex. And we're not going to come to these decisions quickly over time. In the meantime, the system is slowly falling apart.

So, again, this is going to be very difficult. Politically, it's going to be near impossible for those who are directly affected. But the reality is if we don't make these choices, we are choosing to ignore the crisis and ensure a catastrophic failure at some point in the future. And our successors who will be dealing with it 10, 20, 30 years from now will rightly turn around and blame us.

So that's kind of tough words, I guess, but I personally see it with great clarity. And I think it's incumbent upon us to do this analysis and make these choices. And the sooner we make these choices, none of which will -- particularly politically, they'll be difficult. But the

sooner we make these choices, the better off the system and the Nation collectively will be with dealing with the challenge that we have.

So, Jim, correct your slide, will you please? Thank you very much.

MR. SOMALES: If I may, General --

MAJOR GENERAL PEABODY: Please. Yes, I'd love to hear some dialogue on this.

MR. SOMALES: If I may, if I heard you right, it's like we're conceding to the dollars available. I believe what you just said what will end up happening is the tributary rivers will suffer. I don't think we can sustain or live economically with just a main stem river system. The contributory rivers or the tributaries like the Allegheny as mentioned or the Kanawha or other rivers, not all cargoes originate on the Ohio mainstem or on the Mississippi mainstem. These cargoes come out of the small rivers.

In Pittsburgh particularly as you spoke of, the Allegheny, there is a fair amount of cargo or commerce on the Lower Allegheny, but we draw a line of demarcation for funding right at the Point in Pittsburgh and de-fund the entire river. I understand the upper reaches of the Allegheny River are really not viable and there hasn't been commercial lockage in those upper locks for several years. I get it.

But maybe we should look at some of these rivers on their merit of geography, where the commerce comes from. So I just don't know if that -- because I live in that area and I understand that river. But what you just said was, kind of to me makes me believe that we would begin to cut fingers off to save the arm. Economically, we're going to concede to the economics of it.

MAJOR GENERAL PEABODY: Yeah, I am. It's like frostbite. Once the extremity becomes gangrenous, you have a very simple choice: Cut it off or die. And what I'm suggesting is that we may not be at that point at this moment, but detecting that point in time is nearly impossible when you're in the middle of it. You can almost never detect it until well after the fact when you look back and then you can see with the perfect 20/20 hindsight in retrospect that, well, these stars lined up and we should have made that choice.

I don't deny or dispute the fact that the tributaries are important. I'm intimately familiar with many of them. I'm just saying that some aspects of some -- let me give you -- was it Kentucky 1 or 3? Which one is it that was built in 1839 and we're still operating.

MR. POINTON: Kentucky 1, I believe.

MAJOR GENERAL PEABODY: Kentucky 1.

MAJOR GENERAL PEABODY: 1839. We're still operating that thing. And we're calling it our navigation canal and operating it. This thing is -- it's just ridiculous to think that

we would be operating something that was built almost 200 years ago because politically we never make the choices or the hard decisions.

Now, the reality is that these are not our decisions to make. They're the choices of the politicians. And politicians tend to be risk averse when it comes to making decisions on local issues. I get all of that.

But I think we need to help the policymakers find the courage to make choices on stuff that really should have been made long ago or that we can see is not going to continue to work. And I'm not disputing that -- I'm not saying cut off what you -- not at all. I'm just saying we do have to start drawing lines because these itty little bitty projects, they really suck a lot of money away in the cumulative. And we need every single penny we can get to maintain the system that we've got.

MR. SOMALES: Yeah, I agree with you. As the manager of those resources, you have a finite amount to work with. And the obvious choice is to begin to make the tributaries suffer. It just is what it is. They don't have the tonnages to support it, but they are, again, tributaries to a bigger system.

So maybe above this Board and above our level, the Nation needs to come to an understanding that it is a system and it all feeds together. And even though the small rivers don't contribute large tons, they are the economic lifeblood of those areas they serve.

So it's sort of like I get it from a manager's perspective to make the economic choices, but it is damning to the areas we choose to abandon.

MR. KINDL: Jeff Kindl. If, for example -- and I'm not recommending this -- the Missouri River were de-funded, which is \$8 million, would that then de-fund the \$72 million for fish and wildlife mitigation?

MAJOR GENERAL PEABODY: Yeah, that's a great question. Punt or play? I think I'll play.

MS. SIMMONS: We are running short on time here, sir.

MAJOR GENERAL PEABODY: Yeah, that is a great question. Now, these multi-purpose projects like the Missouri River are really complicated. I will tell you that, in my judgment, that the decisions that were made back whenever to fund one thing or another were based on certain assumptions.

Over time, I think it becomes incumbent upon those current decision makers to assess whether those assumptions were valid or not, A. And then, B, whether the investments are paying off and getting the desired return, whether it's an economic return for navigation or it's an environmental return for fish or birds or whatever.

This is just me personally, I do not speak for the Administration -- but I do believe that it's appropriate for us to re-examine the consequences of those decisions and see whether they're playing out as advertised or not.

And then if they're not playing out as advertised, yes, given the constraints on federal funding and our fiduciary obligation to taxpayers, I think we owe it to the taxpayers to re-validate those decisions. And if they're not meeting what we thought they would do in some cases, yeah, we need to cut them off, whether it's navigation or whether it's an environmental purpose. Absolutely.

So the theory ought to apply to all purposes for which the Corps has responsibility. As Steve Stockton talks about, it's a Federal investment decision. Is it worthy of a federal investment? And if the analysis doesn't play out in reality as it did in the theory during the planning, then maybe we should not continue to fund whatever that particular project is. That's just Peabody's view.

MR. KINDL: Thank you.

MR. WOODRUFF: This is Matt Woodruff. I guess to pick up an analogy that's already been used, I think the challenge -- we've got several different pathways that we as a Nation can take. And I know that you have a very difficult challenge, General, of doing the best you can with what the Nation gives you to work with.

And so one option that we as a Board have can be to ask the Nation to give you more. I would hate that we get to the point where we have to decide to cut fingers off, because cutting fingers off can be very costly and maybe a pair of mittens would be a better investment.

I would hope that we wouldn't get to the point of the frostbite. But by the same token, I recognize that there could be things that we have that we're no longer using. And so an appendectomy here and there might be appropriate. If we have vestigial pieces that aren't providing any benefit, then certainly we shouldn't be wasting money on them.

But a hand without fingers makes the hand pretty useless, and an arm without a hand is pretty useless, and I think that's what these folks are saying. I think we need to -- in order to get the real benefit to the Nation of an arm, it needs a hand and it needs fingers.

MAJOR GENERAL PEABODY: Well, don't tell those veterans who've lost their limbs that they're useless because they've lost their limbs. I don't dispute what you're saying, but here are my reflections again. And I'll stop here.

The history of getting the resources that people think we ought to get is not a happy one. And notwithstanding that we got this rather substantial plus up of \$600 million in the FY 14 Omnibus [Appropriations bill] that just passed, that is the proverbial drop in the bucket.

We absorbed in no time at all, in about two or three years' time, a full year's worth of appropriations of the ARRA program and it hardly made a dent. That's how big the problem is.

So, my reflection personally is that we are in denial if we think that we can resource our way out of this. We can't. We've got to take a multi-dimensional approach. Resources either from Federal or non-federal has to be part of that. Hard choices about whether to continue investing in certain things or not has to be another part of it.

But at the end of the day, the path that we are on is just unsustainable. And I owe some recommendations, and I'm suggesting that you all can help me make those recommendations if you're willing to make some choices. And I would suggest you also get some gravitas with some people who think you ought to be making some tough choices if you're willing to show that you will. And I'll stop there. I don't know if it's helpful or not, but we're talking about stuff I like to talk about.

MR. SOMALES: I would like to touch base back on the Allegheny River just for a moment. When they draw the line of demarcation at the Point in Pittsburgh, it's done from inside the Beltway, those decisions are made -- it's a low-use river -- when maybe some of that information locally could be fed back to Headquarters, the idea that maybe the Lower Allegheny is viable, extremely viable economically and should be considered as part of the Ohio River main stem. And then look at the upper reaches of those types of rivers that haven't had commercial success for several years and no lockages, like Locks 8 and 9 on the Upper Allegheny. But the first 30 or 35 miles is still viable, but it's bunched together with the entire main stem Allegheny, so to speak.

And the line is drawn in Washington, and I think it's unfair that the river is not looked at locally. And it could be the Kanawha. It could be any number of rivers nationally where the local district could probably say, hey, the first 10 miles, or the first 20 miles or the first 60 miles is viable and the rest of the river is not.

So along the same lines of picking and choosing to lose extremities, maybe we only need to lose of tip of the finger and not the whole finger.

MAJOR GENERAL PEABODY: No, I think that's a great point. And careful what analogy you use, it may come back to bite you, right? No, I think it's a great point. And I agree with you. And I'll take that on as a task and look at if we can make recommendations about changing the demarcation. I think that makes a lot of sense.

MR. SOMALES: Thank you.

MR. HANNON: If I might, speaking of local, the IHNC lock just opened back up about 15 minutes ago and the first tow is in the queue, ready to roll as soon as the *Brownlee* exits the lock. So we should be seeing some boats down the river here soon.

CHAIRMAN HETTEL: Jim, Marty here. And this is a great dialogue. I know everybody has got planes to catch. Won't your analysis tell us whether Lock 2 on the Allegheny is sustainable?

MR. HANNON: Marty, yes, it would. Yes. That's where this Total Risk Exposure gets to. And it ties in with the economics, so it ties in with traffic tonnage, shipper/carrier costs, et cetera. So, yes, we'll get to that point.

MR. SOMALES: Well, the current tonnages on the Allegheny might even be skewed a little bit because of the operating mode that we're held to is restricting tons from the Allegheny River.

MS. SIMMONS: Excellent discussion. I think this is exactly what we're looking to have. Unfortunately, we don't have a whole lot of time to continue it right now.

Mr. Hammond let me know that he had a short, concise version of his presentation, so I'm hoping we can go with that one. Mark?

MR. MARK R. HAMMOND: Good morning. Fortunately, you have a handout. The last slide on that handout is what I'm going to speak from. I think I can discuss my entire four slide presentation just from this final slide.

Essentially, what I'm trying to show you here initially are the seven priority projects from the Capital Business Model of 2010. Listed in the second column there of the table are the Capital Model rankings you had of their priority.

And the yellow section is to illustrate that each of these priority projects originated through an authorizing document. I see that this is an older version of the slide. That approved the report is -- okay -- the authorizing document. And actually Olmsted should show a 1985 feasibility with a BCR of 2.8 and the applicable rate of 8.63 percent.

But at any rate, the point being is that each of these seven are derived from feasibility level authorizing documents. They were done at different times; using different economic data sets and they are at different interest rates.

So the point I'm trying to make here initially is that right from the get-go, it's very difficult for us in terms of budget prioritization and investment to compare these projects on a consistent basis.

Then throughout time, we as economists are asked to provide economic updates. This is not even the correct slide presentation.

MS. SIMMONS: We have a handout.

CHAIRMAN HETTEL: We have the handout already.

MR. HAMMOND: Oh, you have the handout. Okay. Then I need to speak to the handout. This is not the correct one. You see a center section there with the white column -- sorry to the audience. My apologies.

And that's the economic update section. To help us provide guidance for economic updates of these originally authorized documents, we have a Civil Works Policy Memorandum from 2012. And this document provides us, the Corps, with some methodology and criteria by which we make economic updates.

And what I'd like to stress here in this section is that the economic updates are really in support of our annual budget updates. And there are within the Policy Memoranda of Civil Works of 2012 for Economic Updates, there are four different levels of economic updates, from Level 1 to Level 4. And Level 1 is the least robust and Level 4 is actually beyond an economic update. And briefly I'll walk through each of them.

Level 1 is, essentially, the economics -- when I say "economics" I largely mean "benefits" here. Benefits are what they are. They don't change. The engineering costs don't change. It's a re-affirmation of the original authorization. And, essentially, we price update. We index pricing to get it into a budget update, essentially. That's Level 1, a re-affirmation, no new analysis at all, supporting the budget, giving you a more current price level simply.

Level 2's we tend to do something with the economics, the benefits. And this we have a little more robust -- the change here is, essentially, taking trends in tonnage currently relative to the authorizing document, and we adjust benefits according to changes in tonnage. So we have a benefit tweak, if you'll pardon the vernacular, at a Level 2. Costs again -- essentially, costs and schedule remain the same, although we do update price level.

A Level 3 becomes a bit more robust. It can be a post authorization change level as in the Olmsted report of 2012. But this is where we will have changes to both the benefits and the engineering costs in terms of either schedule or something of that nature.

The first three levels of the Civil Works Policy Memoranda of 2012 are, indeed, just economic updates. They are not to look for re-authorization. They're just to look for a re-affirmation of the existing conditions, have they changed, and is the investment still a good decision to make.

Now, this is all based off of original feasibility level authorizing documents. We're in the planning world here. We have not yet really even communicated with our Operations community in terms of condition. All of these authorizing documents are pre risk-informed decision-making. They don't include that, with the only exception of Chickamauga. In Chickamauga there is some component reliability in that analysis in the mid to late '90s.

Okay. Level 4 is where we get into, not only do we have some changes to the benefits and the engineering costs, but we have a re-formulation. So, essentially, a Level 4 is more than

an economic update. It's a new study. And these different levels of update require different periods of time to do. And, of course, they cost considerably different as we get more involved with a Level 4 analysis.

Now, OMB [the Office of Management and Budget] during all of this has come along with the requirement that we provide our budget submittals for these projects to appropriations at a 7 percent interest rate. So this actually is throwing in another variable to the original analysis, and it gets a little more confusing. But the intent of the OMB 7 percent interest rate is to somehow level the playing field, if you will, and at least look at all of the projects with a common interest rate, regardless of the origin of the benefits and the cost and the time, et cetera, and the conditions that went into it.

So what I'm trying to say to you here is, this is essentially our current status of your priority projects' BCR's [benefit to cost ratios]. And we at the PCXIN, which is the Planning Center for Inland Navigation, we're working with Engineering and Operations and Mr. Hannon, to improve their capability and our capability.

For example, we're working currently on a national network to try to get to a more system impact on tributaries. We're working with Mr. McKee [Jeff McKee] -- he'll speak to you shortly -- on a national application of this network for a Levels of Service impact, for the economic impacts of levels of service if we start to close down projects on tributaries. We're going after the economics of that this spring.

We are working with the Asset Management group to incorporate reliability and this risk exposure. And we are, through our shipper/carrier cost model which Mr. Hannon mentioned earlier, we are able to provide the Asset Management and Operations community with the consequences of main chamber closures at each of our 198 lock and dam projects across the Nation.

We, the PCXIN, are working to nationalize our economic data sets. We began as a regional asset, and then we became a PCX in 2003 and we became national with an unfunded mandate. And we are now working to take our regional resources and expand them nationally and develop national data sets such that we are able to support the Operations and Asset Management communities, risk-informed decision-making with nationally consistent economic data sets. That is our goal. That's what we're working towards.

And the idea behind this entire effort, which is on-going and developing, is to improve the investment information for you all to assist you with your budgetary prioritization decisions. And, yes, it's O&M [Operations and Maintenance] and CG [Construction, General] funding we're talking about. And I'm finished.

MS. SIMMONS: Excellent. Thanks, Mark. I appreciate it. Marty, I'll go ahead and turn it over to you. You wanted to discuss the Annual Report [to Congress and the Secretary of the Army] and hopefully vote upon the contents.

CHAIRMAN HETTEL: Yes, thank you, Mindy. We had a very collaborative effort through all the members of the Users Board to come up with the Annual Report. I guess I would look for a motion to approve the report as written. I believe everybody's got a copy of the document on the Users Board. And Mindy and Mark have got one. So do I hear a motion to approve?

MR. MECKLENBORG: Yes, so moved.

MR. WOODRUFF: Second.

CHAIRMAN HETTEL: Any objections.

(NO RESPONSE.)

CHAIRMAN HETTEL: All in favor say "aye."

(THE BOARD VOTED BY SAYING "AYE" UNANIMOUSLY.)

CHAIRMAN HETTEL: Then so be it.

MS. SIMMONS: Very efficient. We like that. Okay. So we'll shift gears a little bit, and I'm going to turn the floor over to Mr. Jeff McKee, our Chief of Navigation at Headquarters, to talk about the Levels of Service and give us an update on that.

MR. MCKEE: Thank you, Mindy. Good morning, ladies and gentlemen.

I'll start off with our Corps navigation mission. We take navigation very seriously. And our mission is to provide safe, reliable, efficient, effective and environmentally sustainable waterborne commerce. This is primarily for commerce, but we do also have a national defense benefit as well.

In terms of levels of service, what we're doing, and as General Peabody indicated this morning, is unsustainable. Too much infrastructure, not enough resources to keep it going. In Fiscal Year 2012, we saw some reductions in low commercial use projects. And so we've had to make some reductions in some of our operating costs and try to put some of those reductions into maintenance of existing facilities to keep them resilient and reliable.

We're not closing any locks at this point in time, although certainly that is something that would be viewed in the future. We're looking to extend the life of the assets, reduce the operating costs and improve on our maintenance.

In terms of terminology, when you look at river systems, you look at high, moderate and low as delineated by the ton-miles of traffic that's carried. Three billion for high, one to three billion for moderate and less than one billion ton-miles for low.

For levels of service at the individual lock itself, we look at full service for those locks that have a thousand lockages a year or more. And then we've got five levels of service under that for reduced amount of commercial as well as the number of recreational lockages. And I'll get to the definitions of those in the following slides.

But note that you can have low commercial use locks on high commercial use waterways. An example would be the Upper Mississippi River, St. Anthony Falls locks, for instance, that are low commercial use locks but it's on a high use river system.

CHAIRMAN HETTEL: Jeff, Marty Hettel. May I interject one thing here? At the last meeting, No. 69, in Louisville, we discussed the fact that ton-miles may put an Allegheny River at a disadvantage. Has there been any thought to just tons through a lock or through a segment of a river? While you may only move 20 miles, if you're moving 6 million tons, your ton miles -

MR. McKEE: We do look at that when we sit down and look at the individual reaches during prioritization for funding, either during the budget cycle or in the case of a work plan. So we do look a little bit beyond that. But in general right now, the way it's looked at by the Administration, we are looking at the ton-miles. But it's something that does need to be addressed a little bit further in the future. Agreed on that.

CHAIRMAN HETTEL: Thank you.

MR. McKEE: In the process in determining this, we looked at evaluating commercial and recreational lockage data, and we continue to collect that data on an annual basis.

There were 54 locks identified as those that are considered low commercial use with less than a thousand different lockages, and, therefore, would have less than 24/7, 365 days per year service.

And these are the definitions. You've seen them before. You've got them in front of you. Anywhere from full service 24/7/365, down to service by appointment only for the commercial use tows going through the locks.

And then the guidelines, again, I stress the word "guidelines." They're not hard and fast, but they're general guidelines that are put here are for full service, more than a thousand lockages a year. And then you see as we decrease the lockages and decrease in both commercial lockages and recreational lockages, the hours and the shifts that are available per lock will decrease until you get down to the bottom, by appointment only with no set shift schedules down there.

Changes went into place in FY 2013, low commercial use beginning of October of 2012, January [2013] for the moderate use and then April [2013] for the higher use. And we've agreed to re-evaluate that on an annual basis.

In terms of changes that we've implemented, all systems have implemented some level of service, except for the Red River. There were no changes to the North Atlantic Division, the Northwest Division or the South Atlantic Division after one year of operation.

Great Lakes and Ohio River Division, we had several changes. Two are noted up here were Chickamauga Lock went from a Level Service 2 where they were operating two shifts a day to full service. That lock has had over a thousand commercial lockages a year. The same with Fort Loudoun Lock, That increased from Level 3 to Level 2. So increases on both of those.

What's not shown up here -- and I just found out late yesterday -- is, there is a temporary or a seasonal restriction that has been imposed at Allegheny Lock 5 where they've gone from Level 2 service to Level 3 service between November and April. And that was agreed to with the industry this past fall. And so they basically have gone from two shifts a day to one shift a day, Monday through Friday. And that's not shown here under LRD.

In terms of the Mississippi Valley Division, you can see where the level of service will stay at Level 2 for Jonesville and Columbia Locks, but the hours of day have been increased from 18 to 20 hours a day. And that's all within the definitions of Level 2 service. And that was negotiated with the industry on that.

In the Southwestern Division on the McClellan-Kerr Arkansas Navigation System, or the MKARNS, we had five locks that were less than full service. Those over the past couple of years have increased over a thousand lockages a year, and so those have returned to full service on all those five locks on the upper reach of that river.

The other thing that's going on there is the districts, both the Tulsa and Little Rock Districts, are working with the industry to identify time periods during which they could shut down the locks and perform some of the preventative maintenance that is required on those locks. And so while they do have full service, they are looking at set times for downtime that is most convenient for the industry, where we can perform some maintenance with the locks closed.

On the Gulf Intracoastal Waterway at the Colorado River and the Brazos River, no changes to commercial lockages. And these are both high-use locks. But the recreational lockages have been scheduled only on the hour. They will not be operated for recreational use on demand as it had been done previously. So a minor change there for recreational use.

We have a Board of Directors meeting we'll be scheduling in the next two months. We'll continue to review the levels of service at those Board meetings. We will continue to evaluate the threshold of a thousand lockages and whether or not that is appropriate for distinguishing between full levels of service or less than full levels of service.

We agreed at the past Board of Directors meeting we would use a three year average, so you don't get an on-again, off-again. If there's one year where it may have dropped below a thousand, you don't want to go up and down in terms of your levels of service. So the three-year

average will help to moderate any changes there. We'll continue to look at the recreational policy.

Southwestern Division has also changed their recreational policy, for instance, where they're only swinging one leaf of the gate in order to reduce exercising those gates. Then we're also looking at staffing models, which we'll be looking at at the next Board of Directors meeting [of the Inland Marine Transportation System].

And so in summary, what we're trying to do with the levels of service, the whole purpose is to try to reduce wear and tear on our operating components, help a lot of these older locks last a longer time, reducing the operating expenses and put some of those reductions in operating expenses towards preventative maintenance so we can keep the facilities operating longer and thereby, extend the life of the infrastructure and reduce the deterioration. Bottom line, try to provide the best reliable and resilient infrastructure we can for the inland waterways users.

That concludes my presentation, subject to any questions from the Board.

MR. SOMALES: Yes, I have a question specifically going back to the Allegheny River and your levels of service. You described full service as 24/7, seven days a week.

Since the 1930s when those locks were built on the Allegheny River, we take six barges or double lockings in. More recently in Pittsburgh, either through attrition or whatever reason, the body counter folks who work the locks, are down. And they're allowing us to lock double locks five days a week, two shifts a day, restricting double locks on the third shift and no double locks on the weekends, and at the same time calling it full service. While for more than 80 years full service was described as double locking 24/7, we've now redefined it. And I don't understand how we can just say because the locks are open, you can lock a motor boat or two barges, that's full service.

Specifically, there's a utility at Mile 16 using 1.3 million tons of fuel a year. And to economically get that fuel in, we need full service as described or has been precedent in that area. The local Colonel described to me or explained to me that he would need five bodies replaced.

Now, these are folks who did at one time work there and have not been replaced, and he justified that that would be a \$500,000 outlay by the Corps of Engineers, assuming \$100,000 a body, and could I show him \$500,000 of economics either in my towing or in the utility's cost to justify spending \$500,000 to hire those five people.

So I guess I have a hybrid there of one, two and whatever else you want to put together here. But I'm being told in Pittsburgh that I am No. 1 full service because I have more than a thousand lockages a year. But the service is definitely reduced at the detriment of commerce on the lower river.

Now, I only have a window of 16 hours a day. It's not even that because they won't take a double an hour and a half or an hour prior to the end of the shift. We had suffered -- because of the Arctic blast, we had suffered seven or eight days, ten days of ice on the Lower Allegheny River which prevents me from getting in there at all. And sometimes in extended periods of this country when we get those Arctic weathers, I get maybe three weeks or four weeks of no ice. So then ratably, I have to get that freight into that utility in a shorter timeframe.

So this doesn't help me. And I think this is a detriment to commerce. So thank you.

MR. McKEE: Understood, specifically with the Lower Allegheny locks. All three of the lower ones have more than a thousand commercial lockages a year. And that's why they're advertised as full service.

As you indicate, Mike, two of the three shifts are fully staffed and you can double lock. The third shift making up the full 24 hours is not fully staffed, and that's why there's a limitation on the double locks. But there is 24-hour service there, seven days a week, even though that does impact your operation.

Some of that is a result of some of the cuts that were implemented in Fiscal Year 2012 for low commercial use waterways where they did, in fact, have to cut back on some of the staffing based on some of the cuts there. And so that's why we have, as you indicate, somewhat of a hybrid there.

MR. SOMALES: Yeah, I agree. And that goes back to the line of demarcation at the Point rather than further up where the viability of the river matters. And not only is it 16 hours a day losing a shift, we also lose the entire weekend. We only have the single lock coverage on the weekend which doesn't -- and some of the answers I get from Pittsburgh, they say, well -- from the Corps in Pittsburgh, you can just go twice or you can just go three times to get six barges through.

And when you begin to impact the economic viability of the station or the manufacturer either on fuel, raw materials, finished goods, in or out, that impacts us because I would have to charge them on transportation and imposition because it is what it is.

And another thing I would like to ask -- this is more of a question than a comment -- was, it appears that we're reserving some operating monies for the summer season for the recreational craft in the Upper Allegheny River to give them lockages in and out. I believe Mr. Hannon and I had spoke about that offline at least once.

Could I get some clarity on the dollars spent or reserved for lockages, that impact less lockages for commercial use to save dollars for recreational use in the summer season?

MR. McKEE: Yes, sir, we will look into that and have that for the next Board meeting.

CHAIRMAN HETTEL: Jeff, Marty here. Real quickly here. Your changes in levels of service, what was your database? Three years? Is that three calendar years?

MR. McKEE: It is three fiscal years that we used for that. And so the changes that were put into place this past summer for some of these were based on Fiscal Years 2010, 11 and 12.

CHAIRMAN HETTEL: Thank you. Last comment. When you look at your levels of service next upcoming review, could you look at tons versus ton-miles and see if there's any differential?

MR. McKEE: We can take a look at that and see how that would break out.

CHAIRMAN HETTEL: Okay. Thank you.

MS. SIMMONS: Okay. Thank you, Jeff. I'd like to call on Mr. Steve Jones to come up. And he will provide us an update on the rock pinnacle work that's been going on.

MR. STEVE JONES: Thanks, everybody. As Mindy said, I'm Steve Jones, the Navigation Manager for MVD. I was asked to speak a little bit on rock pinnacles. I'll give you a little history there in case somebody -- I'm sure there are very few in the room that is not familiar with it, but I'll go through it real quick and then maybe a couple updates on our issues that are going on.

This just gives you the map, if you would. And if anybody is not familiar, what we have from St. Louis or Lock 27 south to the Cairo is an open river. Unlike from St. Louis north or Lock 27 north, you have locks that create pools. This open reach of the river is subject to nature and low water. And especially last year there was serious concern about some of the forecasts associated with the drought, that we're going to have some very low stages.

Next slide. This is another thing that led to it. And our technology in the last decade or so has become much better to see in 3-D images, you can really see where rock and other obstacles are. So there was a knowledge that it was there. And then when you started looking at the low forecast stages, there was serious concern that we'd be able to maintain the 9-foot channel. It would start impacting the 9-foot draft for barges, which industry made it pretty plain that it's just not feasible once you get below 9 foot or so.

Next slide. And this is just another way of looking at that in a cross-section. You can see there are areas with rock. You might move the channel. You can see in this one to the right that many times the navigation has to go where the boats will run, not necessarily where there's an open channel. So this one is obviously where the channel was, and that they would need to remove some rock.

Next slide. Of course, rock, all of it, I think, is very hard rock. It's not soft rock. In some cases a lot of concern -- some of it the only way to get it was with drilling and blasting. In

some, some hydrohammer work could be done. And regardless of how you loosened it, it had to be taken out. You can see a lot of it was very large stone.

We went in last year and awarded a contract on 7 December [2012], we actually awarded two contractors so the work could be expedited as much as possible because of the concern for the continuing drought. The contract was awarded. The contractors went to work, as you can see down here in the bottom left, they removed right at a thousand cubic yards to basically Phase 1, to back up to the pictures you saw before. We were really worried that the rock was within the main channel, you know that it dropped out, and was able to basically lower the bottom of the river, the hard bottom, if you would, of rock about 2 feet. That all occurred last year.

However, we knew at that time there's rock -- if you were to look back at those pictures - - that were also encroaching, for lack of a better term, on the channel near the sides. You can see in some of these maps, that made it impossible at very low stages to push 20 barges, maybe even 15 barge tows at times. So that's got us back.

And we planned from the time we ended the Phase 1 work last year that we would continue this effort for this year. They awarded a contract in July [2013]. We kind of waited to see what the appropriations actually were under the CR [Continuing Resolution]. And they were able to actually issue a Notice To Proceed to do a base contract and one option year that gives you -- you see that middle bullet there. They'll be removing roughly 2800 cubic yards of that material around the fringes of the channel; about four locations that are within the channel are real near, that undoubtedly we'll have to require some closures. Most of it is around the fringes. And depending on the stage as to what closures will have to occur.

The work actually started on 11 December [2013]. It's been suspended a couple of times for cold weather, and especially most recently it shut down on 4 January. It resumed today. Massman Construction Company went back to work today. To date they have removed -- I may have that later -- roughly about 200 cubic yards of material out of the full 2800.

This is a report that St. Louis District typically shares on a fairly regular basis with the RIAC [River Industry Action Committee], so hopefully some of you are receiving it through that venue -- that shows where the work is to occur, what's going on in Phase 2. And this is where I was referring to. Right now they're working kind of in the D area. Most of you may be aware that when we started this work, there was a lot of concern back in December that we were going to have too much adverse impact, if you would, on navigation, trying to move while we're doing rock removal.

We have to take advantage of the stages. Basically, you need 10 foot on Thebes Gage or lower to try to do work. I think it's kind of borderline exactly what they can do. It's up to the contractor. But in most cases, they're looking for the lower stages. But we're working with industry.

And so during the December timeframe, they pretty much focused on those sites there in D that were out of the channel. I think initially there was some 15-barge tows, one-way traffic

restrictions. As the stages came up, they were unrestricted. It will be dependent as we go forward when they'll be. And it will be coordinated with the industry to give the industry at least seven days notice. There will be some daylight closures of up to 16 hours during the day. And that we will continue to coordinate with industry.

This is just a report that we get. This one you can see is the report from the fourth of January with the shut-down, when we shut down, so there's really been no change on it. And the two areas that they've worked in, as you can see, one area is almost -- I think it's 98 percent complete now or 95 [percent] it's showing there. Another site there. So we're tracking it. This work will continue on until the environmental window and the contract, basically, construction period ends in April of this year, so it will continue on.

This is just a quick and dirty picture to show that the ice was coming. That was the primary problem. As bad as the cold weather is on crews working, the bigger thing was the impacts of the ice and not being to work out in the channel while the ice was built up on their equipment.

Quickly on another subject in the same area that most everybody, I assume, is aware of that we had to shut Mel Price main chamber down. As you can see on the left, the upper end of it actually has a lift gate unlike the auxiliary, lower ends that have miter gates. But the lift gates are actually three separate leafs that have cables that raise them.

If you see the chronological events there what I laid out, it was actually as early as 15 September [2013] they had one cable failure. So they started getting concerned. They had another one on 20 December [2013]. They immediately got very concerned. They hired a wire rope expert, if you would, to analyze it and try to make some recommendations or analysis on what's going on.

Then they had the failure on 28 December [2013] just a little more than a week later. That really gave them the -- I'm losing my term -- but basically lack of confidence they could continue to operate. That would have left them, I think, nine cables out of original 12. So they shut the main chamber down until they could de-water, analyze the situation and come up with some kind of planned repair, if you would.

They just over the weekend went through the de-watering. They're inspecting it today, some of the ends of the cables and looking at them. They actually had to go inside the gate. You can see on the bottom left, you can see, obviously, that side, but they're actually going on the inside of where the gate connections are too, analyzing that.

They're working with the contractor expert on wire rope. And probably they'll have some kind of overall analysis, if you would, about a week from now or next Monday. I guess that's less than a week is what I understand. But even that will take them a couple, maybe up to two weeks, 10 days or two weeks to really look at what those indications are as far as what's going on and really come up with the final plan for repairs, which could be from just putting

them back and going back into service to needing to do a complete replacement of all cables and stuff. So we don't have a good timeframe on that.

But, of course, during this time we do have the auxiliary lock operating. And the queue has been manageable without a large build up in the queue. I think this is the last one, actually.

So the other one I was reporting good news, you heard this morning, IHNC Lock re-opened. So that one was re-opened.

We had an incident at LaGrange Lock a few days ago. And that lock should be going back into service this week. They have pulled the gates that were in there. They do not appear to be damaged that badly. But they have stackable gates, what we call them anyway, spare gates, that they brought up from St. Louis.

They will install those and probably put that lock back into operation Thursday with those stackable gates. They did lower the wicket dam, but apparently they've got to put it back up. So it will be dependent on those lock gates being put in Thursday.

I think that completes my report, subject to any questions.

CHAIRMAN HETTEL: Steve, Marty here. Another couple of questions and a few comments. First off -- and we addressed this in our Annual Report -- thank you for Phase 1. Moving that project forward and getting those rock pinnacles out of there last year was a life saver for us. General, I know you were involved in that. So we appreciate that.

And we're happy that you're in there for Phase 2. And thank you for the opportunity to work on tow sizes. I think until the ice restricted us for pulling the buoys out, we were at 25 [tows] southbound and 36 [tows] northbound while you were removing the pinnacles. Great cooperation. We appreciate the efforts. And hopefully you're out of there this year. I know it's dependent upon river conditions. But we're happy you're there finishing up Phase 2.

MR. JONES: Okay. Thanks for those comments. Any other questions? Thank you.

MS. SIMMONS: Thank you, Steve.

So I did not have anybody from the audience let us know that they wanted to make any public comment. If you would like to make one, now is your opportunity. So I'd welcome you to step up to the microphone and state your name and affiliation. No takers?

(NO RESPONSE FROM THE AUDIENCE.)

MR. KINDL: Jeff Kindl. I've got a couple of questions. Where do we stand on replacement of Bayou Sorrel Lock?

MS. SIMMONS: Is there somebody who is able to answer his question?

MR. JONES: Yeah, Steve Jones, MVD. On replacement of the Bayou Sorrel Lock, they're having to relook at the economics and stuff on it. And that report, it's my understanding, I think is in the Corps process and it has not been finalized, but there's not been -- it gets real complicated. I'd recommend maybe for a future Board meeting we'll give you a complete report on Bayou Sorrel.

Of course, the situation is they're redoing the economics on it, if you were, and looking at it because that is a joint MR&T [Mississippi River and Tributaries] and navigation. The Trust Fund cost-sharing part of it, part of it is flood control MR&T. They have to relook at the benefits and costs. Some of it related all the way back to Hurricane Katrina and our way of developing really robust structures like that. I know that doesn't completely answer your question, but I think that's all I can say.

MAJOR GENERAL PEABODY: Steve, I thought that we had made a decision that it was not economically justified, but my memory is fuzzy on that.

MR. JONES: It's close to that, sir. I guess I'm avoiding saying it because I wasn't sure what was public yet.

MAJOR GENERAL PEABODY: Okay. We will get you a firm answer one way or another. And I'd ask for that at the next Board meeting. Thank you.

MR. KINDL: Jeff Kindle again. On the replacement of Industrial Lock [Inner Harbor Navigation Canal Lock], it shows that the work has been ceased because of a legal injunction. Any idea when that's going to wind its way through the courts?

MAJOR GENERAL PEABODY: I think it already has. So it's my understanding -- again, I'll defer to MVD -- but that there's no further legal action contemplated. The Department of Justice, that the Administration has decided not to appeal and that we are now -- functionally, we require a new authority to proceed forward. Mr. Stockton, is that essentially accurate?

MR. KINDL: So it's basically shut down permanently at this point?

MAJOR GENERAL PEABODY: The previously authorized project cannot proceed because of the legal injunction.

MR. KINDL: Are we looking at alternative routes around the lock? I know it used to be you could go down to Baptiste Collette.

MAJOR GENERAL PEABODY: There's no authority to do that. We would require an authority. And this is, again, an area where this Board may want to make a decision to make recommendations. But the Corps would require an authority to do an analysis associated with either a different replacement under different criteria as a shallow version, as we discussed yesterday at the lock, or alternative routes in the GIWW.

BY MR. KINDL: Thank you.

MAJOR GENERAL PEABODY: But as far as I know, sir, we do not currently have any authority to take any further action on that. We're kind of at a standstill now.

MR. WOODRUFF: This is Matt Woodruff. If I could follow up. Is that to suggest that you don't have the authority to investigate the shallow draft lock alternative?

MAJOR GENERAL PEABODY: Yes, again, I think we should probably get a definitive update from MVD at the next session, but that is my understanding. We do not have an authority to take any further action associated with the current or the previously authorized project because of the legal injunction, or we would require a new authority for a shallow draft. That's my understanding.

MS. SIMMONS: Do we have any other questions or comments from the audience? I'll also mention to folks in the audience, any extra hard copies of the presentations that you saw here today are available on the table outside the room if you'd like to pick them up. Very few are left apparently, but they are there. And we will be posting those to our website shortly after the meeting, so they'll be available to you as well.

I'd like to turn it over to General Peabody and Mr. Hettel to go over action items and some closing remarks.

CHAIRMAN HETTEL: I will briefly state, action items. How about if I craft up what the follow-up items are, send it out to the Board members, make sure I have them all and we'll get them forwarded over to you. There's no sense in going through all these one by one here today.

Final comments. General, I am very encouraged. One of the better Users Board meetings I've sat in today, with what Jim [Hannon] is looking at, just very encouraged with the dialogue. Thank you for your leadership on that, and looking forward to more in the future.

That's briefly all. I'll take a minute for any of the other Board members.

MR. SOMALES: I just want to say I thought this was a productive meeting as compared to my experience. I've just got a few of these meetings under my belt. And I thought that a change in leadership and the direction we're headed here, I think it's positive. I think we're going to do some good things.

MAJOR GENERAL PEABODY: I just want to thank all the Board members, particularly you, Chairman Hettel, for attending and for the frank dialogue. I'm absolutely committed to continuing to work closely with all of you to address these concerns. I think we in the Corps have an obligation to develop proposed solutions to the challenges we face, knowing

that we don't in most cases or in many cases have the authority to implement those, but those that we have the authority to implement.

Like many of the recommendations that came out of Capital Projects Business Model, I think we have a compelling requirement to move forward, to execute our businesses as efficiently -- as optimally efficiently and effectively as possible.

Yeah, I wasn't tracking that I needed to take notes on follow-up actions, but --

MS. SIMMONS: I think we have got you covered, sir.

MAJOR GENERAL PEABODY: That's kind of what I figured. So, Mr. Chairman, we'll make sure we send you a draft of those follow up actions so you can socialize that with the Board members.

I think one of the key things we do need to do that we did not discuss was develop a proposal for the meetings that you want to have for the remainder of the year. And given that I think it's a 60-day public notice period. So we need to get going on that very quickly. I think that's probably the most urgent, not necessarily the most important, but certainly the most urgent action item that we need to execute.

And there are several issues that I took notice of and that the staff will get back with us on to follow up to make sure we're providing the information to the Board.

Lastly, Mr. Hettel, I'd like you to tell me and the staff what's the advance period you'd like to have the information papers. And I think what's the kind of communication you want to keep between meetings so that we can assure that when we have the meetings they're as productive as possible and we're hitting the key items that you and the Board members want us to hit?

CHAIRMAN HETTEL: Thank you, General. I'll comment to that. I guess, as far as -- the sooner the better. I mean, really, until we have the information, we can't determine whether or not we want to comment on further things that the Board has in front of them. So I wish I could tell you a timeframe, but I do know that a day or a week is too short. I would think for us to be able to digest the information and ask questions back so we could have the possibility to make recommendations at the upcoming meeting would be at least a 30-day period. I'm going to look to the Board Members and your opinion.

MR. WOODRUFF: Thirty days would be wonderful. But I guess one of the things that you run into is timeliness of information as opposed to -- you know, it may be overcome by events if you start getting it too early. I think the reality is we probably need the bulk of it at least a week in advance because some of us may be traveling and not even have a chance to see it if it just comes in the last couple of days prior to the meeting.

But I think we do -- maybe this particular meeting with the holidays perhaps complicating it made it a bit more of a challenge to get the information.

MAJOR GENERAL PEABODY: Well, why don't we do this, Mr. Chairman, we'll have a goal of at least one week in advance. We'll have a minimum of at least one week in advance with a goal of two weeks in advance. And that's what we'll do. And as long as we can get a strong sense of the information that -- and I think we can do this without a problem -- the information and the types of issues that the Board wants to discuss a month in advance, then we should be able to do that without a problem.

CHAIRMAN HETTEL: That sounds fine, General. One last comment. Mindy and I have discussed setting up a schedule for the remaining three meetings. We'll be getting together in the next week or ten days to try to get at least narrowed down a week or two timeframe of when we think we can have the meeting, so at least us business people can get it on our calendar. And then Mindy probably will try to narrow it down from there after you go through your process on the specific days.

MS. SIMMONS: That sounds good. I'll work with our folks to get calendars synced up.

MR. WOODRUFF: One other issue while we're talking a little bit about administrative items. And maybe there's an issue that makes this complicated and invisible from my perspective. But it seems that one piece of low hanging fruit is getting the minutes turned around more quickly. I know that you have to get the transcript from the court reporter and go through and make sure the right people get the attribution.

But it seems like we should be able to get the minutes shortly after a meeting as opposed to shortly before the next meeting because that would give us the opportunity as we review the minutes to capture the action items and things that we said that we needed to talk about so that we don't show up here a couple days beforehand and go, oh, my, gosh, we were supposed to do this and nothing has happened, and then we've lost all opportunity to do that.

MS. SIMMONS: Certainly. Any other closing remarks, sir?

MAJOR GENERAL PEABODY: Not from me. I'm really honored to join with this Board and work with you. I appreciate the dialogue today. And I sincerely look forward to working with you to try to advance the ball against these challenging issues we have, which we got some serendipitously good news, I think, today in the Omnibus bill, to sum it up, more pressing matters that are right in front of our faces. Thank you very much. I appreciate it, Mr. Chairman.

CHAIRMAN HETTEL: As I stated earlier, I'm certainly encouraged by our dialogue. Advancing the ball forward, I don't know if we're going to be able to run for 2 yards or throw the bomb, to make an analogy, but at least we are advancing. That's the key. So I appreciate your input also, General.

MS. SIMMONS: At least that's a happier example or an analogy than before. All right. And I'll echo General Peabody's comments as well; I really look forward to working with you all. This is definitely an exciting time. And I'll work with Chairman Hettel to get some of those process improvements implemented as well.

So do we have a motion from the Board?

MR. WOODRUFF: That we adjourn.

CHAIRMAN HETTEL: Second.

MS. SIMMONS: And second.

(THE BOARD VOTED BY SAYING "AYE" UNANIMOUSLY.)

MS. SIMMONS: All right. The meeting is adjourned.

(WHEREUPON, THE MEETING WAS ADJOURNED AT OR ABOUT 12:55 P.M., AND THE RECORD WAS CLOSED.)

REPORTER'S CERTIFICATE

I, Gail F. Mason, RPR, Certified Court Reporter in and for the State of Louisiana, as the officer before whom this meeting was taken, do hereby certify that this proceeding was reported by me in the stenotype reporting method, was prepared and transcribed by me or under my personal direction and supervision, and is a true and correct transcript to the best of my ability and understanding; that the transcript has been prepared in compliance with transcript format guidelines required by statute or by rules of the board;

That I have acted in compliance with the prohibition on contractual relationships, as defined by Louisiana Code of Civil Procedure Article 1434 and in rules and advisory opinions of the board;

That I am not related to counsel or to the parties herein, nor am I otherwise interested in the outcome of this matter;

That certification is valid only for a transcript accompanied by my original signature and original required seal on this page.

Gail F. Mason, RPR, CCR
Certificate No. 96004