

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

Inland Waterways Users Board Meeting No. 72 was called to order by Ms. Mindy M. Simmons, the Designated Federal Officer (DFO) of the Inland Waterways Users Board (the Board) at 9:05 a.m. The meeting was attended by approximately 58 participants, including Board Chairman Martin T. Hettel, Vice Chairman Matthew Woodruff, and Board members Messrs. David Choate, Charles Haun, Jr., Mark Knoy, G. Scott Leininger, Robert McCoy, Daniel Mecklenborg and Michael Somales. Mr. Bruce Reed was the only member to miss the meeting.

Ms. Simmons made opening remarks, and Mr. David Ponganis, from the U.S. Army Corps of Engineers (the Corps) Northwestern Division (NWD), provided welcoming remarks on behalf of the division and the Portland and Walla Walla districts.

Following Mr. Ponganis' remarks, Mr. Steven L. Stockton provided opening remarks, as the Director of Civil Works for the Corps, attending for Major General (MG) John Peabody, the Deputy Commanding General for Civil and Emergency Operations for the Corps and the Executive Director of the Board.

Mr. Stockton began his remarks by thanking the Northwestern Division and the Walla Walla District and the local navigation industry representatives for hosting the Board meeting. He remarked that the Columbia-Snake River System truly illustrates a systems approach to balancing the multiple competing demands and trying to balance the water resources missions of the Corps to best benefit the country. This will involve continued collaboration between the Corps, the navigation industry and other stakeholders.

Mr. Stockton remarked that much has occurred since the last Board meeting in Little Rock in May, including the passage of the Water Resources Reform and Development Act (WRRDA) 2014 in June, the progress at Olmsted and Lower Monongahela River, Locks & Dams 2, 3, and 4 replacement project (Lower Mon), and the mark-up of FY 2015 appropriations bills by the Senate and the House of Representatives.

In conclusion, Mr. Stockton welcomed the observers from the other Federal agencies in attendance at the Board meeting, including Ms. Jo-Ellen Darcy, the Assistant Secretary of the Army for Civil Works (ASA(CW)); Mr. Joel Szbat, the Executive Director of the Maritime Administration (MARAD) of the U.S. Department of Transportation; Mr. Nicholas Marathon, Senior Economist with the U.S. Department of Agriculture (USDA), Agricultural Marketing Service; and Ms. Crescent Moegling from the Office of the Coast Survey attended for the National Oceanic and Atmospheric Administration (NOAA), of the Department of Commerce.

Ms. Jo-Ellen Darcy, the Assistant Secretary of the Army for Civil Works, said it was a privilege to attend the Board meeting, and will continue to provide support for the inland waterways system.

Mr. Nick Marathon, representing Mr. Arthur L. Neal, thanked the Board for the opportunity to be at the meeting and indicated that the inland waterways system is extremely important to moving agricultural products to domestic and export markets. He indicated that the USDA is conducting a study to look at the sufficiency of the waterways infrastructure as it impacts the movement of agricultural products, primarily by USDA staff and Washington State University.

Mr. Joel Szbat attended for Mr. Paul Jaenichen, the Administrator of the Maritime Administration. Mr. Szbat indicated that MARAD is creating a national maritime strategy. He also acknowledged that Captain Bob Loken, the primary person for MARAD in the Pacific Northwest, was also attending the meeting.

Following the Federal observers' remarks, Board Chairman Martin Hettel offered his opening remarks. He started by thanking the Northwestern Division and the Portland and Walla Walla districts for hosting the Board meeting. Chairman Hettel noted that the Water Resources Reform and Development Act (WRRDA) of 2014 was passed by Congress and by his count there are five reports to Congress related to the inland waterways, and several other items related to the inland waterways.

Ms. Simmons next called for a motion to approve the minutes of Board Meeting No. 71, held May 1, 2014, in North Little Rock, Arkansas. Mike Somales made a motion to approve the minutes of the last meeting and Board member Dan Mecklenborg seconded the motion. Before approving the minutes, Board member Mark Knoy asked the Corps for follow-up information from Board Meeting No. 71 regarding the long-term historical traffic trends for the inland waterways, and the type, timeliness and accuracy of the data being used to determine the economic justification of projects eligible to be cost shared with the Inland Waterways Trust Fund (IWTF). The Corps did not have the information to provide at the meeting and committed to getting it to the Board as soon as possible. In particular, they had concerns regarding the Bayou Sorrel Lock Replacement project being not economically justified, because they are seeing as much as \$100 billion of investment in the region for petroleum and chemical commodities, and plants that were moved overseas are now being brought back to the U.S. The Board unanimously approved a motion to recommend that the Corps reassess the Bayou Sorrel project using more recent petroleum projections. Following the discussion, the Board members unanimously approved the minutes of Board Meeting No. 71.

The members also expressed concern over the expected closures of about 60 locks in 2014 and 2015. The 112-day closure at Algiers Lock in 2013 caused an additional \$146 million in costs. Mr. Woodruff also expressed concern about short-term intermittent closures that end up getting extended. Mr. Jeffrey McKee, Chief of the Navigation Branch for the Operations Division within the Corps Headquarters, stated that many are planned closures intended to make improvements to the waterways system.

Next, Mr. Jon Soderberg of the Program Integration Division at Corps Headquarters provided an update on the status of the Inland Waterways Trust Fund (IWTF) and an update on the status of projects on the inland waterways system. He reported that the IWTF beginning balance for FY 2014 (October 1, 2013) was \$33.8 million and a Previous Transfer Authority to the Corps (funds

previously authorized to be spent by the Corps) in the amount of \$7.0 million. Current revenue for FY 2014 through June 2014 from the fuel tax totaled \$54.9 million and interest earned to date during the fiscal year is \$18,000. All combined, total available from the IWTF in FY 2014 to date is \$95.7 million. For FY 2014, \$92.8 million has been allocated from the IWTF to the Corps projects: Olmsted Locks & Dam of \$41.1 million; Lower Mon of \$37.3 million; and Lockport L&D at \$14.4 million.

Mr. Soderberg then provided an update on the status of inland waterways projects including Kentucky Lock & Dam; Chickamauga Lock & Dam; Lockport Lock & Dam (Major Rehab), Inner Harbor Navigation Canal (IHNC) Lock, and Emsworth Locks & Dam.

The Board was interested in the estimated total fuel tax revenues for FY 2014. Mr. Soderberg indicated it would be between the low year and the high year of historical annual revenues, but could not give a definitive amount. The members felt that waterborne movements will be strong for the remainder of the calendar year and expect revenues to trend upwards this year.

The Board also had questions about the amount of IWTF dollars provided to the IHNC Lock project (\$66 million) and the use of those funds. Mr. Soderberg offered to check on the proportions of funding for the IHNC Lock project between IWTF, Federal appropriations and the former sponsor for the deep draft portion (now no longer viable).

The Board was also concerned about re-evaluating the economics of inland waterways projects, in particular Bayou Sorrel (as mentioned previously) and Chickamauga Lock.

Following Mr. Soderberg's presentation, Mr. David Dale, Programs Director of the Great Lakes and Ohio River Division, provided the Board an update on the status of two ongoing construction projects in the Division, Olmsted and the Lower Mon projects.

Concerning the Olmsted project, Mr. Dale stated that all the shells for the tainter gate portion of the dam are set in place. Mr. Dale indicated that as construction activity on the navigable pass portion of the project extends further into the river it will be necessary to prevent navigation from proceeding in the area of construction for a certain amount of time. The Board was concerned about the impacts because the tow sizes are reduced by 40%. Mr. Dale stated that the Corps will work closely with the navigation industry regarding the closures. Mr. Dale indicated that he expects the dam to be operational in October 2018 and the project to be completed in December 2022. Optimal funding for Olmsted in FY 2015 is \$180 million. Despite the recent fluctuations in the total estimated project costs, he expects the total cost to be \$60 million below the Post Authorization Change Report (PACR) amount. The Board asked about the cost to demolish Ohio River Locks and Dams 52 and 53, which is approximately \$123 million for the minimal amount for safe navigation. Mr. Dale will provide an evaluation of safety protocols for if the L&Ds 52 and 53 are left in place, at the Board's request.

After Mr. Dale completed his presentation on the Olmsted project, he provided a brief presentation on the Lower Mon project. He said that as a result of the cost sharing change for the Olmsted project in FY 2014, additional construction funds were allocated to the Lower Mon project in the order of \$75 million. This funding increase will advance construction on the first

lock chamber at Lower Mon Locks & Dam 4 in Charleroi, Pennsylvania. The landward chamber at Charleroi will be deferred to 2050 because at this time 90% of the benefits associated with this project will be achieved with construct of the first chamber. Mr. Dale will assess the efficient funding required annually for the next five years and provide this to the Board by the next meeting. The Corps is working with the U.S. Coast Guard for the Port Perry Bridge component of the project and will report back to the Board.

Chairman Hettel indicated that Board intends to finish the annual report in time for the next meeting, and is working to get more data from the Corps to support its recommendations.

Ms. Simmons then called upon Mr. McKee for a presentation on the pertinent sections of the WRRDA of 2014 passed by Congress on June 10th by overwhelming margins in both chambers. Mr. McKee mentioned the Act authorized 34 new projects totaling \$12 billion, including eight navigation projects, which he named: Boston, MA; Savannah, GA; Jacksonville, FL; Mile Point, FL; Lake Worth Inlet, FL; Canaveral, FL; Sabine Neches WW, TX; and Freeport, TX. None are inland waterways. He noted the Act also requires \$18 billion in deauthorizations of older projects to offset the new projects. He also noted the Act contains significant reporting requirements related to the Inland Waterways Users Board and the IWTF. He noted that the legislation did not include an increase in the fuel tax rate. As related to navigation, the Corps can now enter into agreements with additional non-federal interests and private entities. The Act also changed the share from the IWTF for Olmsted from 50% to 15%. The Act also increases the threshold for major rehabilitations to \$20 million from the current level of \$16 million. The Corps is required to submit to Congress a new capital projects business model plan within one year of enactment. Mr. McKee mentioned a number of other provisions related to navigation.

Next, Mr. James Hannon, Chief of the Operations and Regulatory Division at Corps Headquarters, discussed total risk exposure for the inland waterways and the efforts to develop an infrastructure strategy using project life cycle, with respect to new investments and in the operation and maintenance activities of existing projects.

And Mr. Kareem El-Naggar, the Corps' Inland Marine Transportation System (IMTS) program manager, provided the status of the IMTS Investment Program Action Team (IPAT), currently re-evaluating the Capital Projects Business Model findings. The Board had concerns about the method for their participation in the development and review of the investment portfolio. That is, they want to have inland navigation industry input and buy-in as this is developed, not at the end of the effort.

Next, Mr. Jeff McKee discussed the FY 2015 budget development and appropriations process. First, Mr. McKee noted that the cost sharing change for Olmsted in FY 2014 freed up funds from the IWTF, which allowed the Corps to allocate \$75 million to the Lower Mon project, and that WRRDA 2014 permanently changed the cost sharing for Olmsted.

With respect to the FY 2015 President's Budget, he noted that the House markup of the budget increased the Corps funding by about \$600 million, and the Senate markup increased funding for the Corps by about \$300 million. The differences will need to be resolved in conference between the two chambers.

After Mr. McKee finished, Ms. Simmons opened the public comment period for five speakers.

The first speaker was Mr. Lynwood Laughy from Kooskia (Clearwater River), Idaho, who stated his belief that the Corps projects on the Lower Snake River are not justified and those locks and dams should be candidates for divestiture.

He was followed by Mr. Jim Waddell from Port Angeles, Washington, who expressed the same sentiment regarding the projects on the Lower Snake River.

Next, Ms. Kristin Meira of the Pacific Northwest Waterways Association (PNWA) voiced that organization's support of the navigation system's value to the Pacific Northwest region and the nation as it provided significant transportation benefits and is an export gateway providing access to international markets.

She was followed by Mr. Rob Rich from Shaver Transportation Company who expressed the value of the navigation system, and said that his company is investing in tugs and barges with the belief that waterborne traffic will increase if the system is regularly maintained.

And finally Mr. Bryan Jones, a 4th generation wheat farmer from Lacrosse, Washington, felt it was time for an honest assessment of the value of navigation on the Snake River with increasing maintenance costs, and other viable options available.

In his concluding remarks, Chairman Hettel indicated the next meeting is tentatively planned for the first week in November.

In closing, Mr. Stockton stated the need to make water resources more sustainable in the future, and that certainly an option is the divestiture of projects that under-perform or are low use.

Ms. Simmons adjourned the meeting at 1:05 p.m.