

Minutes
Inland Waterways Users Board
Meeting No. 73
November 18, 2014
Conference Center at the Maritime Institute, North Academic Bldg #3 (Classroom #2)
Linthicum (Baltimore), Maryland

[Note: The following minutes of the Inland Waterways Users Board meeting No. 73 were approved and adopted as final at Inland Waterways Users Board meeting No. 74 held on February 25, 2015 in Birmingham, Alabama.]

The following proceedings are of the Inland Waterways Users Board meeting held on the 18th day of November 2014, at the Conference Center at the Maritime Institute in Linthicum, Maryland, Mr. Martin T. Hettel, Chairman of the Inland Waterways Users Board presiding. Inland Waterways Users Board (Board) members present:

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

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

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

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

MR. DANIEL P. MECKLENBORG, Ingram Barge Company;

MR. BRUCE REED, Tidewater Barge Lines, Inc.;

MR. MICHAEL T. SOMALES, Murray American Transportation, Inc.;

MR. WILLIAM M. WOODRUFF, Kirby Corporation.

Board member MR. G. SCOTT LEININGER, CGB Enterprises, Inc. did not attend the meeting. MR. LANCE RASE, CGB Enterprises, Inc. served as a non-voting representative of MR. LEININGER during the meeting.

Board member MR. DAVID CHOATE, Bruce Oakley, Inc. did not attend the Board meeting.

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

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

MR. MICHAEL J. RODRIGUEZ, Deputy Director, Maritime Administration (MARAD), U.S. Department of Transportation, Washington, D.C.;

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

MR. RUSS PROCTOR, Chief, Navigation Services Division, Office of Coast Survey, National Oceanic and Atmospheric Administration (NOAA) , U.S. Department of Commerce, Silver Spring, Maryland.

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 (DCG-CEO), U.S. Army Corps of Engineers;

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 and Alternate Designated Federal Officer (ADFO), Inland Waterways Users Board.

Program speakers in scheduled order of appearance were as follows:

COLONEL J. RICHARD JORDAN III, Commander, Baltimore District, U.S. Army Corps of Engineers, Baltimore, Maryland;

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

MR. JOSEPH W. ALDRIDGE, Programs Integration Division, Headquarters, U.S. Army Corps of Engineers, Washington, D.C.;

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

MR. KAREEM EL-NAGGAR, Inland Marine Transportation System (IMTS) Program Manager, Great Lakes and Ohio River Division, U.S. Army Corps of Engineers, Cincinnati, Ohio;

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

MR. PATRICK J. DONOVAN, Chief, Planning Center of Expertise for Inland Navigation, U.S. Army Corps of Engineers, Huntington, West Virginia

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

MR. BRAD L. INMAN, Senior Project Manager, New Orleans District, U.S. Army Corps of Engineers, New Orleans, Louisiana.

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

MR. EDWARD E. BELK, Director of Programs, Mississippi Valley Division, U.S. Army Corps of Engineers, Vicksburg, Mississippi;

MR. VIRGIL L. LANGDON, Economist, Planning Center of Expertise for Inland Navigation, U.S. Army Corps of Engineers, Huntington, West Virginia;

MR. DOUGLAS E. ELLSWORTH, Senior Asset Management Specialist, Operations and Regulatory Division, Headquarters, U.S. Army Corps of Engineers, Washington, D.C.;

There were two speakers who provided public comments during the public comment portion of the meeting. They were in order:

MS. JANE MERGLER, Private Citizen;

MS. SUSAN HOLMES, representing Save Our Wild Salmon.

MS. MINDY M. SIMMONS: All right, folks. If you could take a seat, we'll get started. Okay, thanks everybody. I'd like to welcome you to the 73rd meeting of the Inland Waterways Users Board here in Linthicum, Maryland. I'll call it Baltimore, it's easier. This is actually the first Board meeting to be held in this area. So it's kind of a neat opportunity to get somewhere close to D.C., but not quite.

My name is Mindy Simmons and I'm the Designated Federal Officer for the Inland Waterways Users Board and I want to give a big thanks to the Baltimore District and the Northern Atlantic Division for hosting us here and, also, a big thanks to the Port of Pittsburgh for keeping us fueled with the coffee and refreshments that are outside. We appreciate that greatly.

We have a very full agenda, so I will be brief. Before we start the meeting, we're obligated to read for the record that the Inland Waterways Users Board was created pursuant to Section 302 of the Water Resources Development Act of 1986. It provides the Secretary of the

Army and the Congress with recommendations on funding levels and priorities for modernization of the inland waterways system.

The Board is subject to the rules and regulations of the Federal Advisory Committee Act of 1972, as amended and, just as a reminder this is a “Government in the Sunshine” Act meeting and, as such, is open to the public. I know we do have several members of the public who are here today.

The U.S. Army Corps of Engineers is the sponsor of the Board and provides the Executive Director, Major General Peabody, the Designated Federal Officer, and all normal activities. We do have two people who have registered to make a public comment and we have time set aside at the end of the meeting to do so. We also had a written public comment submitted for the record which you should all have in front of you. That was submitted by Mr. Jim Waddell who actually spoke at our last meeting in Walla Walla, Washington.

A couple of housekeeping items. Restrooms, head out the door of the meeting hall and keep going right. They're actually directly on the other side of that wall. But you have to take a little walk to get there, so keep that in mind. And we do have some extra copies of the handouts. Once we distribute them and make sure folks on the Board have them, we'll leave them for the folks in the audience as well.

Also, for those of you who are sitting at the table, a note about your microphones. If you tap the button and the red light comes on, you're live. Just remember to turn your microphone off when you're finished speaking so we don't get a lot of feedback. And then, just as a reminder to state your name clearly when you do speak and same thing goes for the presenters and any people in the audience who make a comment.

Also, there will be lunch after the meeting. It's available in the dining facility in the residence area on the opposite side of the little courtyard area through the breezeway, through the cold breezeway. So keep in mind that's available after the meeting for, I think, \$18.95 to purchase. The Board and Corps staff have a room separated off that we can then go into an Executive lunch, but it is available to everyone including the public.

One final reminder, these proceedings are being recorded and a transcript will be available shortly after the meeting and we will be posting the transcript to our website.

I will now call on Colonel Trey Jordan, Baltimore District Commander, who will provide welcoming remarks for the Baltimore District and on behalf of the North Atlantic Division. Colonel Jordan.

COLONEL J. RICHARD JORDAN III: Good morning, everybody. It's awkward talking to the backs of the Board. Is that all right, not talking into the microphone?

Welcome to the City of Baltimore. You may be in Linthicum, but I wish you were downtown in the Inner Harbor. You get the feel of the breeze and the water and the commercial navigation traffic, but we are where we are. I'd just like to give a little shout out as a

commercial for Baltimore. As my folks were preparing me for these brief opening remarks, I found out that I have a title that I didn't know about. The Commander of the Baltimore District is also the Supervisor of Baltimore Harbor. I'm actually designated by Secretary of the Army through the Chief of Engineers, as well as the commander of the New York District and the commander of the Norfolk District, to be the person that is basically supposed to detect and prevent injurious and obstructive deposits within the harbor and adjacent waters.

MS. SIMMONS: Excuse me, sir. Can we get you to step up to the microphone? I'm sorry to interrupt, but we want to make sure we capture your important words for the record.

COLONEL JORDAN: Very important words. The bottom line is that most people don't think of Baltimore as an inland waterway, but I think the Chesapeake Bay is the world's largest inland waterway, about 200 miles long.

When you look at the infrastructure, the water infrastructure that connects Baltimore to the world, whether it's the old C&O Canal that's now a national park or whether it's the C&D Canal that connects the Delaware and the Upper Chesapeake, whether it's the federal channels that link Norfolk all the way up to Baltimore, they're all very critical. Your focus may be mostly on the inland waterways and locks and dams that are throughout the country, but I work daily with the Port of Baltimore and the Maryland Port Administration and they are very proud and I'm very proud for them of their record for being the world's largest or the nation's largest exporter of automobiles and a few other things. Every port has got their bests out there and I know Baltimore is no exception.

As you go into today's meeting, I'd ask you to think about cities like the ports of Baltimore. It's not just a commercial port, it's also one of the homeports of MARAD's Ready Reserve fleet, it's got the Military Sealift Command vessels, and it's got the only U.S. Coast Guard ship repair yard in the United States. It's critical to the nation's infrastructure.

I thank you for what you're doing here today for the Army and for the nation in securing our nation's waterways and making sure that they're economically viable and supporting the nation. With that, welcome to Baltimore. I hope you have a chance to get to sample some of the excellent crab cake sandwiches that we have and you're not just limited to the cafeteria here. Thank you very much, Mindy.

MS. SIMMONS: Thank you, sir. Now, I'll turn the floor over to Major General Peabody, Executive Director of the Users Board, to provide some opening comments.

MAJOR GENERAL JOHN W. PEABODY: Thanks, Mindy. Thanks, Colonel Jordan. I appreciate you and your staff for hosting this important meeting. We are very grateful for that. Also, I want to thank Stephen Martinko. I'm not sure where -- there he is -- from the Port of Pittsburgh for the meeting refreshments and I know everybody appreciates that.

I guess I'll start off on an administrative note and I see several of us have our electronic leashes in front of us here. I was, a couple of months ago, listening to NPR [National Public Radio] on my way into work and they were talking about what people do when they're on

conference calls and the Number 1 item was reading email, 70-plus percent. The Number 2 item was other work and the Number 3 item at 12 percent was going to the restroom.

Now, of course, we have the rapt attention of all the Board members. There are lots of other folks here, but I noticed after I came in that -- actually, my dot went to two bars. So I used to have a dot, now I've got two bars. But this particular room is not amenable to reliable transmission of the electronic signal. So I think that will help all of us focus. I would just encourage -- I recognize everybody's important work going on outside of this meeting and that, from time to time, people may need to check your electronic device for one thing or another. But I'd ask if you have to do that, to keep it as brief as possible so that we can focus on the work that the Nation is asking us to do.

After the last Users Board I've come to fear the scheduling of these events personally. I apologize I was not at that Users Board meeting because the day prior -- I think two days prior, my wife called me just as I sat down for a meeting in Seattle and our basement was flooding. The only thing worse than having your basement flood is having your basement flood and you're 3,000 miles away and there's nothing you can do about it. But I heard the meeting went very well, that we had important tours of the system, the Columbia Snake River system in the Northwest, and that the Walla Walla District did a great job of hosting that.

So I'd like to update you briefly on a few items before we get to the rest of the agenda. First of all, progress on implementing WRRDA [the Water Resources Reform and Development Act of 2014, Public Law 113-121, dated June 10, 2014]. That is proceeding on pace. We concluded our listening sessions shortly after the last Users Board meeting. We had four separate listening sessions, and Mr. McKee [Mr. Jeffrey A. McKee, Chief, Navigation Branch, Operations and Regulatory Division, Headquarters, U.S. Army Corps of Engineers, Washington, D.C.] of course, summarized the various provisions of the law related to navigation at the last Users Board meeting. I won't even attempt to go through that now.

The one provision that is most important to the Board and the navigation community is the permanent cost share change associated with the Olmsted Locks and Dam project [Section 2006(a)(2) of WRRDA 2014 dictates that the cost sharing formula as applied to the Olmsted Locks and Dam project will be 85 percent derived from the General Treasury and 15 percent will be derived from the Inland Waterways Trust Fund]. However, that cannot go into effect until and unless we get new appropriations. So as long as we're on a Continuing Resolution, as we are currently, and I think most of us anticipate is a likely outcome after December 11th, then we'll have a 75/25 cost share. But we're never going back to the 50/50 cost share. As soon as we get new appropriation, we'll be able to go 85/15 as specified in WRRDA.

In fact, I had talked to Ms. Darcy [Ms. Jo-Ellen Darcy, Assistant Secretary of the Army for Civil Works] yesterday about the progress of implementing guidance for WRRDA and that's proceeding actually quite well. We're at a point where, over the next couple of months, pending her concurrence, we'll actually start publishing some of implementing guidance I expect in the first couple months of the new year.

Both the House and the Senate, for the second year in a row, made clear their support for the Corps' programs and navigation in general, navigation specifically with the addition of funding above the President's budget requests. In the Fiscal Year (FY) 2015 mark up of the House Energy and Water Development Appropriations bill [H.R. 4923] it was close to a billion dollars on top of the President's request of about \$4.6 billion and in the Senate I believe it was around \$600 million.

So this is, to me, very clear recognition by the Congress of the important work the Corps does because they can't just add money, they have to take that from the budget allocations that the Budget committees provide to other agencies and that is gratifying to me. Nonetheless, that does not solve all of the many problems that we have.

Of course, there's bad news related to the Senate. It's not the election that I'm talking about. If you have not heard, Mr. Roger Cockrell, who is the Senate Appropriations Subcommittee Staff Director, has decided to retire effective, I think, sometime in February and, for those of you who are lucky enough to know him, Roger is the fount of logic, good reasoning, sound judgment, calmness and clear thinking. We will very much miss him. We have no idea who will replace him at this time.

We've going to get updates on the progress of construction at Olmsted and Lower Mon. I will tell you I just got an update last week from the Great Lakes and Ohio River Division on Olmsted. I'm very pleased with the progress that we've made. We've definitely improved the efficiencies over the last couple of years and currently -- I'll cut to the chase -- we are projecting -- God willing and the creek don't rise, as they say, we're projecting that we will have a functional project in October of 2018. So that's great news. That's a most likely scenario. It is possible it could be even slightly earlier than that. It's also quite possible that it could go later and, again, that depends upon river conditions and weather conditions.

The latter half of the meeting is very important, in my view, because during that portion of the meeting we are going to focus on the strategic management of the inland marine transportation system which is, by far, in my view, the most important and also the most consequential thing that we can do.

Basically, you'll get updates from several people including Kareem El-Naggar from the Great Lakes and Ohio River Division who is co-leading the Investment Program Action Team.

And Mr. Jim Hannon, Chief of the Operations and Regulatory Division at the Headquarters of the Corps will also provide an update. What we are really attempting to transition towards is a true life-cycle analysis approach to the management of the system and a life-cycle analysis approach does not lend itself to picking a number of years and saying, well, that's good enough because these years, they actually pass underneath our feet pretty quickly and we turn around and we look and we say, wow, 40 years ago -- 35 years ago we got the Olmsted project, 25 years ago we got the Olmsted project authorized and here 25 years later we're still working on the stinking thing. It's really important that we have this life-cycle approach and we include not just construction, but we also include Operation and Maintenance (O&M).

Okay. With that, I will pass the gavel and the microphone to the Chairman of our Board, Mr. Hettel, with one last comment and that is we expect Ms. Marie Therese Dominguez -- oh, she just got here. Great. Marie Therese just arrived. So, Marie Therese, thanks for coming here.

I really appreciate all of our Board members, all of our colleagues from the Federal government and all the public and industry leaders from a variety of functions being here today for this important meeting. Mr. Hettel?

CHAIRMAN MARTIN T. HETTEL: Well, thank you, General. The Board would certainly also like to thank the North Atlantic Division and the Baltimore District for the logistics of today's meeting and, of course, the Board members for their attendance at today's meeting. Special thanks to Mr. Steve Martinko, the Executive Director of the Port of Pittsburgh Commission for the sponsorship of this morning's breakfast. So welcome all to the Inland Waterways Users Board Meeting No. 73.

General, while we missed you at our Meeting No. 72 in Walla Walla, we certainly understand the reason why you couldn't attend the meeting. We hope all is well. I'm glad to have you back in attendance today.

In the same aspect, there are a couple of Board members that, unfortunately, couldn't attend today's meeting due to personal reasons. Board member G. Scott Leininger is overseas attending his son's wedding however we have Mr. Lance Rase from Consolidated Grain and Barge here in his place substituting for Mr. Leininger.

And real unfortunate is Board member Mr. David Choate who is recuperating from a health issue and couldn't be present today. I'd ask that we please keep David in your thoughts for a speedy recovery.

This morning, I'd like to start my comments off, really, where we started back in New Orleans. I believe it was in January of this year (2014) at Users Board Meeting No. 70, when we opened the meeting with some of the goals that the Board had in mind for 2014. So I'm going to run through them and pardon me if I bore people, but I think it's important to recognize accomplishments.

One of the goals was to schedule meetings with appropriate lead time in order to have a full complement of Board Members, Corps personnel and Federal Observers present. We feel we've accomplished this goal through the excellent coordination between Ms. Simmons and all of the schedules she has to deal with. Other than a few personal items we've all dealt with, attendance has been very good and in 2015 we're looking at having our meetings in -- and I may surprise Mindy at this point, I think we talked about it -- in February, May, August and November of next year.

The second goal was to schedule meetings in locations that emphasize the inland waterways as a system. I'll certainly mark that off as another accomplishment. We have

included the MKARNS [the McClellan-Kerr Arkansas River Navigation System] and the Columbia-Snake River system.

In 2015, we're looking at going to Vicksburg, possibly Mobile or Birmingham, somewhere on the Gulf Intracoastal Waterway (GIWW), and then finishing up somewhere in a local area such as St. Louis.

Third goal was to appoint Inland Waterways Users Board members to the top four priority projects within the Capital Development Plan. We certainly have Board members at Olmsted, Lower Mon and over at Chickamauga that have been volunteered. While there's not much going on at Chick, Mr. Mecklenborg [Board member Daniel P. Mecklenborg] has volunteered to be the Board representative there.

As I stated in our meeting in Walla Walla, Mr. McCoy [Board member Robert C. McCoy] and Mr. Somales [Board member Michael T. Somales] have volunteered for the Lower Mon project. So another accomplishment, although, when we go through our process of developing a new Capital Development Plan, of course, these appointees may change.

Fourth was to have a more open and collaborative information exchange between the Corps and the Board. While we left out one item at the Board Meeting No. 71, which I'll certainly take responsibility on that, we believe our three meetings have been productive and the information requested by the Board has been provided accordingly. General, we want to thank you for your leadership in helping accomplish this goal.

Fifth was to start the Inland Waterways Users Board appointee process with the appropriate lead time in order to avoid disruptions in the important work this Board is assigned to do. We've already begun this process and from all the information that has been supplied by Ms. Simmons, we feel the goal will be accomplished before the expiration of our current term which is May 28th of 2015.

As a matter of fact, the reappointments will be made in an odd and even amount of years in order not to have a complete turnover in Board members at the expiration of the following term, after May 28th of 2015. While we have not been confirmed yet, we believe the reappointment process is moving forward accordingly.

My sixth and last point was to appoint the 11th member of the Board as soon as possible. Well, I can say we've had successes on five out of six of our goals, while we have been assured that the 11th Board member will be appointed when our reappointments are completed before the May 28th, 2015 reappointment schedule. So we'll mark that one off next year.

Finally, the Board will be preparing our annual report before the end of the year and we believe the information presented to us today will have an impact on the recommendations in our annual report.

The annual report will also serve as advice and recommendations prior to the development of the budget proposal of the President for the Fiscal Year 2016 as prescribed in the WRRDA 2014 legislation. I hope the implementation guidance allows us to do that.

So that will conclude my opening remarks and we look forward to the collaborative exchange of information today. Thank you.

MAJOR GENERAL PEABODY: Thank you, Mr. Hettel. I appreciate your leadership as the Chair. Now I'd like to call on our Federal Observers to make any opening remarks that they may have and I'll start with Mr. Michael Rodriguez from the Maritime Administration.

MR. MICHAEL J. RODRIGUEZ: Yes. Good morning everyone. I bring greetings from the Maritime Administration from our administrator, Mr. Paul "Chip" Jaenichen. I'm getting used to being the new guy on the block. So I'm very pleased to be here.

A little bit about myself, 35 years in the industry but not so much with this part of our trade. So I'm very much looking forward to learning from you and learning from my experience here. So thank you, some of you, for a very warm welcome this morning and I look forward to meeting the rest of you throughout the meeting. Thank you.

MAJOR GENERAL PEABODY: Thank you, sir. And from the U.S. Department of Agriculture, Mr. Nick Marathon.

MR. NICHOLAS MARATHON: Thank you, General. I'm here today representing Mr. Arthur L. Neal, Jr., Deputy Administrator of the Transportation and Marketing Program of the Agricultural Market Service.

The U.S. Department of Agriculture continues to forecast a record corn and soybean crop for this year. In addition, the USDA projects record levels of soybean exports. This is a very good sign for the barge industry as we are now seeing soybeans as the principal crop being moved on the waterways during this harvest season.

Since the beginning of October, nearly 65 percent of all grain river traffic on the portion of the inland waterways system controlled by locks has been soybeans. We are continuing to examine transportation issues that impact the movement of agricultural products. Part of the 2014 farm bill [Section 6206 entitled "Study of Rural Transportation Issues" of Public Law 113-79, signed into law on February 7, 2014] requires a study to examine the transportation needs of the waterway infrastructure and its ability to transport agricultural products.

And, finally, part of our ongoing efforts include looking at the availability or, actually, the non-availability of rail service to grain shippers as it relates to rail traffic congestion due to increased movement of domestic oil production by rail.

That's it for my comments and thank you for the opportunity to be here today.

MAJOR GENERAL PEABODY: Thank you, Mr. Marathon. And from NOAA, Mr. Russ Proctor. Sir.

MR. RUSS PROCTOR: Good morning and thank you, General. Good morning, Mr. Hettel and members of the Board. I'm here representing Admiral Gerd Glang who is the NOAA Director of the Office of Coast Survey and also serves as a member on the Mississippi River Commission. Admiral Glang sends his sincere apologies for being unable to de-conflict his schedule to be here personally. But his inability to schedule around this is my personal pleasure.

In my past capacity as a Coast Guard officer, I had a number of opportunities to work with the Corps and with inland waterway stakeholders on a multitude of issues involving our nation's inland waterway marine transportation system, the critical infrastructure and the issues surrounding the very sensitivity of outages and the infrastructure.

In my current capacity as Chief of the Navigation Services Division, I am working with the Corps on different issues. So day-to-day I'm not directly involved with these issues, but I look forward to bringing back the conversation and the issues of concern to support the Admiral in his role both as the Director of the Office of Coast Survey as well his role on the Mississippi River Commission.

Currently, I work with the Army Corps of Engineers and our other interagency partners on the CMTS [Committee on the Marine Transportation System] concerning the future of navigation and e-navigation [electronic navigation] issues. But most of our work is certainly focused on coastal navigation. We are working closely with the Corps on e-hydro initiatives as well as electronic MSI.

But, again, it's my personal pleasure to reengage with a number of friendly faces and meet the new folks who I have not yet had the pleasure to work on these issues surrounding our inland MTS (Marine Transportation System) critical infrastructure. Thank you.

MAJOR GENERAL PEABODY: Thank you, sir. And from the Office of Assistant Secretary of the Army for Civil Works, Ms. Marie Therese Dominguez. Ma'am.

MS. MARIE THERESE DOMINGUEZ: Good morning everyone. It's a pleasure to be here this morning. Members of the Board, nice to see everyone and, General Peabody, thank you. Chairman Hettel, thank you very much for letting me join you this morning. A big special thank you to the Baltimore District for hosting us this morning and for those that are here traveling from around the country and elsewhere, thank you all.

I heard some great feedback from the Walla Walla meeting. Ms. Darcy was very pleased to attend and got a lot of really positive feedback from the entire experience and I heard it was a good trip overall. So it was good to be out in the Pacific Northwest.

I'm very much looking forward to hearing about the work that's being done on the IMTS in terms of the long term infrastructure investment strategy this morning and really getting your input and hearing your input on that entire process.

I think it's a very important effort as we look forward to really defining and further refining, rather, what type of systems the users are actually looking for. So it's also a critical component of how we actually manage the infrastructure given our constrained budgets these days.

So thank you for your continued participation. I want to reassure you that we are very dedicated to the appointment process and moving that forward as expeditiously as possible and we will continue to stay on top of that and I look forward to another productive meeting and the opportunity to join you here today. Thank you.

MAJOR GENERAL PEABODY: Okay, thank you, ma'am. And thank you, again, to all the Board members and Federal Observers and the members of the public for being here. We are right on time. We'll do our best to stay on time and, with that, I'll turn it over to Ms. Simmons to continue the agenda.

MS. SIMMONS: Thank you, sir. The next item of business is to approve the minutes from Board Meeting No. 72. Do I have a motion from the Board?

MR. WILLIAM M. WOODRUFF: Matt Woodruff. I move for approval of the minutes from Meeting No. 72.

MS. SIMMONS: A second?

MR. MARK K. KNOY: Seconded.

MS. SIMMONS: Mr. Knoy. All in favor say aye.

BOARD MEMBERS: Aye.

MS. SIMMONS: Any nays? (No response.)

Okay, the minutes from Users Board Meeting No. 72 are so approved. We have a couple of follow up items from the last meeting. One was a question concerning Bayou Sorrel and, if you recall, it was a request from the Board actually in the form of a motion that the Corps go back and take a look at the analysis that was completed by incorporating some new information from 2014. So I distributed that read ahead in advance. I've put hard copies in front of you. It looks like this. So I just ask now if there are any follow up questions on that item. We do have Mr. Brad Inman [Senior Project Manager at the U.S. Army Corps of Engineers, New Orleans District] in the audience to field questions. Steve Jones [Navigation Business Line Manager, U.S. Army Corps of Engineers, Mississippi Valley Division] unfortunately, couldn't make it here due to a family issue.

Any questions from the Board?

MR. WOODRUFF: I do have a question. I must have missed this in the read ahead. I apologize. I'm trying to take a look at this now. This is Matt Woodruff, for the record.

The question -- I'm looking to see if it's been addressed here. Regarding the LPMS [the U.S. Army Corps of Engineers Lock Performance Monitoring System] data and the manner in which lock delays have been recorded, have you all had an opportunity to look at that?

MS. SIMMONS: Brad, are you available to field the question? We can have you come up to the podium.

MR. BRAD L. INMAN: I'm Brad Inman, the senior project manager for the Bayou Sorrel Lock project in New Orleans. We specifically looked at the economic analysis. We did have a phone conversation with members of the Inland Navigation Planning Center of Expertise [located at the Huntington District of the U.S. Army Corps of Engineers] and they are taking a look at the Lock Performance Monitoring System data and trying to determine if there are some issues with that data at this time. Now, I asked for an update on that information before we came, but I haven't received any at this point in time.

CHAIRMAN HETTEL: Mr. Vice Chairman, Marty Hettel here. I was involved in some of those phone calls. I think we understand what is reported on the Internet through the LPMS is not accurate for the time frames that tows are waiting, not only at Bayou Sorrel, but at other locks when the main chamber is down and you have to do a double.

I did speak with Lin Prescott [Economist at the Inland Navigation Planning Center of Expertise] also. He's looking into what he called the data dump and trying to figure out if the original time was left in there or not. I do agree that they're working on that, but I haven't heard any progress on actual times.

MR. INMAN: Now, we contacted Lin last week and early this week and he has not come to any conclusion yet. But I know, in particular, he did have a belief that some of the raw data that's being shown on the Internet is not correct. So they're looking at that information for not only for Bayou Sorrel but for the other locks.

MAJOR GENERAL PEABODY: Can I ask what is the basis for believing that the data is inaccurate? And what can we do to fix, if we understand that basis?

MR. INMAN: Well, I can't speak for Lin and this isn't my area of expertise, sir. But my understanding is they feel like some of the data is not being reviewed before it goes onto the Internet. So they were looking at how they're going to change that process and clean it up before it happens in the future and maybe Mr. Hettel can explain it better than I can from the phone conversation we had.

CHAIRMAN HETTEL: General, I'll certainly try to make an attempt and keep us on time. I'm just going to give you a specific example.

If we had a vessel that logged in waiting at Bayou Sorrel at 1800 last night and they don't -- and they've got six barges, which is a double lockage. When the assist tug shows up to pull the other three barges off to do the double lockage, that's when the -- at least the data on the Internet shows the vessel actually locking through.

So the vessel could be sitting there for 24 hours. However, the data on the Internet shows them locking through at 1800 the next day and doesn't reflect --

MR. WOODRUFF: Or arriving.

CHAIRMAN HETTEL: -- doesn't reflect the actual delay time. That's what's supported on the Internet and Lin is working on the backside of it to see if the actual arrival time is being calculated for delays at a lock.

MAJOR GENERAL PEABODY: So, Mr. McKee, who is our expert? Is this the PCXIN [the Planning Center of Expertise on Inland Navigation] or is it IWR [the U.S. Army Corps of Engineers Institute for Water Resources]? Who owns this data management issue in the Corps?

MR. JEFFREY A. McKEE: It's going to be IWR that handles the Lock Performance Monitoring System. And Lin Prescott is currently looking into it. We'll see what else needs to be done to clean it up.

MAJOR GENERAL PEABODY: When do you think we'll be able to get an update on this issue?

MR. McKEE: I would say we can follow through in the next week and get something from Lin to see where we are.

MAJOR GENERAL PEABODY: Well, I would certainly personally like to get updated on this before the Christmas holidays.

MR. McKEE: Sure.

MAJOR GENERAL PEABODY: And get a detailed understanding of how the system works, what the issue is, why it exists and what the fix is and then what are the consequences for this particular project and other projects in terms of data analysis and economic impacts.

MR. McKEE: Yes, sir.

MAJOR GENERAL PEABODY: Thank you very much.

CHAIRMAN HETTEL: General, Marty here too. I just want to reemphasize that. I hate to get off Bayou Sorrel, but I've noticed that same scenario at the Mel Price closure [Melvin Price Locks and Dam on the Mississippi River], at Robert C. Byrd [Robert C. Byrd

Locks and Dam on the Ohio River], at Emsworth [Emsworth Locks and Dam on the Ohio River], and at Dashiields [Dashiields Locks and Dam on the Ohio River]. It's pretty much the same scenario.

MAJOR GENERAL PEABODY: No, I can't imagine this would affect one single project. It's got to be more systemic. But first we need to understand the underlying root causes and, once we do that, then we can figure out what the impacts are and then we can figure out how we want to deal with it. So we'll take it on.

If it's okay with you, Mr. Chairman, we'll report out on this research at the next Users Board meeting or at least that will be an item that will compete for time on the agenda.

CHAIRMAN HETTEL: I would suggest, General, as important as this is to the industry, that if you get an update and you can distribute it to the Users Board prior to the next meeting, that would be great.

MAJOR GENERAL PEABODY: Sure, sure.

CHAIRMAN HETTEL: Thank you.

MR. WOODRUFF: If I could, one final comment with respect to Bayou Sorrel. It still appears to me that we're using as the analog for future demand at Bayou Sorrel crude oil production and we're using crude oil production figures as a basis of estimating what the future demand will be at that lock and I don't think crude oil production is what drives use of Bayou Sorrel. I think that there are so many petrochemical products that come through there. Natural gas production is driving -- currently planned at over \$100 billion of construction of facilities along the Gulf Coast.

So I don't really know that they are as much tied to crude oil production as they are natural gas and petrochemical manufacturing. So if we're just looking at a crude oil production forecasts to decide what's going to happen at Bayou Sorrel, I don't think we're looking at the right thing. So that's something we don't, I think, need to discuss but I think we need to look at that and make sure.

MAJOR GENERAL PEABODY: Could you address that, Brad.

MR. INMAN: Yes, sir. We are, in the economic analysis, looking at petrochemicals. That's the major commodity that is transported up and down this alternate route [the Gulf Intracoastal Waterway, Port Allen to Morgan City Alternate Route]. So I believe it is reflected in the numbers, the analysis that we have, sir.

MAJOR GENERAL PEABODY: Thank you.

MS. SIMMONS: Okay. No other questions for Brad?

COURT REPORTER: Sir, could you spell your last name.

MR. INMAN: I-N-M-A-N.

MS. SIMMONS: Thank you. Our next follow up item is the summary of lock outages which we just handed out. You have it in front of you. It looks like this. It includes a summary of all the outages in FY 14 and projected outages for FY 15 and a few into FY 16 and even FY 17. Is that correct, Jeff?

MR. McKEE: Yes, ma'am, that's correct.

MS. SIMMONS: And what we're proposing to do is not go into this today unless there is a pressing issue, but give you some time to look at this and, if there are questions, we can follow up after the meeting or discuss it in more detail at the next meeting as well.

MR. McKEE: This is Jeff McKee. One follow up from the last meeting, I believe Mr. Knoy asked about the Bayou Sorrel Lock closures that are coming up early in the calendar year, whether or not they would be complete closures.

Since we are going to be working on the lower as well as the upper sector gates, they will require a dewatering and, therefore, will be a complete closure during both of those periods that are reflected here.

CHAIRMAN HETTEL: Jeff, Marty Hettel here. If I may make one quick comment -- I'm not going to go through the detail here. We appreciate your looking in to the future years for lock closures. The best way to benefit industry, and not necessarily this Board -- I'm speaking industry wide -- is there not an opportunity for the navigation industry to be at the table before you set up the schedule? It's one thing to send your schedule out and say "Here is when we're going to close them." We'd like to take a more proactive approach and have industry involved when you're scheduling the closures so we don't run into something that industry sees and you may be able to juggle your schedule around.

MR. McKEE: Yes, sir. This is Jeff McKee again. I believe the districts are doing that, coordinating with the industry through organizations such as RIAC [the River Industry Action Committee] and so on to schedule these things in advance. Obviously, if something comes up at the last minute, that's not possible. But my understanding is the districts are sitting down with the appropriate industry individuals to schedule these and, if it's not happening, please let me know and we'll make sure that the districts do that.

MAJOR GENERAL PEABODY: I believe that's accurate also. However, what I'd like to do, Jeff, is if you could work with all the regional operations chiefs and ask them to provide you with a summary of the methodology that they follow to schedule, consult and adjust planned maintenance lock closures and then report that back to the Board on a -- let's take a regional basis, an MSC [Major Subordinate Commands, the Corps division offices] basis because I believe this is -- while the details are coordinated at the district level, it's -- the system coordination generally happens at the regional level. Then we can report back out, if that's okay with you, Mr. Chairman, at the next meeting.

Also, I'd like to talk to you offline, Jeff, about how to portray this. I'm interested in some graphical portrayals by sub-system. I've got some ideas to make it a little more user friendly and easier to look at and quickly grasp.

MR. McKEE: Yes, sir. It would be easier on a spreadsheet on this, but this was originally started as a presentation. So that's why the format has stayed.

MAJOR GENERAL PEABODY: What I have in mind is regularizing this. So it becomes a habit and it's easy to follow and it's just routine information that we exchange. It doesn't require, really, any considerable time at the Board meeting except where the Board has concerns. Is that okay?

MR. McKEE: Yes, sir. One more follow up comment. If you look at these, these are pretty much in chronological order starting when the closure occurred. So if you look at the very first page in FY 14, it starts at the beginning of October 2013 and then the closures run through, sequentially, until you ultimately get to the Columbia-Snake closure in FY 17 on the last page.

MR. KNOY: Jeff, Mark Knoy. Just one quick question on Lock and Dam 27 [on the Mississippi River]. Is that chamber going to be closed starting today or will they be able to flush ice through the winter?

MR. McKEE: It was originally scheduled to close yesterday. We put it off until today. So it should be closed today.

MR. KNOY: Will the chamber be closed or will they be able to flush ice through there?

MR. McKEE: The main chamber will be closed. The auxiliary will be open.

MR. KNOY: Your handout says the auxiliary chamber is closing.

MR. McKEE: I'm sorry, I'm thinking of Mel Price. I'm sorry.

MR. KNOY: The issue is, as winter comes and we get ice buildup there, we usually use that chamber to flush through. Is that chamber going to be available to do that, do you know?

MR. McKEE: I'll have to check on that unless -- is Eddie Belk still here? Eddie, do you know the answer to that one?

MR. EDWARD E. BELK: Eddie Belk, Mississippi Valley Division. We will be closing Lock and Dam 27, the auxiliary lock. It will be closed for some period of time. I can get you the exact dates, Mr. Knoy, but we do expect an extended closure as we dewater that.

MR. DANIEL P. MECKLENBORG: This is Dan Mecklenborg. In line with the discussion that we just had, we do, I think, across industry and the shipping community think

that there probably are improvements that can be made in the pre-planning for scheduled lock and channel outages and we're hopeful that we can explore some tangible improvements over the coming year.

MAJOR GENERAL PEABODY: So, thanks for that, Mr. Mecklenborg. What I would ask you to do -- perhaps I'll defer to the Chairman on how to do this, but any recommendations that the industry has for the Corps, best business practices for us to consider, if you could provide that to us, then -- what I would like to do is turn this between now and the next Board meeting so that we can have a more detailed discussion about the current process, the best practices and what we intend to do to address those at the next Board meeting so that we can scratch this itch and make it go away.

MR. MECKLENBORG: Yeah, will do.

MAJOR GENERAL PEABODY: Thank you, sir.

MR. WOODRUFF: This is Matt Woodruff. General, if I could just -- I think I'm reading your mind a little bit, but ending up with a common operating picture accessible to all, whether it's a farmer in the Midwest or an operator of barges, if there was a one-stop shop that could give you that common operating picture, I think that would eliminate the possibility of surprises if everybody was using the same tool at the end of the day.

MAJOR GENERAL PEABODY: We'll take that on, Jeff. I thought we had something like that at the regional level. But, again, I'd like you to kind of pull this all together and there are certainly ways that we can provide this information digitally and virtually that facilitate near real-time knowledge.

MR. McKEE: Yes, sir.

MS. SIMMONS: Okay, thank you. We're almost on time. Now, we'll shift over to some of the technical presentations. We'll start with Mr. Joe Aldridge. Some of you may have met Joe at our last meeting at Walla Walla. He is now filling in or is the Inland Waterways Trust Fund account manager at the Corps, backfilling for Mr. Jon Soderberg who is still here in the background, as he has taken a new position within the Corps. Congratulations to Jon and welcome to Joe. You should all have a revised presentation that we just distributed in front of you. So, hopefully, everyone at the table has the notes that they can look at and I apologize for the folks in the audience. We'll try to get that up as quickly as we can.

MR. KNOY: Is this different than the one in the book?

MS. SIMMONS: It's slightly different. Correct, Joe?

MR. JOSEPH W. ALDRIDGE: Right, just slightly.

MS. SIMMONS: Just slightly different. Joe, if you want to, point out any differences as you go through. I know some folks take notes on the ones we already distributed. So that may help them not have to redo that process. Thanks.

MR. ALDRIDGE: Okay. Good morning General Peabody, Mr. Hettel, Ms. Dominguez, Board members and guests. I'm Joe Aldridge, the Civil Works program manager and the new Inland Waterways Trust Fund manager. I'm taking over, as Ms. Simmons said, for Jon Soderberg.

Since this is my first Board meeting, I'm going to reserve the right to use my lifeline, Jon [Soderberg] and Jeff [McKee], wherever possible.

Let's start off with Slide Number 2 which is the FY 14 Status of the Trust Fund. At the top, you'll see the beginning block, the balance of \$33.8 million that was brought forward into the Trust Fund from FY 13. This was retained within the Treasury account. Below that are the remaining FY 13 Sequestration and Across the Board rescission funds. The way the Treasury manages those funds is to place those funds within the Corps account. However, they restrict their use.

The next line denotes the Previously Transferred Authority funds which relate to funds that were brought forward to the Corps from the Treasury to pay for previous authorized obligations which totals just over \$2.9 million. Between these two accounts, the total available is \$40.777 million and you'll see that as you go down to the FY 14 beginning balance line. That's where that shows up.

The Corps' goal is to only transfer funds once a year and that Treasury has agreed that this is a good method of accounting. You see the beginning balances and revenues only scored on the Trust Fund side, not on the Corps side, until we transfer at the end of the year or, if there's a critical need during the year, we can make a transfer.

The next two lines, you'll see the total fuel tax revenue in FY 14 of \$81,727,513. This gives the Trust Fund a total available balance as of the 30th of September 2014 of \$122,528,915 and I jumped over the interest earned on the money in the Trust Fund. In FY 14 the interest earned was \$23,552.

From this amount, the Corps had transferred to it \$1.5 million and \$96,368,992 for a total of \$97,868,992 which is broken down in the next section as follows.

“Emsworth Disbursement”, that's where that \$1.5 million came from. “Congressional conference allocations and work plan distribution” of \$92,487,500 and then there was “Reprogramming, Rebalancing, and funds holdback” of \$3,881,492.

Total transfer to the Corps was \$97,868,992 and that leaves an ending balance of \$24,659,923.

CHAIRMAN HETTEL: Joe, Marty Hettel here. May I ask a question so I understand the ending balance? That \$24.659 million is Trust Fund dollars, correct?

MR. ALDRIDGE: That is correct sir.

CHAIRMAN HETTEL: If that was obligated to a project, then we would -- depending on which project, then the General Treasury would be matching that amount; is that correct?

MR. ALDRIDGE: As I understand it, correct.

CHAIRMAN HETTEL: So, initially, there could be \$45 million left over if it was obligated; is that right?

MR. ALDRIDGE: I'm not sure as to the question.

CHAIRMAN HETTEL: Well, if we double the \$24.659 million, if it's on a 50/50 split and you are to obligate the \$24.659 million, the General Treasury would match the \$24.659 million.

MR. ALDRIDGE: That's correct.

MAJOR GENERAL PEABODY: That's correct. So if you follow the columns all the way down, Trust Fund on the left, Corps, or Treasury on the right, that zero, once we actually -- I'm not sure if it's obligate or expend these dollars -- is matched. So we're just tracking the money from revenues from the Trust Fund here in the balance. But once we execute those dollars, then they are matched by the federal government.

MR. ALDRIDGE: Thank you.

MAJOR GENERAL PEABODY: Well, except for Olmsted. It's not a direct match.

MR. ALDRIDGE: So the next slide, here you have the -- we have been recording for the last -- well, counting this year, the last four years trend lines. The red line represents 2014 and it's income of \$81,751,065. This is the \$81,727,513 of the fuel tax revenue plus the interest of \$23,552 and that totals this number.

This number, you'll note that this reflects basically a nine percent increase from FY 13. However, it's still about roughly nine percent below the highest year of FY 12. So remaining within a certain range based on the Treasury's reporting on income in the Trust Fund, even with the May and June downturn that we noticed at the last Board meeting. This includes the actual tax payments and corrections for adjustments by the Treasury for the first three-quarters of FY 14. The fourth quarter adjustment would typically be received in December. So there may be some adjustment, but this is as reported by the U.S. Treasury which reports every 15 days on projected income.

Typically, any balance adjustment is around a million to two million dollars based on actual income with the IRS transfers it to the Treasury.

Interestingly, this year end income figure is almost spot on Mr. Soderberg's estimated yearend target of \$80 million range and reflects Mr. Knoy's prediction of a really strong remainder of the year reported at the last Users Board meeting.

On Slide 4, this is a close-up of just the fourth quarter of the last four fiscal years [FYs 11 to 14] to give you a picture of the fourth quarter adjustments. Hopefully, this provides a little better visual than a whole year review. As you can see, we're about halfway between FY 12, the high year, and FY 13, the low year. But it is not anticipated these numbers will change much with the year end adjustment.

We receive the actuals about three months after the end of the year. So, in this case, it will be roughly December when we'll be doing any adjustments.

Next slide, Slide 5. This slide gives you the historical context of the FY 13 funded projects. You can see what was funded with the Trust Fund and where we are and what that draw was from the Trust Fund and how we managed that balance. So we funded four projects [Olmsted Locks and Dam; Lower Monongahela River Locks and Dams 2, 3, and 4; Lock and Dam 27, Mississippi River (Major Rehabilitation) and Emsworth Locks and Dam, Ohio River] for a total of \$83,673,702.

The next slide, this is the FY 14 Inland Waterways Trust Fund applied to projects. In this, we have three projects [Olmsted Locks and Dam; Lower Monongahela River Locks and Dams 2, 3, and 4; and Lockport Pool, Illinois Waterway (Major Rehabilitation)] for a total of \$92,487,500.

On the next slide we have the project updates and this is the order that I'll be running through the projects. Slide 8 we're starting with the Mississippi Valley Division with the Lockport Pool major rehabilitation. As you can see here and as the Board requested, we broke out the ARRA [American Reinvestment and Recovery Act of 2009, Public Law 111-5, signed into law on February 17, 2009] funds from the Construction, General in the format at the top of the page. Other than that, there are no changes to this section.

Under the current status – on the lower left of the slide -- of the projects, note that the contract for the forebay wall was awarded on 11 September 2014 for \$31.9 million. There is no change to the construction schedule on the next slide. Construction is scheduled to be completed in FY 16. Next, we go to Slide 10.

MR. KNOY: Joe, this is Mark Knoy with ACL. Does this forebay project become part of the Lockport project then?

MR. ALDRIDGE: Yeah, it's the final contract, as I understand it. This closes out the --

MR. KNOY: The \$31.9 million?

MR. ALDRIDGE: That's correct.

MR. KNOY: So it is included in the total cost up above here or not?

MR. ALDRIDGE: Yes. As I understand it, it is.

MR. KNOY: So is this one of these, General, where, because of the continuing resolution, it will be funded at the 50/50, but if we get a new spending bill prior to the start of this, would it then go to the other split or just --

MAJOR GENERAL PEABODY: If I understand WRRDA correctly, the 50/50 stays in place with the exception of Olmsted. And so it would go from 75/25, which was the FY 13 appropriations bill or the FY 14 Omnibus appropriations bill, and it would go from 75/25 from the FY 14 Omnibus bill to 85/15 once we finally get a new appropriations bill or some other legislative act that facilitates that transition. So everything else will stay at 50/50. Now -- go ahead.

MR. KNOY: Well, I'm just curious because it was awarded in Fiscal Year 15 where the new rules would apply, but we're under the Continuing Resolution. Is this one of these where it's applied in limbo?

MAJOR GENERAL PEABODY: This is Lockport. So it wouldn't apply. It would only be for Olmsted.

If I can could, Mr. Chairman, I think because of this two system approach, as we go through -- so if go back to Slide 6, for example, I would want to see portrayed two columns, one entitled "Trust Fund", which is the revenues that the users input from the gas tax, the other entitled "Federal Match" and that match will vary based on the project. Olmsted is going to be higher. For the other projects, it will be the same.

MR. ALDRIDGE: That will be covered on -- if I understand your question correctly, I have each one of these project slides, broken down --

MAJOR GENERAL PEABODY: I'm just saying, if you just have one figure, I don't understand it. \$40.75 million for Olmsted? I don't get how that relates to how much the Federal government is putting in versus what the -- I just need to see two columns routinely.

MR. McKEE: I think what Joe is saying is when you get to the individual project sheet, he's got it broken out. So if you look at Lockport, you'll see Construction --

MAJOR GENERAL PEABODY: I'm saying it's confusing without that information portrayed any time you talk about expenditures. I guess we're talking about expenditures.

MR. ALDRIDGE: Well, obligations.

MAJOR GENERAL PEABODY: It's obligations? Okay. It's just confusing to me personally unless I see both columns. I don't know how you feel, Mr. Chairman.

MR. ALDRIDGE: This is strictly the Inland Waterways Trust Fund dollars. So if -- I mean, I can add these in here. We'll just create a new column for Construction and Inland Waterways.

MAJOR GENERAL PEABODY: So, Joe, when you say Inland Waterways Trust Fund dollars, what does that mean?

MR. ALDRIDGE: That's directly the money we will take from the Treasury.

MAJOR GENERAL PEABODY: So we need very clear doctrinal language that differentiates between the funds that come from the users via the tax and the funds that come from the Treasury to match which will vary now from project to project. It used to be really easy. It's 50/50, it's an equal match. I could track it. Now, we have different rules for different projects and it's instantly confusing for me personally, at least.

We can talk more about how to do this later, but I think it's very important to have this distinction unless Mr. Chairman disagrees. I'm having trouble following it.

CHAIRMAN HETTEL: I think, General, you're right. This slide confuses me from this slide. I know this is a summary of Trust Fund and this slide [Lockport Pool Major Rehabilitation, Illinois Waterway] shows \$14.4 million from the Trust Fund and \$14.4 million from the Construction, General account which is what I think the General is trying to see.

So maybe you put the same here or eliminate this slide and just go by this because when, General, when you look at the \$40,750,000 [the share of FY 14 allocation to the Olmsted Locks and Dam project derived from the Inland Waterways Trust Fund] and look at the Olmsted summary, it states the \$40,750,000 came from the Trust Fund plus the 75 percent [of the total project allocation], or \$122,250,000 [the share of the FY 14 allocation to the Olmsted Locks and Dam derived from the Construction, General account].

MAJOR GENERAL PEABODY: So Construction, General versus IWTF [Inland Waterways Trust Fund], right, and then the total. So these are neither obligations or expenditures, they're allocations, correct?

MR. ALDRIDGE: Yes, sir.

MAJOR GENERAL PEABODY: I'm sorry, Joe, go ahead.

MR. ALDRIDGE: All right. I believe on Slide 9 there was no change to the schedule, but we did update the contract award date to September 11th from September 30th. So we awarded the contract early.

All right. Slide 10, the next project is the Inner Harbor Navigation Canal Lock Replacement. Again, as you'll note, that we added a column for the ARRA funds, though this project didn't receive any. It reflects a zero. There's no change to this project since the last Board meeting, just continuing efforts as noted in the box on the slide titled "Changes".

As noted in the box on the slide titled "Current status of the project", this project is being fiscally closed out and we do not anticipate providing the project any further funds from the Construction account or the Inland Waterways Trust Fund. Efforts continue to move forward with the re-evaluation report for a shallow draft replacement lock.

MS. SIMMONS: And I'll interrupt here, Joe, too, because we did have a couple of questions about the IHNC project at our last meeting and I believe Jeff McKee is prepared to answer those on behalf of MVD [Mississippi Valley Division]. One was related to the ownership of the land for the deep draft project and the other was about the Trust Fund allocations. So, Jeff.

MR. McKEE: In terms of the ownership of the land, the question was whether or not the Corps owned the land fee simple and we do for the deep draft. We did not purchase all the lands necessary for a shallow draft lock. And then, at this point in time, they are still finalizing the accounting, but \$62 million went from the Inland Waterways Trust Fund towards the IHNC project.

MAJOR GENERAL PEABODY: This is General Peabody. So, the shallow draft project has a bigger footprint than the deep draft project?

MR. McKEE: My understanding is there would still need to be some land that would have to be obtained to complete work on a shallow draft lock if we move forward with a new shallow draft lock.

MAJOR GENERAL PEABODY: That will be in the General Reevaluation Report?

MR. McKEE: That is correct. Yes, sir.

MAJOR GENERAL PEABODY: When will we complete the General Reevaluation Report?

MR. McKEE: I do not have a date on that, sir.

MR. BELK: I will check on that and report back to you, sir.

MAJOR GENERAL PEABODY: So I'd like to include that information in the next update for the Board, please.

MR. ALDRIDGE: At the last Users Board meeting Mr. Knoy had a question and I'm going to read, basically, what he said. And I quote "...this was one of those projects where it wasn't going to be a 50/50 split because deep draft was going to pay a greater share. But, yet,

when you look at the dollars that have been expended, construction spent \$55 million" – I think that should have been \$45 million rather than \$55 million -- "and the Trust Fund spent \$66 million. That seems to be reversed...."

When I went down to the district to ask them why the discrepancy in funds, they said there was a construction allocation of \$26,985,000 to the Mississippi River Gulf Outlet project for an evaluation prior to FY 2000 which, at that time, was part of this IHNC project.

The IWTF did a catch up on IHNC in FY 2000 and 2001 to balance the allocations. Construction and Inland Waterways Trust Fund allocations were in balance through FY 08 when the project then stopped the cost share. I'm trying to find out if that amount was fully expended which would add to the total construction pulled in. This \$26,985,000 expenditure has not been added to the expenditure report that I provided to Mr. Hettel and the Board for the IHNC, so some research is still needed by the district to ensure that all of these funds were, in fact, expended. However, given the age of the data, it's taken longer than we thought it would take.

MAJOR GENERAL PEABODY: So these are funds that were expended for land acquisition and study; is that correct?

MR. ALDRIDGE: I'm not sure about the land acquisition. I know it was --

MAJOR GENERAL PEABODY: I know there was some land acquisition.

MR. ALDRIDGE: Okay.

MAJOR GENERAL PEABODY: Jeff?

MR. McKEE: Yes, sir. The land acquisition was included in those costs.

MAJOR GENERAL PEABODY: Mr. Chairman?

CHAIRMAN HETTEL: Yeah, I'm not sure we answered Mr. Knoy's question. Joe, I appreciate your summary on these projects. As you stated, \$66 million Trust Fund, \$45 million General Construction funds certainly does seem in balance if that \$21 million for Inner Harbor...

MR. ALDRIDGE: If I add the \$26.985 million to the total project cost of \$791 million, then that comes out to be roughly 57 percent to 43 percent. So it's more in balance than the 60/40. But, still, it's not balanced.

MAJOR GENERAL PEABODY: These costs that you've got, these are not costs that have been incurred. They are estimated costs to construct the project?

MR. ALDRIDGE: Correct.

MAJOR GENERAL PEABODY: Okay. Mr. Chairman, I think we owe you some more clarity on this. I would like to get a very clear understanding of what funds the Corps has spent, what we got for those expenditures and what the source was, whether it's the Trust Fund, Construction, General, ARRA, whatever, and then lay that out for the Board hopefully at the next meeting because I'm not sure, Mr. Knoy, if we've answered your question or not. I don't think so.

MR. KNOY: I just wanted to make sure the costs are shared correctly.

MAJOR GENERAL PEABODY: No, I get it. We need to go do that audit, as it were, figure it out and report back to the Board. We're not quite there yet.

MR. ALDRIDGE: On Slide 11, there were no changes.

On Slide 12, we move to the Lock and Dam 27 Major Rehabilitation. Again, you'll see that we broke out the ARRA funds from the Construction funds in the format. There are no actual changes to this section other than the obvious pulling out the numbers and readjusting them.

As you can see, all the contracts are completed, and any of the carryover funds that we have would be for those internal administrative processes in which we need to do fiscal closeout and put the final reports together on the project.

Also note that the cost share allocations are in balance and the completion of Operation and Maintenance (O&M) manuals and as-builts are scheduled to be completed in FY 15.

Slide 13, the capitalized cost closeout has been adjusted to 30 September of 2015. That's the only change.

Slide 14 through 17, these would be moving us into the Great Lakes and Ohio River Division for the Olmsted and Lower Mon projects. I wanted to make sure that we provided you the same format slides, but these two projects will be briefed by Mr. David Dale following my presentation.

Moving to Slide 18, the Emsworth Locks and Dam project. Again, ARRA funds were broken out from the Construction amount and you'll see a decrease from the last Board meeting of \$2,000 on the lower right with an asterisk there. That is a change in the remaining balance due to reprogramming.

In the funding section, the box on the lower left of the slide, a line for the total ARRA funding was added which shows \$33.6 million. As for the current project status, shown in the box on the lower right of the slide, the Project Delivery Team is working the punch list of items to fiscally close out this project in FY 15.

Per the Board's request at the last Board meeting, they asked us to spell out the acronyms. We had "ED&C" -- this is in the funding summary section. The ED&C and the

S&A. The ED&C stands for “Engineering and Design during Construction” and then we had S&A which stands for “Supervision and Administration” and these adjustments were made on the remaining slides also.

MAJOR GENERAL PEABODY: Hey, Joe, whenever we have a discrepancy between the normal cost share and what's been allocated, I'd like to understand that. So, for example, here, in either direction, but we've got \$5 million CG [Construction, General], \$417,500 IWTF. Why?

MR. McKEE: Sir, you'll notice on a lot of these that are major rehabs. If you go back to Lockport, if you look at Lock and Dam 27, if you look at Emsworth, in Fiscal Year 09 when the Congress appropriated funds, they appropriated 100 percent --

MAJOR GENERAL PEABODY: For that single year?

MR. McKEE: -- Construction, General funds for that particular year. The ARRA funds, again --

MAJOR GENERAL PEABODY: I get the ARRA. I'm not talking about the ARRA, I'm just talking about CG and IWTF.

MR. McKEE: We then got into a situation in some of the subsequent fiscal years, in FYs 10, 11 and 12 because Congress, when they appropriated the money, specifically said “Such sums as necessary to come from the Inland Waterways Trust Fund” and then, in brackets, they specifically named projects such as Olmsted or Lower Mon.

In some cases like Emsworth and in Lockport, where we had not budgeted for these projects in a particular fiscal year because we previously thought we were budgeting to completion and, therefore, when the Congress marked up the bill, they did not see Emsworth or Lockport in there. When we went to apply funds because those projects were not specifically listed to be drawn from the Trust Fund we could not draw from the Trust Fund to fund those projects. So it was drawn solely from the Construction, General account.

MAJOR GENERAL PEABODY: Okay, you lost me at FY 09. Okay, never mind. But I would like to go back and personally understand this because I'm very confused.

MR. McKEE: There are a lot of different nuances on --

MAJOR GENERAL PEABODY: So here is my big question, my big picture question: Who do we have that independently assesses whether or not we have applied the various permutations of law and appropriations to ensure that we're allocating the funds as Congress directed?

MR. McKEE: That is the responsibility of Mr. Mugler's shop [Mr. Mark Mugler, Corps of Engineers, Headquarters, Program Integration Division] in concert with Office of Counsel. They get an opinion each year as to how the funds are to be drawn.

MAJOR GENERAL PEABODY: So every year Mr. Mugler and Counsel get together and review and ensure that we are in accordance with law?

MR. McKEE: We get a ruling as to how we would implement the Appropriations act.

MAJOR GENERAL PEABODY: Okay.

MR. McKEE: In those years where things like Emsworth, for instance, in Fiscal Year 2013, if you look at the appropriations bill, when the Congress listed the projects to be drawn from the Trust Fund, it did not include Emsworth in this particular year. And that's why there is so much –

MAJOR GENERAL PEABODY: Other than ARRA and FY 09 appropriations, are there other years where this kind of...

MR. McKEE: Yes, there are.

MAJOR GENERAL PEABODY: Nevermind. I don't want to know.

MR. McKEE: If a project was funded in a particular year, but it was not listed in the general appropriations --

MAJOR GENERAL PEABODY: I would just like to have a separate conversation with you and Jim [Mr. James Hannon] and Mark [Mr. Mark Mugler] to make sure I do understand the process. I just want to be confident that the process that we follow, in fact, is faithful to what -- that we've got confidence, that we have a proper quality assurance over that process to ensure that we faithfully follow Congressional direction. That's my only concern.

MR. McKEE: Yes, sir.

MAJOR GENERAL PEABODY: Okay, thank you. I won't ask any more questions about allocations.

MR. McKEE: The good news has Congress stopped naming the projects, so we don't have this issue in the future.

MR. PEABODY: That would be the earmark ban. Okay, thank you.

MR. ALDRIDGE: The last item on Slide 18 under "Funding Summary" is a line for mitigation costs. The Board had asked us to -- at a previous Board meeting, I guess, to track mitigation costs. So we've added that in the box. In this case, it's zero, but it's there in case there are any issues.

No changes to Slide 19.

Slide 20, Kentucky Locks and Dam. We've had no change in the remaining balance from the last Board meeting. Here again, ARRA funds were pulled out of the Construction, General funds and are shown separately. This project is essentially demobilized. It has been put into a safe condition during the pause.

MR. McKEE: They are still finishing up work on Kentucky Lock. This is work that was awarded a few years ago but construction is still continuing.

MAJOR GENERAL PEABODY: This is General Peabody. When you say construction is continuing, you mean that it's in construction status, although actual work is really not occurring?

MR. McKEE: No, actual work is occurring on previously awarded contract.

MAJOR GENERAL PEABODY: When will that work come to a conclusion?

MR. McKEE: Dave [Mr. David F. Dale, Director of Programs, Great Lakes and Ohio River Division, U.S. Army Corps of Engineers] is it FY 15 or is it going to go into FY 16?

MR. DAVID F. DALE: It should be FY 16. I think it's supposed to go right up to the end of FY 15, maybe into 16.

MR. ALDRIDGE: Okay. Slide 21, there are no changes.

Slide 22, Chickamauga Lock, there are no changes from the last Users Board meeting.

CHAIRMAN HETTEL: Joe, Marty Hettel. I have a question on Chickamauga. If we could wave a magic wand and the Corps had the funds to complete this project -- I understand the \$1.041 billion is in 2041 dollars, at least that was what was reported at our last Users Board meeting.

MR. ALDRIDGE: I thought it was in 2015. Do you know?

MR. KNOY: It says October '14.

MR. ALDRIDGE: October '14 dollars. If it said 2041, maybe it was a typo. But I believe it was FY 14 dollars.

MR. McKEE: I think, if you look down...

CHAIRMAN HETTEL: I guess my question is: Is that \$1.04 billion basis when you think the project would be built or if you had the funds to complete it right now?

MR. ALDRIDGE: Mr. David Dale.

MR. DALE: David Dale. Ultimately that -- my understanding is that the one billion dollar target is based on a 2041 completion which is driven by the current prioritization list and the FY 14 issue is it was based on 2014 dollars, is what the estimate was based on, escalated out through 2014 -- excuse me, 2041. So that's the 2041/2014 kind of little confusion there. Okay?

MR. ALDRIDGE: Thank you.

MAJOR GENERAL PEABODY: General Peabody. So, David, to be clear, what you're saying is that the remaining balance is estimated for a duration going out to the year 2041?

MR. DALE: That is correct.

MAJOR GENERAL PEABODY: If the project duration was compressed to some earlier date that number would come down, although it would still be a very large number?

MR. DALE: Yes. It should come down if you pull the project to the left.

MAJOR GENERAL PEABODY: Do we know, if the Chickamauga project were fully and efficiently funded today, what that project cost estimate would be?

MR. DALE: I do not. I could find out if you need to.

MAJOR GENERAL PEABODY: I would defer to the Board on that.

MR. MECKLENBORG: That would be very helpful. Dan Mecklenborg.

MR. DALE: So the question is if the Chickamauga project was fully funded, when would it be completed and what would the fully funded amount be?

MR. MECKLENBORG: Yes.

MR. DALE: Got it. Thanks.

MR. ALDRIDGE: If there are no further questions, that concludes my portion of this -- you got one more? Okay.

MR. MECKLENBORG: I have one additional question. Dan Mecklenborg. This list of projects that we just reviewed, how were the projects selected that are included in this? In other words, I don't see the NESP authorized project [the Navigation and Ecosystem Sustainability Program, formerly referred to as the Upper Mississippi and Illinois Waterway Project, authorized by Title VIII of the Water Resources Development Act of 2007, Public Law 110-114, signed November 8, 2007] being looked at in this, where as I do see Inner Harbor, both are authorized. Is there a similar analysis of the NESP project?

MR. ALDRIDGE: Not that I know of.

MR. McKEE: This is Jeff McKee. The projects that Joe went through are those that are under construction. We have not gotten to construction of the Upper Mississippi and Illinois Waterway project and that's why that one is not included there. But we did start work on the IHNC and the other ones are under construction as we speak.

MR. MECKLENBORG: Dan Mecklenborg. Would it be possible at a future Board meeting to have a review of the NESP project status that would be of interest to a number of the members of the Board?

MAJOR GENERAL PEABODY: I mean, what do you have in mind because the status is -- there is no status.

MR. MECKLENBORG: That is part of the, I guess, interest in it, is that what has been done, if anything, since 2007 in terms of appropriations for that project and then what do we need to do and by when in order to avoid it going on the track for possible deauthorization.

MAJOR GENERAL PEABODY: Okay. We could do that. I'm pretty confident that the answer to the question concerning appropriations is zero. There may have been some really minor appropriations on that I'm not tracking. We'll get that. But you're correct, that this would be subject to deauthorization for a lack of funds and we can discuss that at the next meeting.

MR. MECKLENBORG: Thank you.

CHAIRMAN HETTEL: General, Marty here on a follow up comment on the NESP project. Is the ecosystem restoration portion of that project in the same status?

MAJOR GENERAL PEABODY: Correct.

CHAIRMAN HETTEL: Okay, thank you. Joe, one last question, I promise. If you go back to Slide 14 on your breakdown on Olmsted – and I know David [David Dale] will probably cover this, the FY 15 budget number shows an 85/15 split. I don't think that that would be appropriate especially if we are under a CR [Continuing Resolution].

MR. ALDRIDGE: That's correct.

CHAIRMAN HETTEL: So that very well could end up being 75/25 whether or not we get appropriations for them; is that correct?

MR. ALDRIDGE: Yes, sir.

CHAIRMAN HETTEL: I was just curious how the FY 15 budget could predict the 85/15 split when it [WRRDA of 2014] was just signed last June.

Thank you.

MR. McKEE: This is Jeff McKee. Chairman Hettel, your point is well taken. The appropriations that we've gotten so far in FY 15 are being split 75/25 in accordance with the original FY 14 Appropriations Act as part of the Continuing Resolution.

CHAIRMAN HETTEL: Thank you.

MS. SIMMONS: Okay, thank you. I'd like to call Mr. David Dale up to the podium and he's going to go through the Olmsted and Lower Mon projects in a lot more detail as Joe mentioned.

MR. DALE: Good morning everyone. Thank you very much for giving me the opportunity to come talk to you about two really great projects within the Great Lakes and Ohio River Division.

Before I dig into the details of these projects, I want to ask you. I get the opportunity to talk to you about it. It's a lot of stuff going really well, some really neat stuff. But the reason that's happening is because of a lot of hard working folks out in the field. So if you ever get out on these job sites, take some time and tell them "thank you" for working your project because they're making a difference, each one of them every day.

So, Olmsted, next slide, please. I'm going to move pretty quickly. You've seen these slide decks at the last several Users Board meetings. So I'm not going to dwell on the format a whole lot. I'll just try to focus on what has changed, what progress we're making and then try to get to the end where I think we got some slides that we want to talk about from the last Users Board meeting relative to the deferral of demolition of Locks and Dams 52 and 53 [Ohio River]. So you see the agenda there.

Next slide, please. Again, a very similar format. A little more detail in the slide deck relative to what components are in each portion of that. Just to refresh your memory, Kentucky is to the upper left. Illinois is to the lower right and you see the locks. Next to the locks, you see the tainter gates that are next to the navigable pass. Then you see the right boat abutment and then the fixed weir. The white boxes are completed work. The light yellow boxes are things that are under construction as we speak, and the dark yellow or orange, however you look at it, are future contracts.

Next slide. Another picture that you've seen. The objective here, to refresh your memory, was to kind of lay out in an isometric view how we plan to complete the project, so it is color coded. So the work we planned to do in FY 15 is in red. Excuse me, FY 14 is in red. FY 15 is in yellow. You see the colors for the out years FYs 16, 17, and 18. To the lower right in your handout is the actual color schemes that delineate for you and kind of break out what is each piece that makes up that component and the acronyms are in the box in the upper right. It gives you the acronyms. It will describe each one of those.

So right now we've had a really good construction season so this year. We've placed a lot of shells. I'm not going to take you through all of that. But, ultimately, we have the navigable pass. The navigable pass is this large shell right here. Right now we are currently

planning to set that shell on November 25th. So we've progressed through the shells that we said we were going to set. We have that one targeted for November 25th and we have a stretch goal, if the river cooperates with us, we will try to set the next navigable pass shell number two. So that kind of gives you a feel for what's going on in the river. It's been a very, very busy construction season. We've set a lot of shells.

What is significant now is that, for all intents and purposes, we have done nearly everything that we need to do on the dam. So my point there is there's nothing really -- no discovery learned from this point forward and the fact is, as we've progressed from this side of the river [the Illinois side] -- so the locks bump up right here and this goes towards the Kentucky side. As we march our way across the river, the river gets shallower which makes things easier for us. So the future looks positive, although I do want to hit on General Peabody's point.

Right now, there's always the concern, if we don't get funding, that it will slow the job down or if we have an unusually wet season or an usually dry season, it can cause us problems. So it's not without risk. I don't want to paint too rosy a picture. But we are tracking to move forward very aggressively and the team is constantly looking for opportunities to pull things to the left.

MAJOR GENERAL PEABODY: Dave, just to be clear so I understand, the risks related to construction are very low because we've basically got experience doing all the types of construction now and that is behind us. The risks are primarily related to natural variations in river stages or funding; is that correct?

MR. DALE: That is correct, yes, sir.

MAJOR GENERAL PEABODY: Primarily?

MR. DALE: Primarily.

MAJOR GENERAL PEABODY: There are always potential unknowns that we haven't thought of but that's --

MR. DALE: All the things that we don't know that we don't know.

MAJOR GENERAL PEABODY: Thank you.

MR. DALE: Yes?

CHAIRMAN HETTEL: Dave, Marty Hettel here, if I may ask a question. I don't want to get ahead of your presentation, but the schedule you're laying out here says you are planning to set navigable pass shells Number 11 and 12 in FY 18. At what level of funding do you expect to meet this schedule?

MR. DALE: The funding level essentially is \$170 million annually in FY 15, FY 16, and FY 17. It begins to drop off in FY 18 and FY 19. Now, I need to qualify that and make sure it's clear because this is a little more complex than just straightforward because when I brief you those numbers, those are based on fully funded. That's assuming all the risk occurs as we spread that cashflow out.

So we carry a substantial amount of contingency on this job that we have not experienced. That's still out there. So the fact is, as we get a little further out, you can see those numbers draw down, which is a good thing for the rest of the program, other projects. But right now, those are the numbers we would look at with risk.

CHAIRMAN HETTEL: And the reason why that's important is, if we're going to include recommendations to the Congress in our Annual Report, I don't think we want to take a chance on this slipping for a reason other than Mother Nature forcing it to slip or unforeseen circumstances that our funding requests would be at "X" per year so you can meet the schedule.

MR. DALE: That's correct.

CHAIRMAN HETTEL: That's the reason I went there. Thank you.

MR. DALE: And we're going to look very hard at this. I've talked to the team. As we get a little further out, we need to refine how we manage that contingency account as we get some certainty behind us and begin briefing you guys on how much of that risk we want to retire, if you would. It's no longer out there and viable, but we're not quite there yet. But I think by the next Users Board meeting we should be in a very solid place to kind of give you a feel for where we're heading. I don't think it will be a final answer, but some discussion of how much risk we're willing to retire and how that might adjust the funding stream out into the future.

MAJOR GENERAL PEABODY: So for the Board's edification, just describe the current contingency risk.

MR. DALE: Oh, describe it? If you would, let me hold that. There's a slide where we'll cover some of that. Let me see if I can tickle your fancy there. Again, you've seen this before, a lot of the milestones that we've got. One of the interesting -- if you go out there, you're going to see a tainter gate, out in one of the tainter gate bays. So tainter gate number one is on site. It's being installed. The hydraulics will be installed later, but it's actually being hung as we speak.

Tainter gate Number 2 is being constructed and we're working on expediting the other tainter gates so if we have the opportunity, should the conditions present themselves, we can install them a little bit earlier.

So, again, the team continues to look for opportunities to mitigate the risk of things happening to us that we can't control.

You've seen all of this. This, really, is intended just to talk about all the things that we said we were going to do that we have done this low water season. Again, it's been a very, very successful season.

Next slide. Upper left-hand corner here is an aerial view of the project, Illinois to the bottom left, Kentucky to the top right, the locks on the Illinois side of the river. And as you can see, we're starting to move pretty far out into the river.

At the last Users Board meeting, we gave you an update of kind of the navigation impacts and all that. So I'm not going to cover those this time. But we are beginning to work our way across the river.

The one thing I would highlight is, as we get further out into the river, the team is working on ways to try to pass traffic through the navigable pass and avoid trying to pass traffic through the locks if at all possible because we recognize the impacts that will cause, although there are times in the future, likely in FY 16 and FY 17, where you might have to go through the locks. If we want it to actually be a true lockage, it won't be a head there, head differential, but it will be passing through the lock.

Here is our tainter gate being shipped down through Lock and Dam 52. This is a picture of navigable pass shell Number 1 with the wicket gates pre-mounted. So as we're setting those navigable pass shells, the wicket gates are in place on top of them already and that's what you see here. That's one we plan to set in November with a little luck.

MR. KNOY: Those are the wickets themselves?

MR. DALE: Right here, yes, sir. They're made out of steel. They're much larger than the wooden wickets. They're wider and taller, and have some very good coating to address corrosion issues.

MR. KNOY: That's a series of wickets?

MR. DALE: Yes, sir, it is. You can kind of see one right there. There are two. So it is a series of wickets, not just one big one. Okay?

Enough said here -- well, let me highlight in this one. If you're standing up on the service deck there at Olmsted looking down on the site, that's what this picture is and there's the tainter gate, in that first tainter gate bay that's hung there. So they're working on finalizing that.

This is a quad chart we use to kind of give you a snapshot of where we're at, how we expend the funds that we've been provided. The schedule that we are on, I'll highlight the date here, October 2018. At the last Users Board meeting we kind of rolled that out that we pulled the project to the left based some of the good success we've had on site and then the red bars down here in the lower left is essentially the PACR [Post Authorization Change Report] total project cost estimate. We've treated that as our performance metric. We told you that was what

we estimated the maximum project cost to be. It shouldn't be any more than that with a high level of confidence and we've been working towards that.

The green is where we currently are predicting where we will end up. Now, it most likely will come with some contingencies we'll talk and then, ultimately, just a real quick snapshot. I'm not expecting you to read that, but just to make sure you appreciate that, this is a project that has about a 10,000 activity schedule or more than that. It's a very, very large schedule, but we manage it literally weekly with that schedule on site now. The other good news is a large percentage of those activities have been completed as we speak.

This is the slide where I was going to try to address contingencies. The green line you see here, that's really what we anticipate the project executing on. So it's essentially our expenditure curve, if you would, how we plan to expend funds as we get through completion of the 2018 time frame -- well, this takes it out through the project completion, 2024. But here is where the project completion date is. So you can kind of see that going and what we're seeing is, based on our current productivity rates on site, which are very good, we anticipate landing up here at about -- I forget what that number is exactly, over \$2.7 billion. Keep in mind the PACR's number was \$3.1 billion. So its several hundred million dollars under the PACR report cost estimate. We're carrying this contingency on the dam of about \$200 million. Contingency on some of the out year contracts that we've got at \$44 million and then, ultimately, the PACR cost estimate that we were tracking was \$3.1 billion.

So, with that said, of the risk that we have projected, even if all that risk was to occur, we're still projecting it would be \$53 million under the PACR cost estimate that we told you several years ago when we rolled out that project cost estimate.

So a lot of hard work on site to manage the schedule and, most importantly, a cultural shift to actively manage risk and looking for opportunities to pull things to the left.

Next slide.

MR. KNOY: Just one quick question. On October 18, 2018, on the date of completion at the dam at Olmsted in October of 2018, does that mean the wickets at Locks and Dams 52 and 53 would go in a down position forever then?

When exactly would Locks and Dams 52 and 53 go out of commission as far as holding the traffic up?

MR. DALE: It should be 2018, 2019, right in that breakpoint. It kind of depends on the exact season. So in October of 2018 we'll be finished. That's when our plan is to go operational at Olmsted which should mean that Locks and Dams 52 and 53 are essentially out of service and they will be down. And that kind of takes us to the next slide, if you would.

MR. KNOY: Okay.

MAJOR GENERAL PEABODY: Are you going to get to the demolition complexities?

MR. DALE: Yes, that's the next couple slides.

MAJOR GENERAL PEABODY: Yeah, go ahead.

MR. DALE: So at the last Users Board meeting I think it was the last Users Board meeting, you guys asked us to look at -- if you go back several slides, project completion is out here in 2022. Still two years early than we said, but 2022 when we go operational in 2018.

So what the difference is there is demolition of Locks and Dams 52 and 53, there's some river dikes that need to be done. So there's some additional work that's out there in this timeframe right here.

One of the questions was, well, could we defer the demolition of Locks and Dams 52 and 53? So we went back to the team and said can we defer demolition? Can you pass navigation? What kind of money would you save?

So they came up with a couple of slides to try to do that. So what you have here is a cross-section of Lock and Dam 52. As you can see there in the darker lines, it kind of outlines the existing structure. The red outlines what we had planned to demolish, okay? So we have down here in the bottom the original plan to remove the locks and dams, estimated cost, \$69 million. It gives you about a 3,000-foot navigation channel at Lock and Dam 52.

So we went back and said, well, what if we don't do that demolition, alternative number one? So we leave the locks and dams in place and essentially what you do is you save -- there is about \$2 million worth of demolition that you have to do and, I'll be honest with you, I forget exactly what that is, but you save about \$60 million if you don't demo that and you choke it down to about a 1,200-foot, this space right here.

So essentially what we would be doing is push the navigation channel to the old navigable pass that you've been navigating over already. Okay? So that's 52. I've got more to come on demo in a second, but kind of the same concept here at 53. Same sort of alternatives, 4,000 foot navigable channel versus a 1,400-foot or 1,700-foot.

This has not been thoroughly fleshed out with the industry. We've been working with the Coast Guard. It was very quick with the team and the most important piece here is we really haven't spent the time that we need to do and look at safety. I'm pretty confident that we can look to you guys as professionals and say, hey, don't go there and you won't go there.

I am very concerned about safety because of the recreating public because there are going to be certain conditions where some of these structures are going to be just below the water and you get "Joe local boater" out there. So we have to think very hard before we make any commitments to defer this demolition to safety and in going through that analysis and that's kind of the next step, start engaging with you guys a little more intensely and do some review of the safety issues associated with it. But we wanted to get back and at least say there is a potential. Assuming we can get comfortable with the safety aspects of saving -- and I want to

refer to that. Let me be clear on that point too. Right now what we're talking about is deferring that demolition.

Now, there is a downside to deferment, because when you defer, that means when we finally do do it, it cost a lot more money. So that \$3.1 billion Olmsted project cost is going to go up if we defer the demolition because it's just the cost of money.

Yes, sir?

MR. KNOY: Mark Knoy at ACL again. Is there the potential, though, that you could create a navigable pass of whatever we all agree with this 1,400 to 4,000 feet and just leave some of that in there or are you saying it's going to have to come out at sometime because I see a lot of old lock chambers, the ones that were built before the modern era, if you will, are still in existence, still there today.

MR. DALE: Yes.

MR. KNOY: Are those eventually going to have to be taken out as well or --

MR. DALE: I can't address the other ones. What I will address is here. The proposal that we've laid here is a response to the question, "Could we defer demolition in total?" And the answer is maybe, but we need to do the safety analysis.

Now, as we dig into it, maybe the answer is, well, there are certain portions of this we have to take out from a safety perspective which might drive these savings down. But there may be portions that we can leave in that will generate sizable savings -- but we have to do the safety review.

MR. KNOY: So is the feedback that you need from industry what size navigable channel would we be comfortable with?

MR. DALE: I think so and I will tell you, just from my experience in talking to you guys is a 1,400-foot channel is more than enough for you guys to navigate.

MAJOR GENERAL PEABODY: This is General Peabody. This is a really important discussion. We're not ready -- the analysis is not mature enough to come to the Board with an approach that we plan to execute or to consult with you on a formal recommendation.

Having said that, as I see it, there are three variables at play here. The first is cost. We want to reduce the costs to the project to the maximum extent possible so that we can make those funds available for other needs. The second is safety and we need to have a very clear understanding of the safety concerns, whether they are to the navigation industry or other users of the river and I've asked the team to go back and take a hard look at all the data that's available to us of other locations in the system where we have deferred demolition of projects and consequences. There are anecdotal reports of people dying, for example, on these old projects. And then the third one is what's in the EIS [the Environmental Impact Statement].

What are the environmental or other consequences of leaving that there that may have an impact that we have to analyze?

So my hope is that, if not at the next Board meeting, certainly the Board meeting after that that we can come to you all with a recommendation of how we plan to proceed. There will certainly be engagement, primarily through Mr. Hettel who serves as the industry representative on this project, but there will certainly be engagement and formal engagement with you all between now and then. But in the next four to six months, it is my desire to come to a very clear understanding of the risks and then a recommendation on the way forward so that we can balance all of those competing variables.

MR. KNOY: Thank you, sir,

MAJOR GENERAL PEABODY: Is that fair, Mr. Dale?

MR. DALE: Absolutely, sir. The one thing I want to clarify and I think it's an important point, is we, the Corps, and I personally take it very seriously that we made a commitment, we deliver this project for \$3.1 billion. If we defer, we don't deliver for 3.1, the price is going -- we may if we save enough money going in, but the point is the cost of demolition is going to grow on us just because of the time value of money. I don't want to lose sight of that. As we make a conscious decision we're making a choice to drive the cost up of demolition.

MAJOR GENERAL PEABODY: And to show my cards, what I would be inclined to do is, if we're going to defer demolition, it's going to be deferred indefinitely or infinitely, basically.

MR. KNOY: Right, yeah. That would be my support --

MAJOR GENERAL PEABODY: So whatever we decide to defer, it's out there for a very, very long time and whatever we decide to do we need to do now while we've got the people on-site. It's much more efficient. We can knock it out for a much lower cost.

MR. DALE: Good deal. So that kind of closes the loop on the request from the Board.

MR. MICHAEL T. SOMALES: Excuse me, Dave. I just wanted to ask one question for clarity. Mark [Mr. Mark Knoy] talked about the lock chambers and the other common features we see, lock chambers are still standing, old lock chambers.

What you're talking about is opening up a deepwater pass for some width that would allow commercial traffic and possibly leave in the infrastructure that's in the water the rest of the way, still there, as long as it's safe for recreation --

MR. DALE: Yeah. Let me try to explain, maybe. So right now what you see in red is what we had originally planned to demolish. If we leave it in place, you're going to have the

lock walls in place, which we kind of what we've talked about. You're also going to have these piers out here in place and you're going to have this fixed weir portion of the dam in place.

The team also assumed we'd leave the wickets in place. I think we would pull the wickets out. The river's pretty low during the dry season. You don't want to be sucking those up into your props in low water.

MR. SOMALES: Is that stuff on that side of the weirs and the piers, is that underwater or is that above water?

MR. DALE: Well, it depends on what time of year. There are times when it's above water. Did I answer your question, Mike?

MR. SOMALES: Yes, sir. Thank you.

MR. DALE: All right, thank you. Any other questions?

I just want to kind of pull us back to a common theme here that I am feeling very good about efficient funding of the project, but we need to keep that on track because that's the real key to its success.

Optimum funding, as we look out into the future, it's \$180 million. I think I misspoke earlier. I believe I said \$170 million earlier. My apologies. It's \$180 million in FY 15 and FY 16.

CHAIRMAN HETTEL: So now you want \$10 million more a year to stay on schedule? I'm teasing. That's why I brought it up, David, because I know we talked about the \$180 million a year and it was in these plans. So thank you.

MR. DALE: Yeah, thank you. My apologies. I missed that. And then we will work very closely with you to pass traffic. I think we have a good process in place trying to coordinate and minimize impacts to the industry. However, I don't want to lose sight that there are going to be times, as we look out -- not this year, but next, where the river will be shut down literally for maybe a day or so while we do some concrete placements and we'll coordinate very aggressively with you ahead of time.

Any other questions on Olmsted? (No response.)

Thank you very much.

MAJOR GENERAL PEABODY: David, I've got one question. So I'm just doing a quick back of the napkin math here. General Peabody. \$180 million times four years, FY 15 through FY 18 is \$720 million which is considerably less than the \$1.1 billion even with the \$70 million, roughly, for demolition and we don't get close.

So is all the rest of that contingency?

MR. DALE: Yeah. If you look here, you got \$400 million -- excuse me, \$200 million, \$244 million, \$244 million in contingencies that we're carrying.

MAJOR GENERAL PEABODY: I thought -- but that's -- I mean, that's still -- it's just like 290 -- well, 790...

MR. DALE: It might have to do with what year they're calculating. Is it fully funded with inflation? I mean, it gets a little complex as you project that all out.

MAJOR GENERAL PEABODY: Okay.

MR. DALE: Okay?

MAJOR GENERAL PEABODY: Thanks.

MR. DALE: Thank you.

If you would, pull up the next slide, Lower Mon, please. So this is another good project and a bit of a success story and that is the Lower Mon project. We briefed you last time on this.

There are not a whole lot of changes, a few things I wanted to update you on. So I'm going to go pretty quick.

The one thing I am proud is Mike [Mr. Michael T. Somales] and Rob [Mr. Robert C. McCoy] made it out to the Lower Mon project site and got a good briefing on the project. So the Users Board representatives have been briefed on the project and I think will help us make sure that you guys understand what we're doing.

Next slide -- a very similar agenda. We'll move fairly quickly through this in the interest of time to get to the end which, I think, gets us to some of the key topics. You've seen this slide before. I'm not going to dwell here. The main focus is down here at Charleroi that we're working on. It's probably worth just refreshing your memory. We've talked about this previously.

The project was authorized at \$556 million in 1992 [Section 101 (18) of the Water Resources Development Act of 1992, Public Law 102-580, signed into law on October 31, 1992]. Cost inflated to 2015 -- based on 2015 dollars is \$1.6 billion. The current cost estimate is \$1.661 billion. That should make you nervous because that exceeds the authorized -- it gets very close to this number down here when you fully fund it at \$2.7 billion -- excuse me. When you fully fund this number out through completion it gets to \$2.7 billion based on our current projected funding stream for this project.

So that's an important point. However, as I briefed you last time, the plan is we've looked at this project. We have a plan to address that and to stay underneath the 902 limit and

still achieve 90 percent of the benefits on this project and there will be a slide we'll touch on I think will clarify that.

Essentially, the project schedule -- we're going to work a little bit on this slide deck and get a few more graphics in there to maybe graphically present progress to you a little bit better similar to what we've done there on Olmsted so you can kind of see the progress because I think the dates get a little hard to track sometimes.

Last time I briefed you we were talking about -- and when we sent the slide deck in, we were still thinking that we might get this as part of the river chamber contract. We got some updated schedule information on some modeling. That will not happen as part of the river chamber contract. It will probably happen probably in FY 17 or so. A little further out than the river chamber.

CHAIRMAN HETTEL: David, Marty here. I have a question on that slide to make sure we're understanding what you're telling us. Finishing the river chamber in 2022 and dredging Pool 3 in 2022, I take it those would happen simultaneously so that when your river chamber is available, the dredging is completed?

MR. DALE: Yeah. And the key point -- and this is an important point. This was when the project essentially begins generating those 90 percent of benefits.

CHAIRMAN HETTEL: Correct.

MR. DALE: So you have to do that dredging, that will be finished. And the change from last time is that date right there, you noticed 2027. So we pulled that to the left by five years.

What happened was we got that funding out of the funding pots that were made available. We did the analysis and said we could use it on this project to execute it and that's the result of putting those \$70 million, I believe it was, on this project to get it started sooner than we would have.

Yes, sir?

MAJOR GENERAL PEABODY: Dave, I want to be clear. The assumption is that the additional funds made available from the change in the Olmsted cost share would be either exclusively or predominantly allocated -- this is the assumption -- to this project?

MR. DALE: In the future, yes.

MAJOR GENERAL PEABODY: And not to other competing projects like Kentucky or Chickamauga or anything else that might pop up for authorization, correct?

MR. DALE: Yes, that's what I believe. However, I will tell you that is the analysis that we owe you for the next time. When we brief you, I think we need to go through a very

deliberate thought process. We have a prioritization that's ongoing. You kind of factor that in. But right now, if nothing else changed, Olmsted is the number one priority, Lower Mon is the number two priority and we would want to keep this project progressing in a very effective, efficient manner. And if you look at the cash flow, the Trust Fund cash flow, there is room to pick up some work on another project. The question is which one will do it, is it Kentucky Lock or something else. That is the analysis we owe you.

MAJOR GENERAL PEABODY: And for the Board members -- General Peabody. So for the Board members, the key point is we are able to save some significant time off this project because of that cost change, also because of the efficiencies that we've gained in Olmsted. But there will be potentially some monies available for another project. But we're assuming basically efficient or close to efficient funding of this project to get to what Mr. Dale is indicating here.

CHAIRMAN HETTEL: David, Marty here. One last question on that slide.

MR. DALE: Yes.

CHAIRMAN HETTEL: And we talked about this at the meeting up at Olmsted. The removal of Lock and Dam 3, you certainly would remove the dam first, then the lock chambers because you would get the benefits -- if you got Charleroi [Lock 4] available and you got the dredging done, you have to remove the dam first before you get the benefits.

MR. DALE: That's a good point, Marty. I need to look at that. That might be an error in the data right now. Good point, yeah.

Okay. We were talking about Lower Mon and the funding stream. This is a chart to give the Board a feel for the cash flow that's required based on the latest schedule. So in order to maintain the schedules that we briefed you previously, here are the cash flows that are required to make that happen.

Certainly some of this money we could obligate it sooner if it was available, but it wouldn't necessarily pull the project to the left because it's just a sequence of work. So we could obligate it sooner, but it wouldn't necessarily pull it to the left of the project completion.

As you look out here in the future, there are some pretty big numbers for Lower Mon, but also what you have to keep in mind is in about this timeframe is when Olmsted starts dropping off some.

So we're getting all the cash flows married up for all the different projects are critical and that's something we're going to work on to present to General Peabody and give him an analysis of how this all stacks up and how the cashflow works through all the different projects.

Here is a graphic. I'm not going to spend a lot of time here. You've seen this previously. A couple of clarifications. This right here is an area that says completion in 2015. It's really an award in FY 15, a contract award. So the River Chamber award is in 2015 which

is consistent with this up here, just – we missed out on the date, the QC [quality control] of that slide right there. But we have the River Chamber, some monoliths, the emptying basin and the stilling basin ongoing. You kind of see the dates for completion. The stilling basin, as we speak, we've completed the precast units for the stilling basin, we've got the drilled piers in place -- the drilled shafts, excuse me. They're going into a winter de-mob [de-mobilization] as we speak. They're probably out of there by now or soon to be off of the site. They'll go back in in about the March timeframe and then they'll start placing precast units, doing some infill concrete and right now tracking to finish up the emptying basin in 2015.

Earlier on I talked about the concern of the 902 limit and our plan, the way we plan to essentially -- we worked this up through the Corps through our Change Control Board at Headquarters and received their concurrence. Our way ahead is to focus our attention on the riverside chamber, bring that to completion. We'll do that. That will bring on 90 percent of the project benefits starting in late 2022, early 2023. That will keep us just under the 902 limit on the project. So we don't have to worry about bumping up against the 902 limit.

What that does is defer the land chamber and if you look at -- just the question is how far out do you defer it. It could be many years and some of those -- that \$2.7 billion assumes getting deferred out into the 2050s. So that's a very long time to carry a project and that's -- I appreciate General Peabody's comment that at some point in time, I think, are you just deferring it or are we working to delete that piece of work because to carry a project incomplete to 2050 is really kind of a tough thing to do.

And then the last one we've got is a large cost item that we're tracking is the project as currently configured, includes the raising of the Port Perry Bridge and the raising of the Port Perry Bridge, the current vertical guide clearance is 42.5 feet. After we put all the work in place, the clearance at the Port Perry Bridge if we do nothing will give us 40.6 foot of clearance.

If we were to raise the Port Perry Bridge, last time we reported, right about \$83 million, that was without any risk. That's just an optimistic cost. With risk, it's probably \$83 to \$112 million, first cost fully funded. So we have this big bogey out there to raise the Port Perry Bridge about two foot and the interesting data that we have here is to serve very few transits at that location.

So I think that's a decision that's on our plate we have to look at very cautiously and decide what are the alternatives -- are there alternatives to raising the bridge to avoid kind of the similar discussion we had on Olmsted. Do we spend \$83 to \$112 million or do we defer that work or delete that work?

MR. SOMALES: Mike Somales. That's for the benefit of 1.9 feet?

MR. DALE: Yes.

MR. SOMALES: Those dollars?

MR. DALE: Yes. Not just for 1.9 feet. But if you look at this table, the number of trips. So these are boats that were less than 40.6 feet. That's the bulk of it. Boats that were between 40.6 and 42 feet. So they need that additional clearance. There are 155 trips, about ten unique vessels that we're talking about and then we've got a few vessels that are taller than 42.5 feet and I'm assuming those are boats that have stacks that drop down, but...

MR. SOMALES: Yeah, or a fourth or fifth deck -- fourth deck. That bridge is only a couple of hundred yards above the dam itself, the gated dam. So you're able to retain that clearance even as flows increase. As you manage the upper pool with the gates, you can retain that for a great deal of time.

Okay, thank you.

MR. JAMES R. HANNON: This is Jim Hannon. I also kind of want to interject here a little bit. We've talked about what the status of the potential for getting a waiver from the Coast Guard on this bridge should there be the interest in that, which I think is what we're teeing up right here for the Board to give consideration.

Of course, the Coast Guard, under the Truman-Hobbs Act are required to consider any impacts to navigation and our understanding, when this initially came up -- and I don't have the date when the Coast Guard solicited the initial public comment on this, but there were some push back or there were some concerns that were received from the industry initially by the Coast Guard. So the Coast Guard kind of said we can't grant a waiver on this without further detailed information discussion.

MAJOR GENERAL PEABODY: When was that?

MR. HANNON: I don't have the date. I didn't get that date.

MAJOR GENERAL PEABODY: It's been a while.

MR. HANNON: It's been a while, though. It has been. We can get that date. But my understanding also with more recent discussions with the Coast Guard, if the industry were to come back and say, hey, after further evaluation we don't have a problem with this, it might be another opportunity to go back out and have the Coast Guard re-solicit, see if there are any input, any concerns that might then lead to a potential waiver, depending on what the outcome of that is. Short of that, there's a lot of other things that we really need to kind of go through other detailed analyses.

MAJOR GENERAL PEABODY: I'm really interested in the Board's discussion on this. But before we do that, I just want to clarify a couple of points. So my previous understanding was that the 1.9 feet came into play during high water events 11 days of the year on average.

Is that inaccurate? In other words, you're saying it's not the high water events, but the number of unique vessels that would need this additional clearance?

MR. DALE: I can't speak to the exact dates. Obviously, the high water is the controlling factor. I'm sure of the dates. Jim, do you know? I'm not tracking the exact number.

MAJOR GENERAL PEABODY: So you're telling us that there are ten vessels that, in fact, do require -- and I'm assuming they're navigation tugs, that require that additional clearance?

MR. DALE: Based on the five year average of the data that we collected, yes.

MAJOR GENERAL PEABODY: I'm going to need -- I'm going to like -- I'd like to see much greater fidelity on this data.

MR. SOMALES: Just for clarity, this is Mike Somales. I think I commented earlier, even at high water you're able to manage that because it's so close to the dam and as flows increase you open the dam and maintain that upper pool at nine feet, until the flows overwhelm the dam itself, you know, the ability to use the gates.

Is that your understanding, David?

MR. DALE: Uh-huh.

MR. SOMALES: So it's really not even -- the 11 days would be are extreme high waters. So you manage most high waters --

MAJOR GENERAL PEABODY: Again, that's exactly -- I don't -- my information is somewhat dated. It dates back to when I was in General Kaiser's [Brigadier General Richard G. Kaiser, Commander, Great Lakes and Ohio River Division] position over three or four -- three years ago and what this is indicating to me is that it's not -- the high water is not a controlling variable. I don't know. That's why I'm asking the question.

MR. DALE: We'll get you more data.

MR. CHARLES A. HAUN: This is Charlie Haun. I guess one of my questions would be, are the vessels that are too tall to get under it, is it like the roof of the wheelhouse or is it the mast, radar stands and search lights? We have a number of bridges -- a few bridges on our system that we can't get under. So we have it hinged, mast hinged, search lights hinged, radar stands and then they can get under them. That doesn't really cost very much to modify the vessel.

So this number of vessels that do exceed that, is that in an unmodifiable state or is that something that could be corrected one day at the shipyard and then it would be fixed forever?

MR. DALE: And I don't know the answer to that. We've talked a lot about -- there are many options to address height, depending on what it is, but we have not gotten down to those ten vessels what they are precisely. But that's more the data we can pull together as we proceed.

MR. SOMALES: If I could share a little bit what that is, most of our vessels are in that port, in that district, and our tallest vessel runs about three and a half decks, 36 feet to the top of the radar mast. So it still has clearance.

I would say that it's mostly going to be your four deck boats, larger vessels and four deck boats coming up on the Lower Mon that are going to have the problems.

MR. WOODRUFF: This is Matt Woodruff. I think this is something where industry could be of assistance to you. If you could tell us what those ten unique vessels are, we might be able to figure out who owns them and see what the possibilities are. [Laughter] Dan [Mecklenborg] said he would -- if you gave him half that money, for \$50 million he'll put those hinges on those ten boats.

MR. MECKLENBORG: You betcha. You betcha. [Laughter.]

MR. KNOY: I think we can identify with that.

MR. MECKLENBORG: I think we have at least two of those vessels, so...

MAJOR GENERAL PEABODY: Well, fundamentally, this comes down to, Number One, is there a firm, fixed requirement for -- and I presume these are industry vessels, I have to presume that -- for these ten vessels to operate in this reach of the system?

If the answer is yes, then, Number Two, now we get to -- is there -- are there modifications that can be made to those vessels to lower them to within whatever the Coast Guard clearance requirements are?

And if the answer is yes, then the problem goes away. If the answer is no, then, now we have an issue with the Coast Guard's unwillingness to change their position on making some kind of rules to navigation that would enable navigation when the water is such that -- the river stage is such that you would require -- you could not meet their clearance requirements.

So, to me, this is all about understanding the data related to the vessels, related to what you as the representatives of industry are willing to do or not do to buy back this \$100 million plus or minus that we're talking about because this is a year and a half worth of Trust Fund dollars and that means this is a year and a half worth of work we're not doing on another project.

MR. SOMALES: General, Mike Somales again. The Lower Mon, the lock [Lock and Dam 2] is at Mile 10 or 11 and I believe that most of the problems are larger vessels that are going to be delivered into U.S. Steel's coke facility at River Mile 19.

So the tradeoff is the larger vessels can fleet below the dam and smaller vessels can bring their cargo in and out. It's not a question, it's just a tradeoff.

MR. MECKLENBORG: Yeah, I would want to reconfirm this, but I believe, when I last talked with our operations guys, they were not adamant that the bridge needed to be raised. They thought they could work around it.

MAJOR GENERAL PEABODY: Again, to me, this is all about what are the industry's requirements. So, we need to work very closely with you to understand those. But I think we need to ask ourselves what, in fact, are the no-kidding requirements because these requirements are potentially driving a year and a half worth of expenditures from the Trust Fund.

CHAIRMAN HETTEL: General, Marty here. I think we can solve this conversation pretty shortly here. I would like to put a motion in front of the Board members that we include in our annual report this year, because we can achieve 90 percent of the benefits of this project somewhere between 2022 and 2023 that we vote on deferment of the land chamber and deferment -- deferring the Port Perry Railroad Bridge project until another date. So I'd like to bring that recommendation up to the Board members.

Anyone want to second that motion?

MR. SOMALES: Mike Somales. I'll second that.

CHAIRMAN HETTEL: Any discussion? (No response.)

Those in favor?

MR. WOODRUFF: Well, this is Matt Woodruff. I was just going to say, I respect and look to the people who operate on that river for guidance since I'm not as familiar and when the man who makes his living there tells me this is something we should do, then it sounds like a good idea to me.

CHAIRMAN HETTEL: And we're with you there, Dan. We've got some vessels that tall that have transited up there for us.

MR. MECKLENBORG: I'd like to double-check with them. But as far as the spirit of this motion, we're 100 percent in favor of that, so...

CHAIRMAN HETTEL: So, Mike, you had a second and we're finished with our comments.

So, all those in favor say aye.

BOARD MEMBERS: Aye.

Those opposed? (No response.)

Good deal. The motion carries. We will include that in our annual report.

MR. DALE: That concludes my presentation on the Olmsted and Lower Mon projects.
[Laughter.]

MAJOR GENERAL PEABODY: Mr. Chairman, thank you for that and we the Corps will still need to, I think will still need to engage the Coast Guard. So we appreciate the Board's motion and decision to put this into your report.

What I would like to do as the lead Corps representative is to very definitively go back to the Coast Guard as soon as we can to address the fidelity of the data associated with this purported need. Bottom line, we've got to very clearly define, in my view, whether a need exists for raising the bridge and we need really clear data associated with that.

So we'll continue to work where you and the other Board members to get that data. I'm somewhat agnostic on one hand. On the other hand, I'm a taxpayer too and, this is not just Trust Fund dollars we're talking about. These are federal dollars and, if we don't need to do this, then we need to find a way to avoid it if at all possible.

However, I also go into this with the notion that there may, in fact, be no way around this and if there's no way around this, then, okay, we need to do it. But we need to get the decision as quickly as possible and as clearly as possible so that we can move forward because Mr. Dale, General Kaiser and their teammates in the Pittsburgh District need to understand what they need to do programmatically to address this bridge issue or not.

MR. WOODRUFF: If I could comment -- this is Matt Woodruff. With respect to the Coast Guard and their Truman-Hobbs program which is the program where they go in and identify bridges as unreasonable obstructions to navigation and order that they be removed and that program, just as this program, is completely subject to Congressional appropriations and there's a list of bridges the length of my arm that have had that determination. They've been on that list 20, 30 years and as soon as Congress appropriates the money, then they will be replaced.

And so even if they have an alteration order out there, I think they're very familiar with the appropriations process and, if Congress never appropriates the money, it will just sit on that list forever.

MAJOR GENERAL PEABODY: Thank you for that, sir. And, Mr. Woodruff and Mr. Chairman, I would comment that if the Board members can provide data associated with that list of bridges to the Corps that would be really helpful information for us.

MR. SOMALES: The Port Perry Bridge, in fact, belongs to the Union Railroad which is a subsidiary of U.S. Steel. That bridge is still in use.

MAJOR GENERAL PEABODY: We're definitely tracking that. Thank you, sir.

MS. SIMMONS: Okay. We're actually two minutes ahead of schedule. I think this is a record.

So we'll take a break now and I'd ask you to be back in your seats and we can start back up at 11:20. Thanks.

(Whereupon a recess was taken at 11:10 and the meeting resumed at 11:30 a.m.)

MS. SIMMONS: Thank you everybody. So if we could get the presentations loaded back up, that would be great. We're going to shift gears here in the later half of the meeting and focus on looking forward and, first, I'd like to call up Kareem El-Naggar who is the IMTS [Inland Marine Transportation System] program manager for the Corps. He's leading our Investment Program Action Team [IPAT] which is the team that has been charged with redoing the Capital Projects Business Model.

So Kareem. I think everyone should have a hard copy of Kareem's presentation in front of them. If not, I have more right here.

MR. KAREEM EL-NAGGAR: Thank you, Mindy. Once again, my name is Kareem El-Naggar and I'm the IMTS program manager and also the co-lead for the IPAT team that's relooking at the Capital Projects Business Model.

You're going to hear three presentations today on the IPAT. Mine is basically going to go over the schedule and give you an idea of the difference between the original Capital Projects Business Model and what we're doing with the IPAT team.

Mr. Hannon will be presenting after me and his presentation will be a more in-depth look at the methodology and kind of what the team is doing and then, following that, Mr. Donovan and Mr. Langdon will be giving you a presentation on traffic projections that we used in our sensitivity analysis for the IPAT team.

So the first page, which is Slide 2, the original team, back in 2010, it was a team composed of both Corps and industry representatives and that included, also, members of the Inland Waterways Users Board. It was led by Ms. Jeanine Hoey [Pittsburgh District, U.S. Army Corps of Engineers] and it had members from IWR, the Planning Center of Expertise for Inland Navigation [Huntington District, U.S. Army Corps of Engineers], the USACE [U.S. Army Corps of Engineers] Civil Works Cost Engineering Center of Expertise [Walla Walla District, U.S. Army Corps of Engineers], and experts from USACE Headquarters.

The difference now is that the IPAT team is composed of strictly Corps employees and we're briefing industry on a regular basis and, obviously, briefing the Inland Waterways Users Board at each of the meetings.

Slide 3, this was the original published Capital Projects Business Model report and it also gives a list of the top ten projects that came from that analysis. That team used a kind of a ratio for their Phases I, II and III projects and I believe Phase I was projects that are currently under construction; Phase II were authorized projects but not yet under construction; and Phase

III was a compilation of all other projects that the Corps came up with. And this kind of shows a breakdown of their criteria and how they came up with their prioritization.

So, as you can see, the risk and reliability was 40 percent. 60 percent was on the economic return and that included net benefits, BCR [Benefit to Cost Ratio], RBRCR [the Remaining Benefits to Remaining Cost Ratio], and the economic impact. And with this top ten list, that's currently what the Corps has been using when they're prioritizing their Capital Projects in their CG [Construction, General] program.

CHAIRMAN HETTEL: Kareem, I'm sorry to interrupt. Marty Hettel. I have a question. You keep referencing the top ten projects. When I look at the original Capital Projects Business Model, Phase I had seven top projects, of which Markland is already completed and Emsworth is almost completed. So that leaves Inner Harbor, Olmsted, Lower Mon, Kentucky and Chickamauga. So I'm getting confused between what you're saying the top ten is when there was only...

MR. EL-NAGGAR: Did you look at the next page?

CHAIRMAN HETTEL: Yeah, that was Phase II projects on the next page.

MR. EL-NAGGAR: I believe, I thought this chart came directly out of the Capital Projects Business Model report.

MS. SIMMONS: Yeah, this one actually combines Phase I and II.

CHAIRMAN HETTEL: So I just want to clarify originally the Capital Development Plan had no Top Ten priority. Our Phase I projects were our top priority and we're getting a little bit confused between Phase I, II and III here, it sounds like.

MR. EL-NAGGAR: Okay. I appreciate that.

CHAIRMAN HETTEL: Sorry for the interruption.

MR. EL-NAGGAR: Nope, that's fine. Thank you.

MR. MECKLENBORG: Could I ask kind of a basic question? The process that you have decided to employ in this review or redo of the IMTS Capital Projects Business Model, is it something that -- that there was felt there was a problem with the way it was done before?

MR. HANNON: This is Jim Hannon. I guess to address that we really hadn't evaluated risk in the detail that we are evaluating now. We had looked at condition assessments previously, Dan, and we really now have brought this to a different level of review which I'll talk about -- that's been part of the discussion that I've had over the last few Users Board meetings. But now, as we look at the operational risk and the residual risk we're bringing into the discussion what are those most critical components, what are highest probability of failure, what are the economic impacts there that are associated with that?

So we're looking at it from a more total risk exposure approach than what we had the capability of looking at it back then. And so that's kind of setting up this initial screening that I'll talk about here in a little bit after this presentation here. But that's kind of the gist of our difference of approach versus condition assessment primarily, some risk but really, now, we're bringing that risk piece into it in more detail.

MR. MECKLENBORG: Dan Mecklenborg. I was maybe under the mistaken impression from the prior briefings that the model that you were describing was more focused on the Operation and Maintenance [O&M] prioritization.

MR. HANNON: This is Jim Hannon again and sorry if we led you to believe that totally because we're looking at the complete system, a total package of the inland navigation system, in this evaluation.

We don't think we can look at just O&M or just the capital investment. You'd have to look at the whole picture. So you'll see this depicted. Again, keep in mind the initial screenings that we are laying out right now from preventative maintenance, routine maintenance, minor maintenance, major maintenance all the way to then jumping into the capital investment piece of a major rehab or a complete replacement.

So we believe that this, without question, gives us a snapshot of the entire system that we can develop an investment strategy on.

MR. EL-NAGGAR: I think as we move through these presentations, your question will be answered.

Next slide, please. So, as Jim said, we're now doing a long-term integrated life cycle investment strategy. So that's incorporating both looking at capital investments and the operations and maintenance program.

For instance, you can't spend money on Olmsted without spending money on Locks and Dams 52 and 53 in the interim. The IMTS team is currently working on the initial screening. So we are still refining the rough order of magnitude costs and, once we get those, we'll be able to get a return on investment.

We're still analyzing how we're going to use BCR, remaining benefits and remaining costs, and the DSAC rating information, the Dam Safety Action Classification rating information. The team is still analyzing exactly how we're going to take those criteria and use them in our analysis.

We are currently doing biweekly meetings with the IPAT team and we're doing biweekly meetings with industry to keep them briefed on where we are. In fact, we have another telecom this Thursday with the industry. And we are reviewing everything that we do through the ASA's office [the Assistant Secretary of the Army for Civil Works] and we will be also reviewing everything with OMB [the Office of Management and Budget].

Next slide, please. And you can toggle through, keep toggling through this slide. I think it's a phased slide.

So the importance of this slide is probably that middle pie chart. In the 2010 report, we were just beginning our OCA [Operational Condition Assessment] phase and we hadn't gone through a cycle. Now, we've gone through –

MAJOR GENERAL PEABODY: Mr. El-Nagggar, would you please spell out what the acronyms mean as you go along for the uninitiated which includes me?

MR. EL-NAGGAR: I will.

This is our Operational Condition Assessments. So where we actually go out and do assessments of the components that are at our projects. It's a three-phase approach where we hit each project over a three-year span. So we've now completed that. We did not have that done in 2010. We were just beginning that OCA process. The P(f) there on the other wedge of the pie is the probability of a failure. We've done a very thorough analysis of our probability of a failure and we've vetted that through our Risk Management Center [the Risk Management Center, U.S. Army Corps of Engineers, which is part of the Institute for Water Resources]. We did not have that during the 2010 report.

Recovery durations. We put together a team that went through and came up with recovery durations for each of our components. And then also the shipper/carrier costs, something that we refined and that we're now using in this analysis.

CHAIRMAN HETTEL: Kareem -- I'm sorry, Marty here. The Shipper Carrier Costs, what are you basing that information on? Is that tonnage related, transportation cost savings related? Where are you getting that Shipper Carrier Cost information from?

MR. EL-NAGGAR: That Shipper Carrier Cost, I believe it is the cost to the industry -- if there is a shutdown, what it's going to cost the industry to move that cargo by an alternative means of transportation. So it's transportation rate savings.

CHAIRMAN HETTEL: Okay. You're basing it on transportation rate savings. And what tonnage numbers are you using for that cost, Shipper Carrier Cost? Is that -- what data? How old is that data?

MR. EL-NAGGAR: Go ahead, Buddy.

MR. VIRGIL L. LANGDON: Yeah, this is Buddy Langdon.

MAJOR GENERAL PEABODY: Buddy, can you take a mic, please?

MR. LANGDON: I'm Buddy Langdon from the Navigation Center [the Planning Center of Expertise for Inland Navigation]. It's based on the most recent past five years of data

and the SCC [Shipper Carrier Cost] is a vessel level simulation. So a closure duration is inserted into the simulation and the traffic is allowed to queue up. So we have increased costs from delays and then there is some diverted traffic also which kicks into cost rate savings.

CHAIRMAN HETTEL: And can you tell me the years, what those last five years of data are?

MR. LANGDON: Not off the top of my head.

CHAIRMAN HETTEL: I think that's important to know.

MR. LANGDON: I would imagine it's based off LPMS [Lock Performance Monitoring System] data. So it's probably 2013, 2012, 2011, 2010 and 2009?

CHAIRMAN HETTEL: And the LPMS data is your tonnage, not your actual delay at locks? As we talked about in the meeting earlier, that data can be askew?

MR. LANGDON: Well, first off, on the LPMS issues, we utilize the raw data. So we calculate our own delay estimates and processing time estimates off the raw data and I think the LPMS issue problem is in the display on that website on how it summarizes the reports.

I forgot the rest of the question. But, anyway, we simulate an average of the past five years. We validate it, compare it against what we see out of the data summarized.

CHAIRMAN HETTEL: And the LPMS data on tonnage per barge, what is that number? Is that 1,400 tons and 1,600 tons on a rake and a box.

MR. LANGDON: It's based on the average loadings that we see at that particular project.

CHAIRMAN HETTEL: So when we lock a rake barge through R.C. Byrd [Robert C. Byrd Lock on the Ohio River] that's loaded to eleven and a half feet that could very well have 2,200 tons in it, you're only counting that for 1,400 tons?

MR. LANGDON: No, we count it for -- well, depending on how it's recorded in the data.

CHAIRMAN HETTEL: I don't know that LPMS gets the actual tonnage in the barge, but...

MR. LANGDON: That's true. We should probably look at that and compare that with what we have in our Waterborne Commerce data and adjust those tonnages per tow accordingly.

CHAIRMAN HETTEL: There's got to be some reconciliation between LPMS and the Waterborne Commerce data because we report those tonnages to you on a monthly basis.

MR. LANGDON: Right. But the main driver in the SCC is not the tonnage, it's the number of vessels and how those tow individual vessels transit.

CHAIRMAN HETTEL: Agreed, but if you're talking about rerouting the product, there are more tons you're going to reroute than just the 1,400 or 1,600 tons.

MR. LANGDON: True.

CHAIRMAN HETTEL: Thank you.

MR. MECKLENBORG: I have a question – Dan Mecklenborg -- on the acronym IMTS BPR Group. That's Inland Marine Transportation System. What is BPR an acronym for?

UNIDENTIFIED SPEAKER: Business process review.

MR. MECKLENBORG: Okay. And then IMTS BoD?

MR. McKEE: Board of Directors.

MR. EL-NAGGAR: Board of Directors.

MR. MECKLENBORG: Okay. And who are the Board of Directors of the IMTS?

MR. EL-NAGGAR: The IMTS Board of Directors is made up – it is led by General Peabody. It's made up of all of the IMTS division commanders and the Corps Chief of Operations at Headquarters, who is Jim Hannon.

MR. MECKLENBORG: Okay, gotcha. Thank you.

MAJOR GENERAL PEABODY: And it's a body that has not been as actively engaged as it should have been in recent history. We're trying to reenergize that.

MR. MECKLENBORG: Okay, thank you.

CHAIRMAN HETTEL: Kareem, Marty here. One last question. On the differential in tonnage and everything else, your shipper and carrier cost savings are based alternate modes of transportation, correct?

MR. EL-NAGGAR: Correct.

CHAIRMAN HETTEL: And do you take into account the capacity of those alternate modes of transportation? I mean, we're having problems with rail capacity right now. I don't know how many trucks you can get to move 90 million tons through if Olmsted went down

when it's up and running. So I think there's a capacity factor that you need to look at also in those calculations.

MR. EL-NAGGAR: I don't believe it is. Buddy, is that correct?

MR. LANGDON: You are correct, it is not.

MR. EL-NAGGAR: Okay, next slide. So this is kind of a summary of the then and the now. Back in 2010, we did a single condition assessment at the lock and dam level and now we've gone through and looked at 166,000 different components across the entire IMTS.

Back in 2010 the Shipper Carrier Cost model was only used for transportation rate savings, today we have economic impacts from the SCC model considering various intervals of unscheduled outages from one day to 365 days. So we've come a long way since 2010 and we're trying to incorporate all of this data in our new analysis.

CHAIRMAN HETTEL: Kareem, Marty here again. I'm sorry. One more question. This may be semantics. Statement Number 2, under Capital Projects Business Model, 2010, "risk of failure not considered"?

MR. EL-NAGGAR: That is correct.

CHAIRMAN HETTEL: I thought on Page 3 of your presentation you said risk and reliability was 40 percent of the weight?

MR. EL-NAGGAR: Yeah, but the risk of failure was mentioned in the report. But I don't think it was used in the calculation.

CHAIRMAN HETTEL: So risk and reliability and risk of failure aren't synonymous?

MR. EL-NAGGAR: Correct. I don't think so, no.

CHAIRMAN HETTEL: We might have a difference of opinion on that is all.

MR. HANNON: The risk of failure by the definition in which we calculate and look at that right now, with the probabilities of failure curves that we have, with the information we have, is more detailed than -- there was a risk that was placed on the original that said -- and that's more of a -- I'll call it the subjective, gut risk of failure that was determined.

So I'm not going to say there was no risk of failure, but we believe that we have a much better way to identify the condition of the components and the ability to determine what those probabilities of failure are to better identify both a residual risk, which are those things that we would do preventative routine maintenance on and an operational risk that we believe will lead to an imminent failure.

MR. MECKLENBORG: Yeah, Dan Mecklenborg. With respect to Chickamauga Lock, my understanding is that most of the effort to basically modernize that lock relates to a risk of failure and that would be the driving force behind that project, I would think.

MR. HANNON: Jim Hannon again. We probably should have combined these two discussions today, but I believe that certainly there may be some risks of failure of various components with the locks. What are the overall consequences, what are the costs associated to the shippers, what are the other impacts that are associated with that I think is the part where we're saying that we're bringing that into the equation to develop that to be able to identify that now.

And certainly, without getting in too much of my presentation because I think I've probably cut about ten minutes off of it right now, the area – and Kareem actually talked about it here a little bit. Where we are right now today with our evaluation is an initial screening, that we have looked at this from a total risk exposure perspective, again, the operational risk based on the probability of failure curves, more detailed information that we have on the critical components on the system in general, an evaluation of looking at the systems by removing some of the redundancies of auxiliary chambers, and aligning these systems. If we have a failure where you don't have auxiliary chambers is that a higher cost and economic impact?

Where we are at right now is the point of needing to determine what other criteria. Kareem talked about some of those. What are some of the other economics? What are the benefit cost ratios? This initial screening does not take into account projects that were already authorized, previously authorized projects or projects that had work already performed on them.

So there are other criteria that we need to be evaluating and looking at, but we need to start from a point of here is where we see the overall risks, total risks, particularly that operational risk that's associated with these projects and that's our initial screening and lay-down and then be able to evaluate this, like I said, from the O&M piece all the way up to the Capital Projects. So that's kind of where we are right now.

MR. WOODRUFF: This is Matt Woodruff. I just want to make sure that I understand. At this point, the formula that you're using and what I've referred to as sort of a black box and all this data goes into it and then an answer comes out, that doesn't take into account how much we've already invested in some of these projects that are under construction?

MR. HANNON: That's the next step. This is Jim. Kareem said that. Not only invested, but we believe we've captured those things that have been corrected in this initial run. We need to go back and look at, if there's a particular lock and dam where we've done some major maintenance or other replacement of critical components and make sure we've captured all of that to determine what is now that final condition and see how that affects the overall total risk of the evaluation of this. But it doesn't take into account -- it's not looking at all if this project was previously authorized, to what degree is it completed, and it's not taking into account, really, right now, those benefit to cost ratios or remaining benefit to remaining cost ratios.

So we still have work to do is what I'm saying. This is the initial screening. We need to get -- I want to get some feedback from you all as well and the continued discussion with the industry that Kareem talked about your input on additional criteria, even though I wasn't going to bring it up, such as the availability of auxiliary locks. To what degree did you factor in the availability of an auxiliary lock or not having an auxiliary lock available? We are still wrestling with that piece right now. Even though we're evaluating this from a perspective that we are giving more weight to the risk associated with the fact that there's not an auxiliary lock in an area and that adjusts, kind of how these line up.

MR. WOODRUFF: I think -- Matt Woodruff again. Something that I raised on our last conference call, and I'll repeat it here, is that we have facts and we have data that ultimately have to inform a judgment that this isn't a purely mechanical formulaic decision-making process. I think that's why Congress created this Board is because there's recognition that we need the best facts that we can get. But, then, ultimately the expert judgment of industry, the expert judgment of the Corps of Engineers is necessary to make informed decisions as to where the right place to invest the Nation's and the industry's money is.

MAJOR GENERAL PEABODY: If I can pick up on that, I think -- are we going to get to this issue of operational risk and what we thought was the risk versus what the actual risk is today? Jim, you know what I'm talking about?

MR. HANNON: Yeah. Well, I'm going to address that maybe not in complete detail today, but that's what I'm teeing up to.

MAJOR GENERAL PEABODY: So we have been operating under the presumption that the location where the heaviest traffic is going, tonnage, essentially the Ohio River, is the location where we need to put most of our efforts.

When you look at this total risk exposure, which is the consequence of the condition assessments, the probability of failure and the economic consequences of failure that you're talking about, that's -- when we say risk, it's not the risk of failure by itself. That's a probability. That's a statistic. It's the consequences, the impact to economic activity as a result of all this that we're really talking about.

When you look at that, it's rather startling to see the difference and where the real risk exposure is because, in part, even though we have very heavy traffic on the Ohio River, I think we have auxiliary locks on every single chamber on the Ohio River. That is not the case on the upper Mississippi River and we have fairly high tonnage in the lower portion of the upper Miss as you all well know. But most of those -- there's a few. Most of those are not dual locks, they're single.

So the risk, because of that factoid, are significantly higher on the upper Mississippi than they are in the Ohio. We could still pass traffic. When Markland failed, remember that? That was lots of fun. When Markland failed in 2009 and then Greenup failed a few months later, we could still pass traffic. It was painful, you had to break up the tows, but you could

pass traffic. If that happens on, you know, for example on Lock and Dam 8, nope, you won't be able to do it.

So I think we're on a journey here together, of trying to move toward this -- it's kind of both a cultural and an intellectual change toward coherent, all encompassing investment management of the entire system. They're talking 50 years. I don't even like that, frankly, because it's a continuous cycle that never ends and it only ends when you decide this project is no longer worthy of any investment, kill it or dispose of it or just defund it which we're going toward on some of the projects that are at the very hinterlands of the system. But, anyway, I'll let you guys keep going.

MR. HANNON: I'll have that chart at my next presentation that shows what you're talking about.

MAJOR GENERAL PEABODY: I guess what I would advocate to the Board members is one of the challenges -- there's -- you all have incredible experience. But in order for us, collectively, to move forward in this, we kind of have to check our experience just a little bit at the door and walk with us on this journey and imagine how we can get there and then bring your experience back into the equation and then ask these tough questions that's going to force us to sharpen our pencils and make us that much better at advancing this new approach because it's going to take us a while to get there. We're making great progress, but this really, truly, is a journey that's probably going to take half a generation to get to where we need to be.

MR. EL-NAGGAR: Yeah, I think a lot of these questions are going to be answered when you see Jim's presentation which I think most of it has been done now, but let me go on to the next slide here.

So these are kind of the milestones that our team has done so far. We've had three face-to-face meetings and, believe me, most of our conversation in these face-to-face meetings has been discussing these issues -- the BCR, the RBRCR, the DSAC rating, and how we're going to use that in our methodology. That's taking up a bulk of our talks and that's really the next step, and how we're going to do that. Right now, what you'll see is that we've got a list showing -- the risk buy-down and you'll see that.

We're doing the IPAT telecons both with webinar and with our team. We'll continue to brief the Inland Waterways Users Board and we have had three briefings to industry on methodology and team progress.

We've conducted an IPR (Interim Progress Review) with Corps senior staff and we've also presented this to the WCI (the Waterways Council, Inc.) and we've presented this to our Corps operations staff. So we're trying to keep everybody informed as we move along this process.

So the next slide just shows, kind of at a macro level, what our schedule is. November 18th, obviously, that's today.

We have the IMTS Board of Directors meeting coming on December 2nd and this will be my second Board of Directors meeting. The BoD was formed, I think, back in 2008, I want to say. But there was a kind of a hiatus there where we had a transition. We had -- the sequestration kind of affected that. So there was about two years where the Board wasn't able to meet. So we're starting that back up again and part of the presentation on December 2nd will be the progress of the IPAT team and that will be our opportunity to brief the Division commanders.

We are scheduling our next IPAT face-to-face meeting the second week of January and hopefully we'll get a lot of decisions made during that meeting and this is, as I said, just kind of a macro level schedule all I way through to June when the report is due. So we'll be briefing the Inland Waterways Users Board at Meetings No. 74 and 75. We'll continue to brief the Board of Directors and in the interim we'll be drafting the report, revising it and presenting that to industry for review.

I think that's it. Subject to your questions that completes my presentation.

Thank you.

MS. SIMMONS: Any additional questions for Kareem or shall we -- let's go ahead and move into Jim's presentation.

Jim, do you want to go ahead and brief from your seat or do you want to step up to the microphone.

MR. HANNON: Yes, I think I'll just stay right here.

MS. SIMMONS: I figured you would.

MR. HANNON: I'm a lower target, right? [Laughter.]

I was kidding. So if you would, go to the next slide, please. This is Jim Hannon, for the record. General Peabody talked about the journey that we're on and this is what we've been referring to and it's kind of a roadmap towards developing our integrated life cycle investment strategy for the inland navigation system, both O&M and our capital investment strategy as we've been talking about this over this past couple of Users Board meetings and some of the steps that Kareem went through that I won't go through in any more detail.

Next slide, please. I believe this is the slide that General Peabody was referring to when he was talking about the discussion on total risk exposure. You see the red bars are really the operational risk, those things that are going to have the highest potential to impact the navigation mission. I'll use the word imminent failure, although it may not be quite that far along. But certainly it's in a failed or nearly failed condition that's going to create that operational exposure risk.

The blue part is that residual risk exposure. We've talked about that over the last few meetings as well. The residual risks are those areas where we can't just completely ignore it in the sense that it's something that we should focusing preventative maintenance, routine maintenance to keep those critical components from going into that condition that would result in, overall, the risk, the operational risk.

Now, this analysis, this screening that's presented right here is -- as you all recall, at the last meeting we talked about how we evaluate from a performance based system. We have high, moderate and low use based on ton-miles and then we introduced the discussion of many of those locks have 1,200-foot chambers versus a 600-foot chamber or there's a redundancy of auxiliary chambers where others don't have auxiliary chambers.

So this analysis and this screening of this operational risk is laid out based on the evaluation of critical components, highest probability of failure and taking out those auxiliary chambers and based on what we talked about at the last meeting.

Again, that kind of gives you the full spectrum of the waterway systems in the IMTS.

Go to the next slide.

MR. MECKLENBORG: Jim, you mentioned -- this is Dan Mecklenborg. You said taking out the auxiliary chambers. What does that mean?

MR. HANNON: Well, essentially, if we didn't include in the analysis -- if it has an auxiliary chamber we're giving more emphasis to those that don't have the auxiliary chamber in other words. I'm glad you asked me that.

MR. MECKLENBORG: Okay, gotcha.

MR. HANNON: Go to the next slide, if you would, please. Again, this is the initial screening. You see "draft" here on this slide. This is the complete system and when you look at the very high priority, high priority, moderate priority, we're not trying to define it from the sense that it's a higher priority lock versus another lock.

This priority class is based upon particularly the capital investment and the opportunities to buy down risk. So if you have a high priority, you have more opportunity to buy down risk at those particular locks than you have in others that are down at a lower priority in that regard.

CHAIRMAN HETTEL: Jim, Marty here. On that reference of buying down risk, is that buying down risk taking into account also building a new lock chamber or just the existing chambers that are there?

MR. HANNON: It could be both, yes. It would be not just related to a major rehab, if you will. But if you look at the bottom going up, this is the full spectrum from O&M, from preventive maintenance to minor maintenance and major maintenance all the way up to major rehab or a complete replacement lock is what we're talking about in evaluating this here.

CHAIRMAN HETTEL: So on the left hand top of the slide it says major rehab/modernize. Does this suggest that a major rehab is beneficial versus a modernization or -

MR. HANNON: No, that's not necessarily trying to say that's the only way you have to go with this. Again, this is an initial screening and I think we have to take into account these other factors that we've talked about already in regards to what will drive us to a complete lock replacement versus doing a major rehab versus, we can address this through major maintenance into the O&M program.

I always have to say, understand that the Operation and Maintenance program is also limited in the amount of funding that it gets as well, so this is that initial review to begin to tee up for us the initial screening, now what other factors do we need to consider when we start looking at these projects.

I see Matt has a question.

MR. WOODRUFF: Yeah, I have a question and I don't know exactly how to ask this, so I'm going to take a stab at it. As I appreciate this -- if we were in utopian end state, does this formulaic approach, that end state that we would hope to have, is the system we have today completely operational and that's what all of this is driving towards?

For example, in order to continue to have the capacity we have today, we might need to maintain a lock. We might ultimately need to rehabilitate that lock and some day we may need to replace that lock. But, again, what that goal appears to be through this is keeping exactly what we have today.

What I don't see as a component in all of this -- and tell me if it exists -- is a way to capture a determination that, really, what we need to have for tomorrow isn't what we have today, but something more than we have today. In other words, the capacity expansions.

Does this formula look at that and tell us where we need capacity expansions?

MR. HANNON: That part doesn't exist right now. This is really looking at those risk components that are associated with, again, the current critical operational components.

Again, we have to get back to the capacities. We also have to determine, which is not in this, are there some facilities that we need to just write-off, that we need to just say we no longer need these because they're not providing the economic value back that we expected because capacity is no longer there, there's no expectation that it's going to be there.

So there are additional reviews and analyses based on these other criteria that we need to go through here, but we had to start with -- I call it a clean slate. Maybe that's not the best choice of words, but start with looking at all the projects, from a perspective of what are the current conditions, what are the risks of failure and, operationally, where do we see the highest risk and then what other criteria do we need to begin to apply to this.

MAJOR GENERAL PEABODY: This is General Peabody. If we do this right, then what you suggest is something our grandkids or great grandkids may get around to. Okay? Because what we're dealing with is current reality. This is based on current condition assessments that are periodically updated on a routine and regular basis. So this will be continual updated and you'll see migrations over time.

It assumes that the condition assessments are accurate, which they may or may not be. We think we have relatively high accuracy, but perfection is probably not achievable. And it's also based on the consequences, the economic consequences of a failure and a suspension of capability which gets into what we currently see for current traffic.

Now, in my mental model -- we haven't gone there, but I think we need to. In my mental model, in two years, a certain very important event is going to happen, the third set of locks in the Panama Canal are going to be operational or roughly thereabouts, which will -- if I listen to my soybean friends, and I do, expand the economic viability of moving grain to the river by almost twice the distance that it's currently available which would prospectively cause the traffic to spike up.

I think that's another level of analysis we need to get to. Right now, we're just still defining the problem with sufficient clarity that we'll have relative confidence that we can apply it to decision-making and we'll continue to perfect this as we go along with your questions and inputs and insights. But we are basing this on reality as we understand it and on the consequences, if things break as current reality is and not this, prospective utopian possibility. That is somewhere, I think, we need to go. We have a lot of work to do to get this right first, though, if that makes sense to you.

MR. MECKLENBORG: It does and, General, this is Dan Mecklenborg. In that vein, if, for instance, Congress were to pass an authorization for a hypothetical new locks and dam project on the Illinois River that would completely be something unexpected and new, how would that sort of appropriation and cost sharing get factored into all of this?

It's a question of you've still got the Inland Waterways Trust Fund and if you had unexpected authorizations and maybe appropriation of federal money, how does something like that get factored into this overall plan?

MAJOR GENERAL PEABODY: General Peabody. I don't think it really does because, again, Olmsted is factored into this. Lower Mon, Chickamauga, they're all part of this equation. But we're taking the current reality and we're not projecting a future reality until it occurs.

So how it would be factored in is it would peel off available funds from other recommendations is how it would affect it. But it wouldn't affect the analysis of the reality and of the consequences and of our associated recommendations. And personally, I'm kind of confident that's not going to happen given the earmark ban, but you never know.

MR. MECKLENBORG: You never know. Okay, thank you.

MR. WOODRUFF: One very quick question. On the slide before, the operational risk exposure is set out in dollar terms. Is that dollars per day? Can you give me some context of what I see on this chart?

MR. HANNON: I believe that was the total annual cost and I was looking back to Doug Ellsworth there just to remind me of that again, but it's the total operational risk exposure of those particular waterways as they're listed here. On an annual basis.

MAJOR GENERAL PEABODY: So, basically, what you do is you amortize the risk over time on an annual basis and you say, okay, based on the probability of failure there's an economic consequence associated with all of those probabilities. You amortize that over a year's time and you come up with a dollar figure of what that's likely to be given the probability scenarios.

And again, will this play out? No. I mean, something different is going to happen, but this gives you the probabilities as we understand them based on the condition assessments and the economic consequences.

MR. WOODRUFF: And I see that's multiplied now by a thousand. So the high number is \$200 million, not \$200,000.

MR. HANNON: That's correct. So go to the next slide, if you would. This was just a depiction of -- as we looked at the original rankings previously, the original projects, how were they being evaluated. Now, again, just from the as-is condition, operational risk exposure piece, when we did the original rankings, we had factors previously authorized, it was already under construction. We had other factors that -- criteria that we haven't yet applied into our original ranking right here.

Next slide. If you go to that, it kinds of sets up --

CHAIRMAN HETTEL: Jim, I'm sorry. Back to your previous slide. And my apologies, I did find the top ten in the old Capital Development Plan on Page 55. Thank you, Mindy. I stand corrected.

This is one of the most confusing slides to me for the simple statement that's listed down there next to the asterisk, "Current draft IMTS traffic forecasts indicate that there is not a capacity driven need for any chamber expansions."

But yet, when you sit here and say Upper Miss. Locks 22 and 25, Inner Harbor and LaGrange have the highest initial risk.

So explain to me how -- I mean, if we had another chamber -- to your instance prior, if we had another chamber at LaGrange, this would not be your initial risk being high.

MR. HANNON: And these were the initial 10 in 2010. I think -- is that you're talking about, Marty?

CHAIRMAN HETTEL: No, no. I'm referencing your comment down at the bottom of the list of 10 projects on Slide 5.

MAJOR GENERAL PEABODY: So what this is saying, as I understand -- this is General Peabody here -- Mr. Hettel, is that there's not a need from a capacity standpoint. In other words, a throughput requirement to expand the size of the lock chambers or increase the lock chambers.

The risk is a different question. The probability of failure, I should say, and the associated risk with that probability of failure, that's a different question.

So, in other words, what this would say is -- let's take NESP that was discussed earlier. The analysis that we have is that the capacity for NESP does not justify a need of actually building auxiliary locks. That's what this statement indicates.

MR. HANNON: Based on the current analysis and the current capacity, I think we're going to have a discussion on capacities just following this, right?

MAJOR GENERAL PEABODY: And this is why I also think it's important for us to start looking and anticipating the Panama Canal impacts because that may change that calculus.

CHAIRMAN HETTEL: Marty here. So I understand your statement on capacity. However, if there is not a 1,200 foot lock addition in any one of these projects, your initial risk still remains high. As the General said, if Lock 8 goes out, Lock 8 goes out. You can't move anything.

MR. HANNON: That is correct. That's right.

CHAIRMAN HETTEL: So these facilities could always stay in a very high risk category without the addition of another chamber.

MR. HANNON: That's correct.

CHAIRMAN HETTEL: Are we not trying to minimize --

MR. HANNON: No, no, no. Exactly. That's when I went back -- I made the point earlier too, is there a particular part of a criteria that we do need to make an evaluation on auxiliary chambers. We talked about not moving forward with an auxiliary chamber at least at this time on the Lower Mon 2, 3 and 4 project.

So that kind of an analysis is not totally plugged into except for here, it's not -- there is not one there. Therefore, the higher risk associated with these projects and it puts them at a higher priority to buy down some of that risk, whether it's through a major rehab or whether it's

through a complete replacement and then a decision on do I put an auxiliary lock there gets back to, I think, some of those BCR economic type conditions that you have to evaluate.

CHAIRMAN HETTEL: So under your low risk of exposure, Lower Mon is listed here. Is that based on building two chambers at Charleroi [Lock 4] or one chamber?

MR. HANNON: I think that is -- I don't know. Is it one, Doug, or is it two?

MR. DOUGLAS E. ELLSWORTH: It is based on the current conditions on the ground now.

MR. HANNON: It is current conditions? Okay.

MR. McKEE: And it's on the main chamber, based on the current conditions of the main chamber.

CHAIRMAN HETTEL: Wow. I've seen Elizabeth. That's amazing that would be a low risk category, Mike.

MAJOR GENERAL PEABODY: And it's because of the consequences of failure. They're just not as high as they are lower down in the system because the traffic is lower there.

CHAIRMAN HETTEL: Because of tonnage figures.

MAJOR GENERAL PEABODY: Exactly. Now, that's one question -- General Peabody here. Is this based on tonnage or ton value? It's still based on tonnage, right?

MR. HANNON: It's tonnage. It's the same -- we talked about before the transportation rates savings, what's going through these. It's very similar to what we do in calculating our National Economic Development benefits on any of the projects that we go through a planning study for that development.

So we're essentially using the same methodologies here being consistent with how we determine projects and plan for the future.

CHAIRMAN HETTEL: I understand. Let me just finish up here, Mike. So with that one caveat, you're assuming that the additional capacity is there and other transportation modes. I think that's an important point.

MR. HANNON: Yeah, we captured that, I think. That is a good point.

MR. SOMALES: Mike Somales. Based on the volume of tonnage on the Lower Mon, from 5,000 feet it may appear that that's a detriment compared to, like, Lock Number 3. But it's extremely devastating to local industry. An example of that would be in next year's maintenance schedule, you have Lock 4 out for a month. So you essentially cut the Mon River in half.

There are utility customers and mining customers on both sides of that. They're going to starve for product, they're in the planning stages as far as a year out to prepare for that. So a failure which is not planned for is even more devastating.

MAJOR GENERAL PEABODY: No, you're absolutely right. This looks at pure transportation rate savings. It does not look at what I call fragility or impact. So the Clairton coke plant, we know how important that is to manufacturing, steel production in this country. We know that it's lifeline is the Lower Monongahela River and yet the pure tonnage that goes through that river does not address the qualitative aspect of a failure. We are not at that level of analysis.

I would foresee that that is -- once we get this managed, that is the next level of analysis. There are policy implications with that, frankly, that the Administration does not even address currently, it may not want to address, may not be able to address because of the complexity associated with qualitative impacts, but we don't do that. That doesn't make the consequences for the people who are affected any less catastrophic or real.

This is a gross order analysis with fairly high fidelity, but still gross in the sense that it's just looking at the transportation rate savings because that's the vehicle that we have to make these -- that's what the Administration gives us is a vehicle to make these judgments.

MR. MECKLENBORG: Yeah. General, this is Dan Mecklenborg. Just real quickly, there's a value in the overall system in a holistic sense and you're always going to have less tonnage at the ends, essentially. So that's something that -- how you deal with that so that you don't start just truncating your system based on this analysis is something that I throw out as a matter to consider.

MAJOR GENERAL PEABODY: Yeah. General Peabody again. I agree. I mean, there's got to be human intervention to assess and account for these other variables, not just the pure quantitative analysis which is essentially what we're focusing this down to. But this provides a wonderful baseline for us and then we can have those discussions on qualitative impacts as well and then make recommendations combining the two based on the quantitative analysis, the experience and the knowledge of experts such as yourselves and then the recommendations to the Administration and the Congress.

MR. HANNON: So if you go to the next slide, and essentially where we are -- and we've pretty much talked about all this already. I mean, we're setting that baseline, we're going back, the team, to look at this initial screening of the projects. Are there any maintenance, repairs or replacements of critical components that have been done that's going to adjust or tweak that any?

Then we start teeing up the discussions on what other criteria do we have out there that we need to evaluate. Certainly, it may put some of these into an evaluation of a major rehab. So we go through that discussion, that analysis and, like I said, particularly, previously

authorized, BCR ratios, all of those things that we've just talked about today is where we are to that human element to apply now to this baseline.

So if you go to the next slide. Again, the journey slides, just finishing there. It is a journey, but the bottom line of this is that we're planning to come out of this with at least a 50-year investment strategy that you could then apply your -- from both an O&M perspective, from a capital investment perspective, you could then start applying different scenarios of funding to. If we had this much funding, we could do this much more. We could move these -- shift the work in the next 50 years to the left.

Again, once we can get this laid out, then we can start applying different scenarios and having, I think, a deeper dialogue on where and how we invest realizing that this is perpetual. This will never be static. This is something that we have to continually update.

CHAIRMAN HETTEL: I think your next page says "Questions" and I only have one left, Jim. [Laughter.]

Completing this project, 100 percent complete, where are you at right now? Are you 20 percent done with it, 30 percent done with it? Where are you, would you estimate, in getting the final project?

MR. HANNON: I don't know if I can put a percentage on that, the team. I will say it's our intent to have this investment -- without question, have the investment strategy developed in FY 15. This year in FY 15.

Now, will that be an 80 percent solution? Maybe so. I don't think we'll ever get a hundred percent solution personally. I think there's always going to be other factors that we bring into it. So I'm going to say we're probably 50 percent complete to an 80 percent solution, if you want a number. And I think that would be kind of my best guess right now. Again, I think the key part of this will be that we look at this annually and we build a routine into this or perpetually that we're always going back and evaluating because stuff happens. Then you gotta go back and plug in another factor into what you've already laid out right there.

So, hopefully, Marty, that -- at least from my take, I think we're about 50 percent done with the 80 percent solution and I believe, from my perspective, this has been some of the hard work to get the baseline set. Now we start looking at these other criteria and you can adjust now, based on the baseline, as you start to say, how do I influence that with other criteria.

CHAIRMAN HETTEL: I appreciate that, Jim. So in Kareem's presentation, he says a draft is due in mid January. So the draft would be that 80 percent, you think? I'm trying to determine how close you are to the final product.

MAJOR GENERAL PEABODY: This is General Peabody. I don't think of it in percentages because, frankly, I think it's too complex for us to put a percentage to it as I think Jim indicates.

The way I think of it is we're going to have an executable approach that we can actually start using for the first time, a life cycle management approach that we can actually start applying. That's the key. And the other key is that the reason we're able to do this is because we, over the last several years, starting with the original Capital Projects Business Model which you guys were an intimate part, we've advanced our understanding and our knowledge and built the intellectual foundations that we now have an intellectual baseline that we're reasonably confident in.

Is it perfect? Heck, no, not even close. That's not the point. The point is we can actually start applying it and, as you all look at it and make criticisms and recommendations and analysis and say what about this, what about that, we can continuously improve as it incrementally as we go forward.

So, to me, the percentage question, well, I get where you're going, I guess the way I would phrase it is I have 80 percent confidence that this is going to be a reasonably decent product that we can actually use with confidence that it's good enough to apply and that's the important point to me.

Is that enough percentages for you, Mr. Chairman?

CHAIRMAN HETTEL: I will just merely state thank you for your comments.
[Laughter.]

MAJOR GENERAL PEABODY: Thank you, sir. No, it was great questions.

MS. SIMMONS: Okay. Thanks, Jim. So the next piece of this puzzle, we're going to bring up Mr. Patrick Donovan who is the new Chief of our Inland Navigation Planning Center of Expertise in the Corps of Engineers. Many of you may know Patrick from his former life. He's going to talk about a topic that we've discussed at a previous Board meeting that was a request we had back at Meeting No. 71 regarding traffic forecasts both for commodities and at individual locks and he's also got Mr. Buddy Langdon who was previously up here answering some of you questions and who's done a lot of the work as part of Mr. Donovan's presentation.

Mr. Donovan.

MR. PATRICK J. DONOVAN: Thank you for having me this afternoon. I look forward to presenting some of these national lock traffic forecasts to you as a do out from some previous meetings. I do have a lifeline in the audience and it is Mr. Buddy Langdon and he is the architect of the model we're going to show you going forward here.

Just laying some expectations here, traditionally the Planning Center for Expertise for Inland Navigation and Risk-informed Economics Division, PCXIN-RED or, as we like to say, the Nav Center, we've traditionally done river and project level economic analyses. So we talked about the LPMS data this morning. We talked about the shipper cost carrier model this morning. So these are our primary inputs into our modeling. So it's important that this conversation that Mr. Hettel introduced about having further looked at how we determined the

shipper savings going forward. So that's a great point, Marty. We appreciate that and we look forward to working with you on that issue going forward.

So here we go. We move into a national lock traffic forecast. So we're moving ourselves forward and we're looking at how we do this. So some of our objectives and scope of this forecast is really looking at the national -- is to use sensitivity testing of the IMTS and IPAT risk exposure rankings. So we're trying to partner up and marry into this process that we've been going through this morning.

These are some of the inputs into this process going forward. Once again, looking at national forecasts for these different commodity types that we are actively engaged in moving every day on the system.

Forecasts need to be reasonable and timely. We've got to engage in a smart planning process. We want detailed demand forecasts and this is typically done at the river basin level. So, once again, we're rolling up basin level analysis into a national forecast.

So we had to go out and find some readily available and reliable forecasting to put our indexes into. So this is what we're seeing and this is how we came to this level. So we're pretty excited about rolling some of this out. We know there's going to be some feedback needed going forward. So we appreciate that.

So here we go. Some of the things we had to really look at were sources of forecasts. Where do we go out and find these forecast sources. So we went out and we looked at the Department of Energy. Criton Corporation did a lot of work for them. Leonardo Technologies, we went out and looked at some of their coal forecasting and, of course, our federal partners here, the U.S. Department of Agriculture, looking at some of their forecasting. So that was important that they're involved in this process and then one of the go to people here is IHS Global Insight looking at the U.S. economy on a 30-year focus.

So these are some of the national forecasts we went to index our work into. So this is -- as we go forward -- you'll see in the slides as we go forward. So we started at a total all commodity level, right. We just kind of wanted to look at total all commodity level.

So we see some historical data here on the left. If you look at the axis, we went back to 1990 to 2012, some of our historical data and looking at different trend lines. These are the different trend lines you'll see. The red circles represent the 2003 to 2012 historical data. This is a linear forecast here from 1990 to 2012. This is a linear forecast -- excuse me, trend from 2003 to 2012. So these are trends you're seeing and then the forecast projected out on top.

So we were able to take these models. Now this is the left-hand side. On the vertical axis, you want to look at tonnage and as we move through the commodity types you'll see that there are tonnage changes because the commodity type, the mixture changes going forward. So we want to look at that and point that out to your attention as we start digging into the commodity types and then when we get to the lock level we start seeing, of course, different tonnage represented at each lock.

And then on the right is the breakdown of tonnage as you see going forward, commodity groups. This stays consistent throughout the PowerPoint but, once again, the vertical axis will continue to change based on the commodity type in relationship to the forecast.

So we start with the big one, we go right into some coal forecasting on the national level. Pretty simple to see. The Department of Energy utility coal forecast and then, of course, the LTI [Leonardo Technologies, Inc.] forecast. You continue to see growth. Historical trend lines are here.

MR. KNOY: Is LTI an acronym for Leonardo Technologies?

MR. DONOVAN: Yes, sir. That is Leonardo. I'm not sure who asked that question. Leonardo, yes sir.

As we continue to move forward, petroleum, historical trend lines -- as we look at the historical trend lines going forward and then, of course, linking this to the index 2012 forecast going back to our DOE energy models, you kind of see some growth here. So you see a little forecasting going out. These all at a national or system level. So this is a very 30,000-foot look here, right? We're down to the river basin level, we're not down to lock analysis at this point. We're looking at national level forecasting. Okay?

So we see, using outside sources as we go forward here. Crude petroleum products, aggregates, grains. This is the index forecast here for grains. I think this ties into the discussion the General was having about the Panama Canal and how those impacts going forward will look on the Upper Miss. Chemicals, ores and minerals. It's of interest here, this is three percent of the 2012 national lock traffic is when you start getting ores and minerals.

Iron and steel. Once again, you start seeing the historical trends and then the forecasting as it's laid top of it. You see some growth. Once again, look at the difference in tonnage on the vertical axis. The horizontal axis stays the same. All other commodities make up about four percent of the movements.

So let's kind of dig down a little bit into some of the lock discussion and this is where we start getting into. So what we really want to call out here, as you get into the lock discussion, are the various commodity types on the right. And this is where it becomes critical here looking at the petroleum projections here. Down in Algiers we start seeing some growth here. Once again, looking at the tonnage, looking at your tonnage on your vertical axis, it changes based on the commodity types. So the dominant commodity moving through here.

So we start seeing some forecasting here in 30 million ton range.

I'm going to jump down to a lock of great discussion today and I want to take a minute here and stop and talk about the LPMS data that's used here and I think this is the one that had a lot of discussion this morning earlier on about this process that this is really, I think, where we can kind of sit down and work together and kind of vet some of how we got to this, these study

summaries with industry and get your input and start this peer to peer exchange or this exchange of information from industry into the Navigation Center to ensure that we are representing the data as we need going forward.

So we're very appreciative, from a Navigation Center perspective, to have the opportunity to be here and listen to the industry concerns and then see how we can engage industry into our processes to ensure we're reporting data out correctly.

And then we continue, Bonneville Lock and Dam. Once again, you see the historical -- it's the same story as we go forward through all of these locks and dams. I only have a few more. We'll stop on Chickamauga for a minute. This was another point of discussion this morning. We see some spikes but, overall, we've hovering right around a million tons here. So it's an interesting discussion. It's something that needs further analysis going forward at a reconnaissance level study for further detailing.

Inner Harbor Navigation Canal lock. As you see the commodity mixture, here again, we see some drops, we see some spikes in relation to different economic impacts. But on a trend line, once you come out to about 2030, the modeling starts showing that it all just kind of levels out going forward. We see some spike in growth here on the Inner Harbor as well. Here is the historical aspect to this lock. You see the trends going.

Kentucky, here's another great lock of conversation in the room this morning. Looking at our commodities types over here, ores and minerals and coal, things we're very comfortable talking about, seems to come very much to the forefront at this lock. So there's a strong, strong relationship of growth and how this all functions as part of a system. We list these two locks [Kentucky Lock and Barkley Lock] together because we view it's a system. They work in cooperation together. From an analysis standpoint, this tends to be a little easier to represent, understanding that there is a segregation here of data.

Mel Price Locks and Dam. Once again, you see the dominant here is grain. You see some up and down. But, again, the trend lines, they pretty much -- there's nothing here showing significant increases in inland navigation going forward on the long rise. So we pretty much built a system where it is.

Lower Mon Lock 2 [Braddock Lock] continues the story and, at this point, you're probably saying there's nothing new to the story and there really isn't as we move forward and continue to look at these analyses.

Looking at forecasting, looking at linking these to existing models and then indexing the two puts us at this 30,000-foot level and this story continues to play out going forward through all of our slides. Smithland Locks and Dam.

So here is what we think we need to be doing on a path forward is we need to kind of have a systematic update to the LTI utility plant consumption forecast. We think this is critical, apply and systematically update the global grain model forecast. We know this impacts the Upper Miss. significantly and for non-utility coal and non-grain commodities, we really need to

start looking at the University of Oregon and kind of getting into some of their modeling as well.

But at the end of the day it comes down to funding constraints and what are we capable of doing going forward.

So that's how we've looked at this. This is how we take national forecast from various outside agencies, tied it with our indexes, the data we have in our shipper carrier model, LPMS data, and try to do some forecasting over the horizon based on these different commodity types that we use on a standardized basis.

So this is the story we have going forward. These are our inputs to the model. If you have any questions, if I can't answer them, I have a lifeline. (No response.)

If anybody wishes to have a more detailed discussion, we look forward to that as well. We can schedule conference calls or webinars as well. So we will put ourselves out there for those also.

Thank you.

MS. SIMMONS: Thank you very much. So if there are no further questions on our IPAT approach I'm going to go ahead and turn the floor over to Chairman Hettel to discuss the Board's Annual Report. So, Marty.

CHAIRMAN HETTEL: So I'll certainly be brief. Thank you, Mindy.

Our goal, of course, is to have this report done before the end of the year which is only 43 days away. A lot of the input that we had today we'll derive what we put into our report. I have to make this request on our minutes of the meeting. I've taken as many notes as I can, but there was a lot of conversations here. The quicker we get those minutes of the meeting I think the soon we'll be able to finish our report. So I don't know if you can tell us when you can have the minutes from this meeting available for us.

MR. WOODRUFF: Or at least a rough transcript.

MS. SIMMONS: Ken, I'm not sure if you have an idea. You're the lucky person who gets to go through it after Dwayne passes it off, so...

MR. KENNETH E. LICHTMAN: We should have a transcript in ten business days.

MS. SIMMONS: So a raw transcript in ten business days is what we'll commit to for that.

CHAIRMAN HETTEL: That will be great. I'm certainly going to have to -- I'm getting back at you for --

MS. SIMMONS: Keep in mind it will be a little raw. No offense, Dwayne.

CHAIRMAN HETTEL: And that's fine. As Jim [Hannon] understands, sometimes we can be raw in comments. But, no, great conversations and collaborations today. We just want to make sure that this final product is something that is right as the General states. We want to make sure it's right. These type of communications we have here, I think, are invaluable and I'm not sure we can have those same types of communications on a webinar is part of my concern.

I'm just going to close with that. That's our schedule. So we should be able to get the minutes somewhere around the 1st of December with the holidays of Thanksgiving upcoming and we'll work from there.

Thank you.

MS. SIMMONS: Okay, thank you. And Jeff McKee just informed that Eddie Belk from our Mississippi Valley Division has some responses to some of the comments that came up or some of the questions that came up this morning. So I will bring him up to take care of those now.

MR. BELK: Yeah, thank you. I'll be quick. This morning, a couple of do-outs. First, Eddie Belk, Mississippi Valley Division. Mr. Hettel had or Mr. Knoy had questions about Lock and Dam 27, how long the auxiliary chamber there will be down. I checked. We'll be closing that chamber this week and it will be closed scheduled right now through the 20th of March. And we did confirm or I did confirm that we'll be able to pass ice with no problem through either the main chamber or the auxiliary chamber. So we don't expect any issues there.

The other question posed was by General Peabody with regard to the Inner Harbor Navigation Canal lock. His question was the General Re-evaluation Report that's being prepared for an investment decision to rehab that, how long -- what the schedule is. Right now, the project management plan scopes a three year feasibility study, but it has not funded yet. So as soon as we get funding we'll start the clock on that three years.

And then the other question was why do we need additional real estate? We already acquired real estate for deep draft lock, why would we need more land for the shallow draft lock? The short answer is we don't know that we will. I think we'll know that as we get into feasibility study and get a little more technical detail. So it's very, very likely my assessment that we won't need to acquire more land, but we'll know that as we get into feasibility. That's all I have. Thank you.

MS. SIMMONS: Okay, thanks for the quick responses there.

Now we'll move into the public comments section of our meeting. I will remind you that we had one comment submitted for the record by Mr. Jim Waddell which is included as well as the letter that he sent to Ms. Darcy and we have two people who are here to present in person.

So, first, I'll call Ms. Jane Mergler up to the podium to provide her comments. And if I could remind you, we are running close to the end of the meeting, so if could try to keep your comments to about three minutes, that would be appreciated.

MS. JANE MERGLER: Certainly, I understand. I'll be quick. My name is Jane Mergler, M-E-R-G-L-E-R. I'm a former Corps member who, prior to serving, did some time in the field, at Headquarters and also overseas mainly in relation to military programs and, currently, I'm simply a citizen taxpayer. So that raises my stature up several feet, I'm sure. I am not affiliated with any organization.

I would like to express my appreciation to the Board for advising the Corps on complex inland waterways issues, issues that intersect the private sector, the public sector and our communities.

One of my objectives or one of the objectives of the Civil Works Strategic Plan is to improve the efficiency and effectiveness of existing USACE Civil Works water resources projects by maintaining justified levels of service to commercial traffic of high use infrastructure.

My comments today relate to this objective insofar as, in order to maintain levels of service as strategic navigational infrastructure in the face of fiscal pressures, I believe that USACE must proactively and transparently assess the performance of existing Civil Works projects including navigation related projects so that prudent decisions regarding further investments can be made.

We all agree that American needs an economically and environmentally sustainable inland waterways system. There's no question about that. We understand the importance in terms of economics and in terms of strategic national security interests. But achieving this requires not only careful scrutiny of proposed projects -- proposed new projects, but also making tough choices about divesting ourselves of existing projects when there is strong evidence of economic and environmental non-viability.

We're familiar with earmarks and that is an obstacle to overcome, but it is not insurmountable. As you may be aware, people inside and outside of the Corps are identifying projects where costs exceed their benefits. You're familiar with the Lower Snake issues in terms of costs versus benefits. The volume on the Snake River has declined by 64 percent over the past 15 years.

On the Lower Snake portion of this system, only five percent of the total volume of freight is being handled. This particular portion of the navigation system, the Lower Snake, has been identified as negligible level of freight volume and, according to forecasts, this negligible level of freight volume is not likely to grow in the near or even distant future.

Nevertheless, despite the consistent decline, the taxpayer continues to be burdened with the rising cost of maintaining the locks and navigation channel.

You may find that we have reached certain points where the cost of maintaining certain systems or certain infrastructure is many more times their benefit. Where else within our inland waterway system might our tax dollars be effectively used?

To summarize, conducting condition assessments of 166,000 components is absolutely critical, but the Corps needs, also, a transparent process that will enable it, the Office of Management and Budget, the private sector and even the public to scrutinize existing navigation related projects to determine if they are producing the benefits that were projected. But analysis is not enough. Analysis must lead to decisions and decisions must lead to action so as our navigation related infrastructure and budgets remain constrained, we will know which projects we can support and which we may not be able to support and make our investments accordingly. Thank you.

MS. SIMMONS: Thank you. And now our second member of the public is Ms. Susan Holmes from the Save Our Wild Salmon Coalition.

MS. SUSAN HOLMES: Thank you. Do you need me to spell my name? Susan Holmes, S-U-S-A-N H-O-L-M-E-S.

Thank you very much for the opportunity to speak. I'm here today on behalf of Save Our Wild Salmon, a coalition of commercial fishing associations, sport fishing businesses and groups, conservation organizations and clean energy advocates committed to restoring healthy, harvestable populations of wild salmon and steelhead to the Columbia and Snake Rivers. The Northwest's iconic salmon not only are important to the health of our ecosystems, they support thousands of jobs and communities across the Pacific coast and inland in rural communities in Idaho.

I'd like to speak to the concerns our coalition has with respect to the Lower Snake River waterway in eastern Washington.

These four dams have caused steep declines in wild salmon and steelhead populations in the Columbia Basin. Thirteen (13) stocks in the basin today are listed under the Endangered Species Act. Wild salmon are not returning today in self-sustaining levels. As a result of severe Columbia Basin salmon declines in recent decades, thousands of Northwest fishing and recreation jobs have been lost.

As a coalition that includes businesses, we've always been concerned with the benefits that the Lower Snake River dams provide to the region. Since its construction, the Lower Snake River navigation waterway has provided cheap, affordable shipping to Inland Northwest wheat growers and other shippers. It is also a leading cause of decline for the Snake River salmon and steelhead. In the past decade our coalition has sought out dialogue with different interests who benefit from the navigation the dams provide in order to explore possible solutions that will allow for the restoration of wild salmon while ensuring that reliable and affordable transportation options remain.

But the Lower Snake waterway no longer provides the benefits it once did. Shipping on the Lower Snake has declined steadily since 1998. Of the shipping today on the so-called Columbia-Snake waterway, 96 percent occurs on the Columbia River alone. Only four to five percent of goods shipped to and from ports on the Lower Snake. Shipping on the Lower Snake has declined 64 percent over the last 12 years as shippers have invested in more competitive and efficient truck and rail. When considered as a stand-alone waterway, the Lower Snake falls into the Corps of Engineers negligible use category accounting for less than one half of a billion ton-miles per year.

Meanwhile, aging mainstem dams, locks and levees on the Columbia and Snake are in need of expensive upgrades and repairs. In order to maintain our most valuable infrastructure in the Northwest, American taxpayers and the region's residents are facing some large bills and some difficult decisions.

The Corps is proposing expensive dredging in the Lower Snake waterway that will cost millions of dollars each year. We believe the time has come to prioritize urgent upgrades and repairs on the far more valuable Columbia River waterway, close the Lower Snake River waterway and begin deliberations about removing the four costly Lower Snake dams.

Increasingly scarce resources require that we (1) invest in the Columbia River waterway and (2) support farmers and other local businesses as they replace the marginal transportation benefits provided by the Lower Snake and shift to truck and rail.

We ask that the Inland Waterways Users Board to recommend the Corps of Engineers consider removal of the four Lower Snake River dams.

Thank you very much.

MAJOR GENERAL PEABODY: Ma'am, I'm sorry. Could I ask a quick question, if you don't mind?

MS. HOLMES: Sure.

MAJOR GENERAL PEABODY: I just want to make sure I understood your views. So what I heard you advocating for was, in addition to closing the Lower Snake, using the cost savings to buttress the Columbia River system?

MS. HOLMES: Correct.

MAJOR GENERAL PEABODY: So my question then would be, is it your organization's view that the salmon are less impacted or affected in the Columbia than they are on the Snake and, therefore, we can continue to sustain that system?

MS. HOLMES: Well, we've always prioritized the Lower Snake. The science has shown that the four Lower Snake River dams really act as kind of the last part of the gauntlet

that, in fact, if we could remove those, that we would have a fighting chance for restoring some of these endangered populations.

Clearly, the system has a cumulative effect, but it's really those last four dams that have been, if you will, a sort of nail in the coffin for many of our salmon.

So we believe, in terms of the future for the salmon, if we could remove those four Lower Snake dams, that the rest of the system should be able to -- at this point, if we increase, keep spill flowing and keep the mainstem flowing as a river, that there's good scientific evidence that suggests that we'll be able to sustain our salmon populations.

MAJOR GENERAL PEABODY: Okay. Thank you very much.

MS. HOLMES: Sure.

CHAIRMAN HETTEL: Marty Hettel here. I would like to make one acknowledgement here before the meeting is adjourned and, as a Board, we'd certainly like to thank Mr. Hannon for his years of service at the Corps. We appreciate everything you've done, Jim. You'll be missed and happy retirement, my friend. [Applause.]

MR. WOODRUFF: Mr. Chairman, the General earlier said that getting this all worked out, I think you said, may take half a generation before we're finished with it and I was wondering if we could maybe sign Mr. Hannon up for at least another half generation to help us through it. [Laughter.]

MR. HANNON: Speak to my wife.

MAJOR GENERAL PEABODY: Mr. Woodruff, that's a great suggestion. The Corps has a rehired annuitant program for some of our highly qualified experts and if you can encourage Mr. Hannon, I think Mr. Stockton [Mr. Steven Stockton, Director of Civil Works, U.S. Army Corps of Engineers] and I would be very grateful.

MR. SOMALES: I would be careful with that "ask my wife" thing because she might say "I married you for better or worse, but not for lunch." [Laughter.]

MR. PEABODY: Members, thank you very much. I think we had a robust discussion today. I hope that we're continuing to address the issues that are of concern to the members of the Board. That's certainly our desire and look forward to the continued dialogue and we've got a number of issues that we need to take back and improve the analysis and the specificity on, but we're determined to do our very best to give you the information that you need so that you can execute your duties to advise the Congress and the Administration on the inland waterways system. And with that, I'll turn it over to Ms. Simmons for any final -- I just want to echo and thank, by the way, Chairman Hettel also for recognizing Jim Hannon. He's a fantastic public servant. We're truly are going to miss him and, Jim, I'm very serious about that opportunity for future endeavors if you're interested.

With that, I'll turn it over to Ms. Simmons.

MS. SIMMONS: Thank you, sir. Chairman Hettel, any final closing remarks? I'm getting hungry.

CHAIRMAN HETTEL: [Shakes head no.]

MS. SIMMONS: Okay. Just a reminder that we do have room in the dining facility across the way for the Board at the table here, those and a few Corps staff. The dining room is also open to members of the public and other folks who have joined us here for, I think, \$18.95 is what we'll all have to pay when we go through the door. So we can head over there and, with that, the meeting is adjourned. Thank you.

(Meeting adjourned at 1:00 p.m.)

State of Maryland
County of Baltimore, to wit:

I, R. DWAYNE HARRISON, a Notary Public of the State of Maryland, Baltimore County, do hereby certify that the within-named proceedings took place before me at the time and place herein set out.

I further certify that the proceedings were recorded stenographically by me and this transcript is a true record of the proceedings.

I further certify that I am not of counsel to any of the parties, nor an employee of counsel, nor related to any of the parties, nor in any way interested in the outcome of this action.

As witness my hand this 5th of December, 2014.

R. DWAYNE HARRISON
Notary Public

My commission expires:
September 15th, 2017