

Quadrennial Energy Review: Public Stakeholder Meeting

Aug. 8, 2014

**Comments by Marty Hettel,
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Good Morning: Thank you for the opportunity to address you today.

In 2012, the Inland Waterway Industry delivered 565 million tons of commodities.

Commodities that keep the lights on, products that power our vehicles, materials used to produce products that we use in our day-to-day lives, products that build America, and grains that we export to feed the world.

According to a study performed by the Texas Transportation Institute for the National Waterways Foundation, these commodities are delivered on our Inland Waterway System in the safest, most environmentally friendly, most fuel efficient, and most cost effective manner of delivering bulk freight in the United States.

While our Inland Waterway System continues to be a reliable means for transporting bulk commodities, the efficiencies we gain by shipping on the Inland Waterways are being challenged by our aging Inland Waterway Infrastructure.

Outages at Inland Waterway Locks and Dams have increased from 28,000 hours in 1992 to almost 180,000 hours in 2008. That is a 543% increase in out of service time in 16 years.

We have seen an improvement from 2008 to 2013, however in 2013 we still experienced over 142,000 hours that locks were out of service. That's still an increase of 407% in out of service hours since 1992.

As of 2014: 60% or 144 of the 242 USACE Lock Chambers are 50 years old or greater.

By 2020: a mere 6 years away – 70% or 169 of 242 USACE Lock Chambers will be 50 years old or greater.

By 2030: only 16 years from now – 85% or 207 of 242 USACE Lock Chambers will be 50 years old or greater.

According to the USACE, these facilities were built with a design life of 50 years.

Navigation is not the only beneficiary of Inland Waterway Lock and Dam Infrastructure.

While it is certainly true that Dams create pools of water for freight deliveries:

- Dams also provide water for municipal and industrial use;
- Dams create pools of water that are vital for recreational boating;
- Dams hold back water that is utilized by hydroelectric facilities;
- Dams hold back water for irrigation of our farm lands;
- Dams hold back waters that increase land values; and

- Dams hold back water that assists in flood prevention, during high water events.

So you can certainly see there are many more beneficiaries of Locks and Dams besides navigation.

The recent Water Resources Reform Development Act of 2014, which was signed into law by the President on June 10 this year, is a good start for recapitalizing and improving our aging infrastructure. However, there was one component that did not make it into the WRRDA 2014 legislation.

The component that was not included in the WRRDA legislation would have raised the Inland Waterway User Fee from \$.20 per gallon, on propulsion fuel, to between \$.26 and \$.29 per gallon. This additional \$.06 to \$.09 increase in the User Fee is being volunteered by the shippers and carriers in order to help address the aging infrastructure challenge we face.

However, without the routine maintenance needed to keep these Lock and Dam facilities operational thus keeping these facilities from needing recapitalization, we expect to see outages continue to increase as these facilities age.

Continued escalation of lock outages can cost the consumer due to the increased cost of the delivery of raw materials. In the last four years, there have been 7 major lock and dam outages that have increased shipper and carrier costs by over \$240 million dollars. These costs are passed on not only to the consumer, but can also have a negative effect on our exports, as we continue to compete in a world market.

Here in the United States, river-served power plants that rely upon the Inland Waterway System for delivery of fuel and environmental consumables to produce electricity are dependent upon a reliable Inland Waterway System.

During the cold weather in January, AEP utilized every bit of capacity we had available, which included running 89 percent of the older coal plants we must retire next year. Despite the extraordinary performance of these plants during this harsh winter, they will not continue to operate after mid-2015.

As these older power plants retire next year, it is going to be even more critical that we avoid disruptions in deliveries of fuel and environmental consumables to base load plants that will be running more often, in order to keep power supplied to the grid.

To summarize my comments, we need to recapitalize parts of our aging Inland Waterway Infrastructure.

We also need to increase maintenance on our aging Inland Waterway Infrastructure in order to keep Lock and Dam facilities from falling into a state of disrepair to the point recapitalization is needed.

If we can achieve recapitalization and continue to maintain the facilities that are currently operational, our export products will be even more competitive in the world market place, we will be able to keep the lights on, we can continue to build America, and consumers will be able to continue to receive the benefits of the safest, most environmentally friendly, most fuel efficient, and most cost effective means of delivering bulk commodities within the United States.

Thank you for the opportunity to serve on this panel and I look forward to any questions you may have.