

**A REVIEW OF THE PRESIDENT'S FISCAL YEAR
2016 BUDGET REQUEST FOR THE U.S. ARMY
CORPS OF ENGINEERS AND TENNESSEE VALLEY
AUTHORITY**

(114-14)

HEARING
BEFORE THE
SUBCOMMITTEE ON
WATER RESOURCES AND ENVIRONMENT
OF THE
COMMITTEE ON
TRANSPORTATION AND
INFRASTRUCTURE
HOUSE OF REPRESENTATIVES
ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

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U.S. House of Representatives

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April 17, 2015

SUMMARY OF SUBJECT MATTER

TO: Members, Subcommittee on Water Resources and Environment
FROM: Staff, Subcommittee on Water Resources and Environment
RE: Hearing on “A Review of the President’s Fiscal Year 2016 Budget Request for the United States Army Corps of Engineers and Tennessee Valley Authority”

PURPOSE

On Wednesday, April 22, 2015, at 10:00 a.m. in 2167 Rayburn House Office Building, the Subcommittee on Water Resources and Environment will meet to receive testimony from the Army Corps of Engineers (Corps), the Assistant Secretary of the Army for Civil Works, and the President of the Tennessee Valley Authority (TVA) on the Corps’ and TVA’s proposed budgets and program priorities for fiscal year (FY) 2016.

This hearing is intended to provide Members with an opportunity to review the FY 2016 budget requests for the Corps and TVA, as well as the Administration’s priorities for consideration in the Subcommittee’s legislative and oversight agenda for the First Session of the 114th Congress.

Army Corps of Engineers

General

The Corps provides water resources development projects for the Nation, usually through cost-sharing partnerships with non-federal sponsors. Activities include navigation, flood damage reduction, shoreline protection, hydropower, dam safety, water supply, recreation, environmental restoration and protection, and disaster response and recovery. The appropriation request in the Administration’s FY 2016 budget submittal for the Corps of Engineers is \$4.7 billion. This represents an approximate reduction of \$750 million from the enacted FY 2015 amount of \$5.5 billion.

The President's Budget proposes a reduction for most of the major accounts that fund Corps projects and activities. Major accounts and initiatives are described below.

Investigations

The President's budget requests \$97 million for the Investigations Account. This is \$21 million less than the FY 2015 appropriations of \$118 million. These funds are used for the study of potential projects related to river and harbor navigation, flood damage reduction, shore protection, environmental restoration, and related purposes. They also cover the restudy of authorized projects, miscellaneous investigations, and plans and specifications of projects prior to construction. Under the proposed budget, while two new studies are funded, the focus is on completing existing studies — 11 ongoing studies are funded to completion.

Construction

The President's budget requests \$1.2 billion for the Construction Account. This is \$445 million less than the FY 2015 appropriations of \$1.6 billion. These funds are used for the construction of river and harbor, flood damage reduction, shore protection, environmental restoration, and related projects specifically authorized or made available for selection by law. The President's budget proposes four new construction starts and funds nine construction completions. Generally, the reduced construction budget gives priority to completing ongoing projects with a remaining benefit-cost ratio greater than 1.0. Continuing ongoing projects with a benefit-cost ratio between 2.5 and 1.0 receive some level of funding.

Operation and Maintenance

The President requests \$2.7 billion for expenses necessary for the preservation, operation, maintenance, and care of existing river and harbor, flood control, and related projects. This is \$197 million less than the FY 2015 appropriations of \$ 2.9 billion.

The constrained budget for the Operation and Maintenance Account is impacting the navigability of certain waterways, availability of recreation, and other critical services. Already long-deferred maintenance continues to be delayed. The President's budget request for operation and maintenance in FY 2016, particularly by not fully utilizing the Harbor Maintenance Trust Fund, will continue to exacerbate the long delays in dredging. Underfunding the Operation and Maintenance Account complicates effective planning and creates inefficiencies.

Regulatory Program

The President's budget requests \$205 million for the regulatory program. This is a \$5 million increase from the FY 2015 appropriations. The funding provides for costs incurred to administer laws pertaining to regulation of activities affecting United States waters, including wetlands, in accordance with the Rivers and Harbors Act of 1899, the Clean Water Act, and the Marine Protection, Research, and Sanctuaries Act of 1972.

Formerly Utilized Sites Remedial Action Program (FUSRAP)

The President's budget requests \$104 million for FUSRAP for FY 2016. This is a \$3 million increase from the enacted level of \$101 million for FY 2015. FUSRAP provides for the cleanup of certain low-level radioactive materials and mixed wastes, which are located mostly at sites contaminated as a result of the Nation's early atomic weapons development program. This program was transferred from the Department of Energy to the Corps in the FY 1998 Energy and Water Development Appropriations Act.

Mississippi River and Tributaries

The President's budget requests \$225 million for FY 2016 for planning, construction, and operation and maintenance activities associated with Mississippi River and Tributaries water resources projects located in the lower Mississippi River Valley from Cape Girardeau, Missouri, to the Gulf of Mexico. This is \$77 million less than the FY 2015 appropriations of \$302 million.

Trust Funds

The Harbor Maintenance Trust Fund is supported by an ad valorem tax paid by the shippers (not including exporters) of cargo loaded or unloaded at a United States port. The funds are used to do maintenance dredging of harbors and to provide for disposal facilities for dredged material. The budget would use only \$915 million from the fund, resulting in an increase in the estimated balance to \$9.9 billion at the end of FY 2016. It is estimated that the Harbor Maintenance Trust Fund collected more than \$1.8 billion in FY 2015. Only approximately one-third of the Nation's federal navigation projects are currently at their constructed depths and widths, putting the Nation's ports at a competitive disadvantage. As a result, the cost of traded products in 2010 increased by \$7 billion. This may rise to \$14 billion by 2040 if operation and maintenance needs are not met.

According to the American Association of Port Authorities (AAPA), seaports provide for \$200 billion in federal, state, and local tax revenue each year. Thirty million jobs are directly related to international trade, with the United States maritime industry alone providing 13 million jobs throughout the country. Overall, the AAPA research finds that maritime trade creates \$2 trillion of commerce annually in the United States. The Economic Research Service of the United States Department of Agriculture notes that for every \$1.00 of goods exported, another \$1.36 in supporting activities is created.

The Inland Waterways Trust Fund is supported by a tax on commercial fuel used on specified inland waterways. The fund is used to pay for half of the federal cost of constructing navigation improvements on those waterways; the remaining half is paid from general revenues. The budget calls for using approximately \$53 million from the fund in FY 2016, allowing for a total of more than \$232 million being available for capital improvements on the Nation's inland waterways.

Aging infrastructure along the inland waterway transportation system presents a growing challenge. The Corps of Engineers is responsible for the operation and maintenance of 236 lock chambers in 191 locations nationwide. The average age of these locks is almost 60 years old. Reliability of transportation networks is critical to the Nation's economy. While this infrastructure has served the Nation well, operation and maintenance expenditures will only slightly prolong the life of a depreciating asset that will continue to diminish in performance. In addition, as the asset gets older, its operation and maintenance requirements will grow.

At the end of the 113th Congress, legislation was enacted that would increase the inland waterway fuel tax to \$0.29 gallon, an increase of 9 cents per gallon, which will likely raise an additional \$1.1 billion over ten years for capital improvements to the inland waterway transportation system. In addition, the Administration submitted a proposal with the President's FY 2016 Budget to assess a fee on all commercial vessels that utilize inland and intracoastal waterways.

Flood Control and Coastal Emergencies

The Administration's budget request proposes \$34 million for the Corps' Flood Control and Coastal Emergencies (FCCE) Account. The Corps has authority under the Flood Control and Coastal Emergencies Act (P.L. 84-99) for emergency management activities, including disaster preparedness, emergency operations, rehabilitation of flood control works threatened or destroyed by flood, protection or repair of federally authorized shore protective works threatened or damaged by coastal storms, and the provision of emergency water due to drought or contaminated sources.

Tennessee Valley Authority

TVA is the Nation's largest wholesale power producer and the fifth largest electric utility. TVA supplies power to nearly nine million people over an 80,000 square mile service area covering Tennessee, and parts of Mississippi, Alabama, Georgia, North Carolina, Virginia, and Kentucky. In addition, TVA's non-power program responsibilities include the multi-purpose management of land and water resources throughout the Tennessee Valley, and fostering economic development.

Since FY 2001, 100 percent of TVA's power and non-power programs have been funded through its power revenues. TVA receives no appropriated funds. TVA's expected revenues for FY 2016 are \$10.9 billion and expenses are expected to be approximately \$8.9 billion. This compares to FY 2015 estimated revenues of \$10.7 billion and expenses of \$8.9 billion.

Largely due to investments in nuclear power plants, TVA carries a large debt load, which reached a high of \$27.7 billion in 1997. The outstanding balance of TVA's bonds, notes, and other indebtedness is limited by statute and cannot exceed \$30 billion. TVA's outstanding debt and debt-like obligations were \$26.1 billion at the beginning of 2015 and are estimated to increase to \$26.9 billion by the end of 2016. TVA's financial condition has forced the organization to make difficult decisions to live within its debt limit. Managing increased

operating costs, underfunded pensions, and a growing need for capital investments all while attempting to expand energy efficiency programs has been a challenge for TVA.

In 2000, the Inspector General (TVA IG) for TVA became a Presidential appointed post. The TVA IG currently is funded directly from TVA revenues, subject to TVA board approval. The President's budget proposes to appropriate funds for TVA's IG out of TVA revenues (\$24 million for FY 2016). Under the TVA Act, the TVA board may choose to deposit some power revenues into the U.S. Treasury, but absent congressional action TVA's revenues are not available for appropriation.

WITNESSES

The Honorable Jo-Ellen Darcy
Assistant Secretary of the Army—Civil Works

Lieutenant General Thomas P. Bostick
Chief of Engineers
United States Army Corps of Engineers

Mr. William Johnson
President and Chief Executive Officer
Tennessee Valley Authority

**A REVIEW OF THE PRESIDENT'S FISCAL YEAR
2016 BUDGET REQUEST FOR THE U.S. ARMY
CORPS OF ENGINEERS AND TENNESSEE
VALLEY AUTHORITY**

WEDNESDAY, APRIL 22, 2015

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON WATER RESOURCES AND
ENVIRONMENT,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
Washington, DC.

The subcommittee met, pursuant to call, at 10:05 a.m., in room 2167, Rayburn House Office Building, Hon. Bob Gibbs (Chairman of the subcommittee) presiding.

Mr. GIBBS. Good morning. The hearing of the Subcommittee on Water Resources and Environment will come to order. House-keeping here. I ask unanimous consent that the hearing record be kept open for 30 days after this hearing in order to accept other submissions of written testimony for the hearing record. Without objection, so ordered.

Today we are having a hearing on review of the President's fiscal year 2016 budget request for the United States Army Corps of Engineers and the Tennessee Valley Authority. I would like to welcome everyone here to the hearing today to review the President's fiscal request and the Tennessee Valley Authority. The administration's budget proposal for fiscal year 2016 continues an unfortunate trend of underinvesting in our Nation's water resources. Many of the Army Corps of Engineers' activities that we are examining are investments in America. For nearly two centuries, the Corps has contributed to the economic vitality of the Nation and has improved the quality of life. This administration keeps missing the opportunity to use the Civil Works Program as an investment in the country's future. This administration has time and time again not put the same priority in the Corps' program as Congress has.

Congress and the administration both need to be supportive of programs that have a proven record of providing economic benefits. The fiscal year 2016 budget request by the administration for the Corps of Engineers is \$4.7 billion, which is almost \$750 million less than what Congress appropriated in fiscal year 2015. This is even more unfortunate given the strong bipartisan message set last Congress by the enactment of the Water Resources Reform and Development Act of 2014.

Congress made a conscious effort in WRRDA 2014 to enhance America's competitiveness by strengthening investments in the Na-

tion's water resources infrastructure, including wrapping up the Harbor Maintenance Trust Fund expenditures for their intended purposes. But again, the President's budget proposes to spend only \$915 million of the Harbor Maintenance Trust Fund for the operation and maintenance activities in fiscal year 2016, half of what is estimated to be collected, that was collected in fiscal year 2015. These harbor maintenance taxes are paid by shippers for the purpose of maintaining America's ports.

While this administration is not the first to shortchange America's water transportation systems, requesting only half of what was collected will not keep up with the growing demand at the ports. Budgets are about priorities. A priority of any administration should be to put the United States in a competitive advantage in world markets, especially since world trade patterns are expected to be dramatically different when the Panama Canal expansion begins operations next year.

Additionally, when Congress enacted WRRDA 2014, there were several big ticket items included in the law. Provisions related to the Harbor Maintenance Trust Fund, the Inland Waterways Trust Fund, permit processing, project streamlining, WIFIA, public-private partnerships, and deauthorization of old and inactive projects were included in the law that was signed by the President in June of last year.

While the WRRDA law was transformative and at times complicated, we remain disappointed at the pace and the prioritization in which the Corps of Engineers is carrying out the drafting and implementation guidance. As we are rapidly approaching the 1-year anniversary of the enactment of WRRDA 2014, we would hope and expect the Corps would put more of a priority in writing implementation guidance. After all, WRRDA is the law of the land. It is not a suggestion for the administration to casually disregard.

I am very pleased that the subcommittee will also hear about the Tennessee Valley Authority's budget. I want to welcome the TVA's president, Bill Johnson, who will be testifying for the first time before the subcommittee. The Tennessee Valley Authority is the Nation's largest wholesale power producer and fifth largest electric utility company.

While TVA's power and nonpower programs have been funded through its revenue since 2001—meaning they receive no appropriated funds—we are concerned with the agency's overall financial health since the agency carries a rather large debt load. I anticipate that we will hear more about TVA's debt reduction plan today, especially in light of Mr. Johnson's impressive track record of reducing costs. I look forward to the testimony from our three witnesses today.

At this time I recognize Mrs. Napolitano; pardon me, we are going to go to Mr. DeFazio first.

Mrs. NAPOLITANO. I defer to Mr. DeFazio.

Mr. GIBBS. OK. First, the ranking member of the full T&I committee, Mr. DeFazio from Oregon.

Mr. DEFAZIO. Thank you. Thank you, Mr. Chairman. Thank you, Mrs. Napolitano. You know, the Corps is an essential agency, and I don't envy the position you are in. You know, the fact is every year you come forward and you kind of have two paths with inad-

equate budgets. You can either, you know, sort of spread the money around and not do anything very well and drive up the cost of new projects, or you can concentrate the assets, the inadequate funding, and get some things done but then not do other things like dredging small ports, which are a lifeblood of so many communities, particularly of concern in my district. Particularly this year, since we didn't get winter flows, so we are going to have even more shoaling than normal, and if we forego that dredging, you know, people will probably die, but hey we are the United States of America, we can't afford it.

You know, this is a difficult spot to be in, and I am not—Ms. Darcy, I am not going to put you in the same spot as Mike Parker, but I do like to tell the Mike Parker story. Our former colleague had your position under President Bush, Democrat turned Republican, and Mike came to a very similar hearing and I was here and I just said to him straight up, “Is this an adequate budget to do what you need to do and the Corps needs to do and deal with your backlog?” and he said, “No.” Next week, for family reasons, he was resigning.

So I realize there are consequences, but I have got to say that I am very—you know, I will recognize this administration has poured more money into O&M than any other administration in the last decade. That is good. But it is less than Congress just last year, by an unbelievably overwhelming vote, said, should be allocated. We were looking at, you know, a number that exceeded yours by about almost \$2 billion. So, I am disappointed in the administration, and I know that is not up to either of you. You may put forward very honest budgets and then it goes to the trolls at OMB who don't care about infrastructure, so, you know, that is a problem.

But I think one way we could deal with that is you now will testify again this year that on your long-term planning horizon that you are working on for 8 years about all the assets you have, the state of those assets, what your projected incomes are, and what you can do with them, we haven't seen that. We should see it. Congress should understand the magnitude of the deferred maintenance that is out there, the incapability of doing the annual maintenance that is out there, and maybe we can drive faster toward actually capturing the revenue source we have and dedicating the accumulated past funds in that revenue resource in the next award or reauthorization, taking you off budget and rebuilding America's infrastructure that relates to our water more in commerce and recreation and flood control and other critical issues.

So I would really hope that you can produce that final and definitive comprehensive report because Congress should know. Congress is part of the problem. We underfund you. The administration is part of the problem. They recommend that you start out underfunded, and then Congress probably will chip a little bit more off it, so we are not in the strongest position we could be. With that, I thank you for your service. And General, I thank you for your service. You know, I want to do more for the Corps, and just give me some tools that I can use for those arguments. Thank you.

Mr. GIBBS. Next I recognize Mrs. Napolitano, the ranking member from California.

Mrs. NAPOLITANO. Thank you so very much, Mr. Chairman, you are very gracious, and thank you for today's hearing on the Corps and the Tennessee Valley Authority. Thank you for our witnesses, and look forward to the testimony and thoughtful dialogue during the questioning.

And Assistant Secretary Darcy and Lieutenant General Bostick, I just want to thank you for the amazing work that your staff does in California in helping with the local agencies, the flood control, harbor maintenance, the job response, et cetera, but more specifically, for Brigadier General Toy who has been excellent in working, his deputy Sherry Peterson and Colonel Colloton. They are just amazing people with David Van Dorpe. They have been a tremendous resource for our whole area in California.

But I do also want to thank Assistant Secretary Darcy for her recent letters that the Corps has initiated negotiations for a separate—excuse me—contributed funds, first time. Thank you so much. That will help expedite some of the projects in our areas.

The two projects, Prado and Whittier Narrows Dam critically needed to permanently capture more water during storm events when we have storms, and am pleased that they received your approval. Given the current droughts that we are experiencing, we need to utilize every single tool at our disposal to capture as much water as possible during those infrequent rain events.

We thank you for your approval. Both the Corps and the Tennessee Valley Authority maintains, sustain our national and regional economies in a variety of ways, providing a safe and efficient means of shipping and navigation in our waterways. They protect our homes and businesses from flooding and provide energy to small and large communities alike, all while creating countless jobs across our country, sometimes with limited funding. As such, we must not only congratulate but commend those agencies for the work you do.

We have, Mr. Chairman, 4 years in the majority's budget experiment of making the agencies do more with less. Sadly, this is shortsighted and has failed and the agencies are being forced to do less with less. And I agree with both my chairman and my ranking member that we are just shortchanging the agencies in our country. The projects are delayed. Their absolutely essential operations and maintenance projects are forced to compete for a piece of the pie. With the current budget climate, it is unsustainable, Mr. Chairman, I agree with you.

I was pleased to see the increase of \$142 million to the Corps in the energy and water appropriations bill. As you know, I am very keen on water. Every penny that increases necessary funds to vital projects, arguably, is still not enough. With only marginal increases in spending, we can only see that the agencies are still being forced to make tough choices and prioritize between tasks. There are literally hundreds of authorized Corps projects in studies and projects around the country, each of which was authorized on its own merits and all of which are important to our different communities.

So when my colleagues fail to realize that greater investment in our Nation's water related infrastructure is an integral element of maintaining and sustaining the improvement of our Nation's economy as was seen in recent years. The math is simple. Inadequate

funding results in delays. Delays result in mounting of insufficiencies that will continue to grow until ultimately failing at some dire point in the future. And in my view, we are gambling with our Nation's infrastructure investment programs, which is irresponsible and shortsighted.

What we can be certain of, Mr. Chairman, is that nearly every Member of Congress has a direct need for safe and reliable energy for harbors, levees, or flood protection in our own backyard. The problem is that as the needs of our water infrastructure grow, our traditional budgetary mechanism meant to address the growing need diminishes. It is clear we must prioritize critical infrastructure spending to establish a clear path to forward the protection of our infrastructure. And I agree with both gentlemen, and I hope that we may be able to look at some future way of being able to sustain the infrastructure and maintenance. Thank you very much, Mr. Chairman.

Mr. GIBBS. I would like to welcome our panel today. We have three witnesses. Our first witness is the Assistant Secretary of the Army-Civil Works, Secretary Darcy. Then we have General Bostick. He is the Chief of Engineers, Army Corps of Engineers, and Mr. Johnson is the president and CEO of the Tennessee Valley Authority, and also I would be remiss not to thank General Bostick and General Peabody behind him for their service and their careers serving our country in the United States military.

Secretary Darcy, welcome, and the floor is yours.

TESTIMONY OF HON. JO-ELLEN DARCY, ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS); LIEUTENANT GENERAL THOMAS P. BOSTICK, CHIEF OF ENGINEERS, U.S. ARMY CORPS OF ENGINEERS; AND WILLIAM DEAN JOHNSON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, TENNESSEE VALLEY AUTHORITY

Ms. DARCY. Thank you. Thank you, Chairman Gibbs and distinguished members of the subcommittee. Thank you for the opportunity to present the President's budget for the Civil Works Program on the Army Corps of Engineers for fiscal year 2016. This year's civil works budget reflects the administration's priorities through targeted investments in the Nation's water resources infrastructure, including dams and levees, navigation, and the restoration of ecosystems. It supports a civil works program that relies on a foundation of strong relationships between the Corps and our local communities, which allows us to work together to meet their water resources needs.

The budget also helps us in our efforts to promote the resilience of communities to respond to the impacts of climate change. We are investing in research, planning, vulnerability assessments, pilot projects, and evaluations of the value and performance of non-structural and natural measures. The budget helps us to maintain and improve our efforts on sustainability. For example, we are reducing the Corps' carbon footprint by increasing renewable electricity consumption, reducing greenhouse gas emissions, and reducing nontactical vehicle petroleum consumption. We are also advancing our sustainability efforts by using innovative financing techniques such as energy savings performance contracts.

We are making important investments to promote the sustainable management of the lands around Corps facilities by providing funds to update the plans that govern how we manage our facilities and to help us to combat invasive species. The budget also focuses on maintaining the water resource's infrastructure that the Corps owns and manages, and on finding innovative ways to rehabilitate it, hand it over to others, or retire it.

Here are some of our funding highlights for 2016. The budget provides \$4.7 billion in gross discretionary appropriations for the Army Civil Works Program, focusing on investments that will yield high economic and environmental returns, or address the significant risk to public safety. The budget focuses funding on our three major mission areas, allocating 41 percent to commercial navigation, 27 percent to flood and storm damage reduction projects, and 9 percent to aquatic ecosystem restoration.

Other investments include allocating 5 percent of the budget to hydropower, 2 percent to the cleanup of sites contaminated during the Nation's early years of the nuclear weapons program, and 4 percent for our regulatory activities. Overall, the budget funds 57 construction projects, 9 of them to completion. It also funds 54 feasibility studies, 13 of those to completion. The budget also includes four new construction starts, two of which the Corps will complete in 1 year.

The budget funds inland waterways capital investments at \$974 million of which \$53 million will be derived from the Inland Waterways Trust Fund. The budget provides \$915 million from the Harbor Maintenance Trust Fund to maintain coastal channels and related work matching the highest amount ever budgeted. Forty-four million dollars is provided for a comprehensive levee safety initiative that will help us ensure that all Federal levees are safe and in line with the Federal Emergency Management Agency standards.

This initiative will provide non-Federal entities with access to levee data that will inform them on safety issues for their levees. The budget supports a Corps program that has a diverse set of tools and approaches to working with local communities, whether this means funding projects with our cost-sharing partners or providing planning assistance and technical expertise to help communities make better informed decisions.

This year, the President's Civil Works budget provides \$31 million for the Corps to provide local communities with technical assistance and planning to help them develop and implant non-structural approaches to improve their resilience to the impacts of climate change. We continue to contribute to this Nation's environmental restoration, and the budget provides funding to restore several large ecosystems that have been a focus of interagency collaboration, including the California Bay Delta, the Chesapeake Bay, the Everglades, the Great Lakes, and the gulf coast.

Other funded Corps efforts include the Columbia River, some portions of the Puget Sound, and priority work in the Upper Mississippi and Missouri Rivers. Finally, this budget continues to fund our Veterans Curation Program which was started in 2009 with support from the American Recovery and Reinvestment Act. This program offers veterans the opportunity to learn tangible work

skills and gain experience by rehabilitating and preserving federally owned or administered archeological collections found at Corps projects.

I look forward to working with the committee to advance the Army's Civil Works Program, and I look forward to your questions. Thank you.

Mr. GIBBS. Thank you, Secretary.

General Bostick, the floor is yours. Welcome.

General BOSTICK. Mr. Chairman and members of the subcommittee, first, Mr. Chairman, thanks for recognizing the service of our military members. And I would like to point out that although John Peabody is not testifying today, this is the last hearing where he will prepare me and Secretary Darcy as he prepares for retirement. We are going to lose a great—

Mr. GIBBS. We may have some more before August, you never know.

Ms. DARCY. You might want to call him back.

General BOSTICK. Sorry for opening that up. I am honored to testify before your committee today, along with the Honorable Jo-Ellen Darcy on the President's fiscal year 2016 budget for the Civil Works Program of the United States Army Corps of Engineers. This is my third time to testify before the subcommittee. I want to thank you for your past support, and I look forward to continuing our work together in the future.

Today I would like to provide a brief update on our four campaign plan goals. First, we support national security. The Corps supports the national security of the United States. We are working in more than 110 countries using our civil works, military missions, water resources, and our research and development expertise to support the Nation's combatant commanders. Our Corps employees, both civilian and military from all across the Nation have volunteered and continue to volunteer to provide critical support to our military and humanitarian missions abroad.

I just returned from Korea and Japan where we have multibillion-dollar programs in both locations. Our teams there are doing a tremendous job supporting our national security efforts in the Far East as we are doing in other parts of the world and throughout the United States.

Second, Transform Civil Works focuses on four areas. First, modernizing the project planning process. Second, enhancing the budget development process. Third, developing an infrastructure strategy to evaluate the current inventory of projects, to help identify priorities and develop better solutions to water resources challenges. And fourth, improving our methods of delivery to produce and deliver sound decisions, products, and services that will improve the ways in which we manage and use our water resources.

One example of our progress is that during each 7-year period, between 2000 and 2007, and then again between 2007 and 2014, we completed an average of 40 Chief's Reports. Since modernizing our planning process, we are on track to complete 25 Chief's Reports in just a year and a half, clear evidence that we are learning and becoming more efficient.

In our third campaign plan goal, reduce disaster risk, we must continue to develop and improve strategies to reduce risk as well

as respond in natural disasters when they occur. I continue to be very impressed with the work of the Army Corps of Engineers in this area. One example of this proficiency is Hurricane Sandy recovery work. The Flood Control and Coastal Emergencies program is over 95 percent complete. The Sandy Operations and Maintenance program is over 70 percent complete and on schedule to be 100 percent complete by the end of 2016. And I am pleased to highlight that the Army submitted the North Atlantic Coast Comprehensive Study on schedule to Congress and the American people on 28 January of this year.

And fourth, prepare for tomorrow. This is all about our people, ensuring that we have a pipeline of talented military and civilian teammates as well as a strong leader development and talent management program.

Equally important is helping our Nation's wounded warriors transition from military to civilian careers. Last year we set a goal to assist 125 wounded warriors, and we exceeded that goal by more than 50 percent. Nearly 200 wounded warriors found permanent positions within the Corps of Engineers or with other organizations. We are also focused on research and development efforts that will help solve some of the Nation's toughest challenges.

Mr. Chairman, I ask that you and the other members of the committee refer to my complete written testimony for the fiscal year 2016 budget specifics. Thank you again for this opportunity, and I look forward to your questions.

Mr. GIBBS. Thank you, General.

Mr. JOHNSON, welcome.

Mr. JOHNSON. Thank you, Mr. Chairman, Ranking Member Napolitano, distinguished members of the committee, for this opportunity to appear before you to discuss the Tennessee Valley Authority's 2016 fiscal year budget. Before I start, I would like to acknowledge the chairman of the TVA board who is sitting right behind me, you might not can see him, Joe Ritch, who is our first chairman from the State of Alabama, and we are delighted to have him here today.

I have been at TVA for 2 years, and in that time I have been humbled by the honor and privilege of serving the 9 million people in the 7 States we work in. Those people engage with TVA in a very responsible way. They pay for all the costs incurred by TVA.

As the Chair noted, TVA's work is self-funded solely by sale to customers and power system financing in the public debt markets. In those 2 years, I have seen how TVA employees have improved relations with our customers, worked to modernize our generation portfolio, protected our natural resources, and improved nuclear and financial performance. We have had some challenges, record weather events, significant cost reduction initiatives, a stagnant economy, aging infrastructure, and the list increased, but we are meeting those challenges and strengthening our organization by focusing on our core mission: energy, environmental stewardship, and economic development.

And this mission matters as much today to the people of the region as it did in 1933, so let me begin with a brief review of TVA's operations. You know, if you are in the energy sector, your first priority has to be safety, so I am pleased to report that we are in the

top decile of safety in our industry and always working to get better.

Listening to our customers has been a top priority, and the last several years we have greatly strengthened our relationships with both our local power company and direct-serve customers. Two thousand fourteen was a strong year for TVA financially where we experienced 4 percent more sales to local power companies and our highest net income since 2010. We managed to reduce our debt by more than \$1 billion and are well below our \$30 billion statutory debt cap. We achieved this while still funding billions of dollars of investments in our infrastructure.

We reduced costs by more than \$300 million, which puts us well on our way toward a multiyear effort of \$500 million in cost reductions. In 2014, TVA made its final scheduled payment to the U.S. Treasury on Congress' original investment to build the power system at TVA. So we have completely repaid the \$1 billion of investment in the power system, plus interest for a total of \$3.6 billion.

Our nuclear fleet is expanding and its performance is improving. All six of our nuclear units are in normal regulatory oversight with the NRC, and at our Watts Bar facility, we are 97 percent complete with the last reactor there. It is being finished the right way with safety and high quality. Once operational, this unit will supply 1,150 megawatts of safe, affordable, and carbon-free power to our customers.

In addition to nuclear capacity expansion, we are also investing in other key generating sources to ensure balance across our fleet. We are installing emission control equipment at two TVA fossil plants and constructing two plants that will be powered by natural gas. Our coal ash remediation work at Kingston where a major spill occurred in 2008 is nearly complete. The site has been returned to prefill conditions, and the area has been upgraded with many public conveniences. We are also investing roughly \$2 billion to convert all of our coal ash storage from wet to dry systems.

The administration's fiscal year 2014 budget called for a strategic review of options for addressing TVA's financial situation, including the possible divestiture of TVA. So we are pleased the administration has concluded that review and acknowledged TVA's efforts to improve its operational and financial performance and our commitment to live within our capital financing requirements. As part of that review, Lazard Frères, an independent banking firm, did a strategic assessment report which concluded that allowing TVA the opportunity to follow its plan of operational improvement and sustainable financial path would be the best interest of people in the valley and of the American taxpayers. And in my view, that report validated the worth of what TVA employees do every day.

Our preliminary budget for fiscal year 2016 reflects slight load growth for the TVA region. We project revenues of \$10.9 billion from the sale of electricity, operating expenses of \$8.9 billion, which is a reduction of almost \$600 million compared to 2014 operational expenses, and capital expenses of \$2.3 billion.

Our capital expenditures include about \$250 million for clean air projects and about \$1 billion for new generating capacity. Our statutory debt is estimated to be slightly below \$25 billion, and out-

standing debt and debt-like obligations estimated to be just slightly below \$27 billion at the end of 2016.

We see a slight uptick in our debt level this year, but we have a 10-year plan to reduce that debt level down to about \$21 billion. So in conclusion, as I traveled throughout the region, I have become a little more enlightened about the people who rely on TVA every day. The job we do each and every day to keep rates low, manage debt, maintain our assets, and be good stewards of what we have been given, is extremely important to the people of that region. So I thank you for the opportunity to be here, and I will be delighted to answer any questions.

Mr. GIBBS. Thank you. And I will start off the questions. Secretary Darcy, the budget is really about setting priorities, and I am really concerned about the President's budget calling for a \$750 million reduction in what we actually spent in fiscal year 2015. Can you explain why the President isn't putting as much importance on Civil Works projects as Congress is?

Ms. DARCY. Mr. Chairman, the budget that has been presented today, the \$4.7 billion for the President is what throughout our Government we believe we can afford within the programs for the Army Corps of Engineers and our water resources.

Mr. GIBBS. Why does the administration also propose spending less than what is collected—now half of what is collected in the Harbor Maintenance Trust Fund than the full amount?

Ms. DARCY. The \$950 million that is in the President's budget this year is the same request that the President made last year, and that is again within the competing needs within our budget and that is what we believe is affordable at this time.

Mr. GIBBS. As you are aware of what we did in WRRDA, we are trying to increase that at least 2 percent a year with expected growth of the Harbor Maintenance Trust Fund collections, and I really don't think the administration is putting enough priority in that, especially when you look at what has happened in our harbors and with the Panama Canal coming into operation next year.

Coastal Corps projects, let's see, we have the budget request, \$81 million from construction of seven of the coastal navigation projects funded in this budget; how many of those projects will be completed by next year or in 2016?

Ms. DARCY. The overall construction completions, I think, are nine. As far as the coastal ones individually, I will have to check, and I will—

Mr. GIBBS. Can you give us a list of those projects?

Ms. DARCY. Yes, absolutely.

Mr. GIBBS. Make sure we have that.

[The information follows:]

There are two coastal navigation construction projects funded to completion in the FY16 Budget and there are two coastal dredged material placement sites completed as well:

Port Lions Harbor (Deepening and Breakwater), AK
Grays Harbor (38-Foot Deepening), WA

Charleston Harbor, SC (Dredged Material Placement Site)
GIWW, Chocolate Bayou, TX (Dredged Material Placement Site)

Mr. GIBBS. I am very concerned about what is happening, especially our gulf and east coast ports, getting the dredge depth amounts so we can take those new Panama ships fully loaded and offload them. To the best of your knowledge, the Nation's 10 largest ports, how many of those are authorized to mention today?

Ms. DARCY. Is the question how many of those 10 are—

Mr. GIBBS. Of our 10 top ports.

Ms. DARCY. Are dredged to their authorized width depth?

Mr. GIBBS. Yes.

Ms. DARCY. Of the 10, I believe—I don't know, General. Do you—

Mr. GIBBS. I think it is two, but I am just guessing. General?

General BOSTICK. I was just going to say, at this point there should be about three on the east coast and three on the west coast that can handle the 50-foot depths, so New York, New Jersey; we are going to be at the depth in Miami here at the end of the June, July timeframe, and—and I believe it is Norfolk is the third one on the east coast and then there is L.A.

Mr. GIBBS. Yeah, those aren't deepwater ports out there anyway, so it doesn't really matter. The ports, especially in the gulf and east coast, additional ports by the end of 2016, how many do you think will be there? You mentioned Miami will be, you mentioned Norfolk and New York are already there.

General BOSTICK. Right, those are the three, and then we are focused on the we-can't-wait ports.

Mr. GIBBS. Pardon? Pardon?

General BOSTICK. Then we are focused on the five we-can't-wait ports. Miami is one of them, and they are all in different stages of development. They won't be ready by 2016. The only one—

Mr. GIBBS. Or end of 2016; 2017, for that matter. Do you have any idea?

General BOSTICK. I can't tell you exactly which ones will be ready. I think we can walk through each one of the projects and tell you their status, but—

Mr. GIBBS. I have a followup question to that because I am really emphasizing what is happening at the Panama Canal. We have the three you mentioned on the east side of the United States, and if the Harbor Maintenance Trust Fund, if more of that was expended, do you know, would that push it up to close to 70 percent of the revenue going for that? Would that help get those other ports up to speed by 2017 or not? Secretary?

Ms. DARCY. The ports that have requested or are going deeper, the deepening project is not a harbor maintenance operation and maintenance function. It is a different budgeting construction authority.

Mr. GIBBS. OK. I see the administration recommends the Secretary of the Army be authorized to impose a \$1 billion fee or tax

over 10 years on commercial operators for the inland waterway system. I guess how would you plan to collect that tax, and would this have to establish a new bureaucracy for this collection? This is a new tax that has been proposed by the administration, I believe.

Ms. DARCY. Yes, sir. It is a user fee for the barges on the inland waterway system on the 27 reaches of the system that would be collected. We are still trying to work with the users and others to develop what exactly the fee structure would be, but it is anticipated that if this is enacted, that it would be able to collect \$1 billion in over 10 years.

Mr. GIBBS. I want to be clear on this. I think the proposal is not what we did last Congress that increased the diesel user fee—

Ms. DARCY. Correct.

Mr. GIBBS [continuing]. Just 6 cents. I think this is an additional.

Ms. DARCY. That is correct. This would be in addition to the tax that was increased in the ABLE Act from 20 cents to 29 cents. This user fee would be in addition to the increase in the diesel tax.

Mr. GIBBS. OK. I will probably follow up on that later. I am out of time right now. I will turn it over to Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chairman. Secretary Darcy, the section 1046 of WRRDA, very important to our Western States, required the investigation of how you can modify your operations and work with local agencies in improving the water supply opportunities at our dams. And can you give us the status of the implementation of that section, and what are the Corps doing to help the Western States, along with the water agencies, respond to the heavy drought we are now facing?

Ms. DARCY. That implementation guidance is still underway. It is not completed as yet, but some of the things that the Corps is doing in order to help in some of the drought-stricken areas in the West includes responding to deviation requests. We have done that in three places in California: Coyote, Whittier Narrows and Prado Dam. What that means is we have had a request to deviate from our usual operating control manual in order to respond to drought conditions. These have drought contingency plans, these reservoirs, so with a deviation request, we would look to moving off of our usual controls to respond to the drought.

Mrs. NAPOLITANO. Well, that kind of lends into the fact that both Whittier and Prado are giving funds to the Corps from outside agencies to be able to spread that. Would that help other agencies if they were able to help by providing some funding?

Ms. DARCY. I can't say for certain, but I would assume that it would help.

Mrs. NAPOLITANO. That is something we might want to look at. And Ms. Darcy, you know, I have been for years looking at the equity of the Harbor Maintenance Trust Fund, and for the ports that are very heavy users, L.A. and Long Beach, we continue to pay \$220 million and they receive approximately \$1 million a year in return. This has been an ongoing issue, a debate on this, and of course, WRRDA, section 2102, provided a little more equity to donor ports with expanded use options. Is the administration committed to implementing the funds for distribution as spelled out in WRRDA?

Ms. DARCY. The administration has allocated some funds in the 2015 workplan and the 2016 budget and in line with several of the provisions of 2014 WRRDA, for example, Emerging Harbors and Great Lakes each received 12 percent from the Harbor Maintenance Trust Fund. Emerging Harbors received 10 percent from the Harbor Maintenance Trust Fund in the 2016 budget proposal.

Mrs. NAPOLITANO. OK. But in the distribution to the L.A. and Long Beach, they sort of kind of expected about \$1.7 million and they received zero?

Ms. DARCY. That is correct. In the competition within the Harbor Maintenance Trust Fund for which ports are in most need of the resources, it didn't compete as well as some of the other ports.

Mrs. NAPOLITANO. Well, I thought the idea was to have parity in the donors from the donor ports rather than competition for prioritization?

Ms. DARCY. The way we budget for the Harbor Maintenance Trust Fund is that we look at what needs there are for dredging in particular ports, and the needed dredging in L.A., Long Beach was not as—

Mrs. NAPOLITANO. So then WRRDA would not apply. The law does not apply.

Ms. DARCY. Congresswoman, the law gives guidance to us as to how to budget through the Harbor Maintenance Trust Fund, and through the Harbor Maintenance Trust Fund we do budget on a performance-based need, and what harbors are in most need of those resources.

Mrs. NAPOLITANO. OK. Well, we certainly would love to be able to have a better equity in this because as the ports need, those two ports, which are some of the major ports in the U.S., some assistance to be able to use the expanded use option, then I would hope that we continue to look at it, and I don't see anything in the budget.

The other question I have, Secretary, is can you speak to the successes of the Veterans Curation Program? I understand you have helped at least 200. What skills do they learn? And of course, in the 111th Congress, the House passed by a voice vote H.R. 5282 to provide funds to support the program. Could similar legislation be able to be implemented to help our veterans?

Ms. DARCY. I am not familiar with the particulars of that legislation, Congresswoman, but this program we started in 2009, our Veterans Curation Program, is in response to two needs: the needs for our veterans to have some tangible skills when they return that they can market in the job market, and also a need for the Army Corps of Engineers to catalog our archeological finds. It is a responsibility that we have whenever we do a project. And we have had more than 200 veterans trained through our programs.

We have a program in St. Louis, Missouri, one in Augusta, Georgia, and one in Arlington, Virginia. And the skills that they learn range from digitization, to photography skills, cataloging skills, and I am very proud to report that about 89 percent of those who have been trained have gone on to either advanced degrees in college or jobs either in the private sector or in the Federal Government.

Mrs. NAPOLITANO. OK. Thank you. The bill, of course, was a straight authorization, \$5 million annually. It did not pass in the

Senate. It did not get heard. So we hope maybe we can revive that and be able to help not only our veterans but the Corps.

Thank you, Mr. Chairman, for your indulgence.

Mr. GIBBS. Mr. Webster, you have 5 minutes.

Mr. WEBSTER. Thank you, Mr. Chairman.

Ms. Darcy, the C-111 south Miami-Dade project is crucial for providing water supply for the Everglades National Park and for south Miami-Dade County. One of the remaining two construction contracts is Contract 8, which is a detention area for south—connecting the south Miami-Dade project to the modified water deliveries to the Everglades National Park. Can you provide a status of Contract 8?

Ms. DARCY. Right this moment, I don't know the status, but I can find out for you, sir. I don't know if the General knows, but I know that we are moving forward on C-111, but I am not sure of the Contract 8 status.

General BOSTICK. I don't have the status immediately available, but we can track that down and provide it to you today.

Mr. WEBSTER. Awesome. I would like to get that.

[The information follows:]

This contract is currently being scheduled to be awarded later this summer in the July timeframe.

Mr. WEBSTER. General Bostick, first of all, thank you for your service to our country. In February this year, the Corps offered guidance on the implementation of section 1023 of the WRRDA Act. There was a provision in there, that part of that section 1023 was something I really supported in the conference report. Can you give me a status on the update of section 1023 and are there sponsors who are taking advantage of those provisions to deliver projects?

General BOSTICK. We have completed the implementation guidance on 1023, which is the additional contributions by non-Federal interests. I can't give you a status on whether folks have taken advantage of that, but we have provided the implementation guidance to the field on that particular part of the law.

Mr. WEBSTER. OK. Well, I have a—I have another question, would be specific to 1023. Maybe I can just get with you later and we can find out a little bit more about that, what has happened with it and maybe even a specific example that has to do with the Port of Tampa in Florida, and maybe you could help me with that, too.

General BOSTICK. We would be happy to follow up with you.

Mr. WEBSTER. Thank you so much.

Yield back, Mr. Chairman.

Mr. GIBBS. Ms. Frankel. There she is.

Ms. FRANKEL. I am here. Thank you. Thank you very much, Mr. Chair, and I know that Mr. Webster agrees with me and would join me in telling you how important the marine industry is to Florida, as I am sure you know. It is probably over \$600 billion impact to our economy with hundreds of thousands of jobs, so I join with my colleagues in wanting to have more resources for your agency.

And I wanted to say, I sat in at a Civil Works Review Board process a couple—I think a couple of months ago, and I would really recommend anybody on this committee to go and see how profes-

sional and thorough and thoughtful the Army Corps is and you will understand why it takes so long to get through these feasibility studies.

One of the things that we did last year on WRRDA was to allow a non-Federal sponsor to prefund the planning and design and construction phase of our project without congressional authorization but after they got their Chief's Report and then later see credit or reimbursement.

Secretary Darcy, can you—I know that you are working on some guidance, thoughts. Where is the Army Corps in that?

Ms. DARCY. I think that the 1023 guidance that Congressman Webster referred to is the same guidance that you are referring to, which is additional contributions by non-Federal interests. And as the Chief said, we have some requests for that because it depends on whether you use contributed funds. And what we can do is give you a status report of what kinds of requests we have had since the passage of that law.

Ms. FRANKEL. But are you—are you putting through—are you going to issue some rules or are you just doing it on a case-by-case basis?

Ms. DARCY. The guidance is nationwide guidance for how you would implement the provision, but then we have to make a case-by-case decision once the request comes into the district about how the local sponsor would want to contribute funds to that project.

Ms. FRANKEL. In regards to Port Everglades, one of my favorite subjects—well, we have been waiting 18 years for our Chief's Report, but we are making progress. Thank you very much. No really, we have made very, very good progress, and I want to thank you for that.

One of the issues that was raised at the Civil Works Review Board was the outstanding EPA permit for the dredge material disposal site, and I was just wondering if you have an update on that and whether or not, not having the EPA permit would prevent the county from moving forward on the preconstruction engineering and design phase.

Ms. DARCY. Congresswoman, I don't know the status of the EPA permit, but I will check on it for you. I'm aware you went to the Civil Works Review Board. I think we are on target to hopefully get this Chief's Report completed in May.

Ms. FRANKEL. OK. That is terrific. And let's see, I have a little bit more time to continue. I want to talk about Broward County and the Segment II Shore Protection Project. Beaches and beach restoration is so important to Florida's economy. Over \$50 billion in economic impact, 450,000 jobs just—protects our shorelines, obviously, for tourism, so making sure that we have sand on the beaches is a major priority. We have been having a problem trying to—with the construction of a Shore Protection Project in an area called Segment II which encompasses Fort Lauderdale north of—to Pompano Beach, which is a federally authorized project, and I am just wondering if you could—if you are able to give me an update, because it is very critical that the county begin to restore its beach in November of 2015 because we have to—we want to get it done before tourism season, and we also have to coordinate with the turtle nesting.

Ms. DARCY. Congresswoman, I think this is the project you are referring to, the Shore Protection Project in Broward County. The sponsor has prepared what is called a limited reevaluation report, and we are expecting that approval by the end of May, that is the approval needed in order to go forward with that.

Ms. FRANKEL. OK. This May?

Ms. DARCY. May 15, 2015, yes.

Ms. FRANKEL. All right well will that—OK. We will take that.

General BOSTICK. Right. And that would be the decision document for the execution of the partnership agreement for this second segment that you asked about.

Ms. FRANKEL. All right. Thank you very much.

Mr. GIBBS. Mr. Denham.

Mr. DENHAM. Thank you, Mr. Chairman.

Ms. Darcy, the folks that I represent are following two Federal actions that could have significant impact on flood control projects and the flood plain in my district. Can you tell us what impact you perceive from the proposed Clean Water Act rule and the new Federal flood risk management standard on the Lower San Joaquin River Feasibility Study that is now in its final stages?

Ms. DARCY. Congressman, I don't believe either of those two actions would have an impact on the ongoing study. I understand that the study is looking at different reaches within the project area, and I don't believe that either of those would have an adverse impact on that study. I would be happy to follow up in particular for that study. But right now, I don't believe it would have an impact.

Mr. DENHAM. Thank you. I would look forward to that followup. [The information follows:]

While we do not believe that the Federal Flood Risk Management Standards (FFRMS) will affect the study, the FFRMS is out for public comment and the final standards, and how they might impact RD17/French Camp and Lower San Joaquin River Feasibility Study must be informed by that process.

Mr. DENHAM. These actions call for all waters in the flood plain to be jurisdictional and allow Federal agencies to have varying interpretations of where the flood plain is, possibly far greater than a 100-year flood plain identified by FEMA. How does this affect the Corps' planning for flood projects in the additional water subject for 404 permits?

Ms. DARCY. Currently in our project planning process, we look at the entire footprint of a proposed project which would include where it is in the flood plain and whether or not it would go forward as—and in response to the impacts that building a project in the flood plain would have. As far as the 404 jurisdiction, we make a determination on whether waters are jurisdictional when we have a request for a 404 permit, so we would have to look at what the project request was and whether or not where that project is being proposed would be in the flood plain or whether it would be impacting jurisdictional waters.

Mr. DENHAM. I would like to follow up with you on that because I have a specific concern, especially for French Camp, a new VA facility that we are looking at putting in in that very—

Ms. DARCY. That footprint.

Mr. DENHAM [continuing]. Footprint, yes. One other thing. Can you describe the role that the Corps played in the development of the new Executive Order 13690 regarding flood plains and the new flood risk management standard?

Ms. DARCY. The Corps of Engineers is a member of what is called MitFLG, which is the mitigation organization within the Federal Government, so along with FEMA and other Federal agencies, we were involved in the development of that rule, of that regulation.

Mr. DENHAM. Thank you. I have no further questions, but I would like to follow up with you on this project in particular because there does seem to be some, I would say, confusion. I think the Corps probably would define it differently, but certainly there is one area that is covered under the Corps and another area that we are going to cease development in even though it is in the Corps' jurisdiction, and French Camp, which is a project that I have been championing for quite some time along with Congressman McNerney, and our concern is that it is in that area, so I look forward to following up with you. I yield back.

Mr. GIBBS. Mr. Garamendi.

Mr. GARAMENDI. Thank you, Mr. Chairman.

Secretary Darcy and General Bostick, thank you for all that you are doing for all of us. I particularly want to express my appreciation for the willingness of the Corps to deal with some very complex issues on the Sacramento River system. You have dealt with very difficult problems that have occurred on the Feather River. Colonel Farrell and your team have been extraordinarily flexible and innovative in dealing with Native American archeological sites, very tough, very difficult issue, but it has been resolved, and I thank you for that. That allows the 40-mile stretch of the Feather River West Levee to be—for the project to continue, and I thank you for that.

Also, the Hamilton City, Natomas, American River, Delta levees, Yuba River, and even the channels, you are moving forward with all of those, and I appreciate it. Your team in California, both in the San Francisco and the Sacramento district are very engaged and doing some really good work for all of us.

On the budgeting side, we have got work to do here. The Harbor Maintenance Fund has come up. As a ranking member of the Subcommittee on Coast Guard and Maritime Transportation, this is of great interest. The problem is not yours. The problem is ours. We are the ones who set the pace here. You simply have to follow the pace of funding.

And so when we don't provide in law that 100 percent of the funds will be spent and then we allocate and then you follow along with that, so I would say that the problem lies with us as we take up the Coast Guard bill in the next couple of weeks. Perhaps we will give you instructions to spend the money where it was meant to be spent. We will see what happens, whether we are willing to do that. Same way within the waterways. It is really our problem, and you are left to follow the lead that we set out.

I think the question of consultation has come up several times. It is of great concern in our area. I don't think we need to go into it again here unless you would like to tell us all the good work you

are trying to do on changing the way in which we consult, start projects early and the rest, so perhaps you would like to pick that up again, and I will leave that to the two of you if you want to comment further on how that program is working on consultations, and particularly listening sessions are good, but they have got to go into more depth than that, so can you explain how you are going to further consult in depth?

Ms. DARCY. Are you referring to consultations on ESA?

Mr. GARAMENDI. Yes.

Ms. DARCY. Under the law we have to consult with our resource agencies, whether it is Fish and Wildlife Service or NOAA on any projects going forward that would be a Federal action that would impact the new species.

Mr. GARAMENDI. I am sorry. I missed—we are really not communicating here. I am talking about stakeholders, the local stakeholders and consultation with the local stakeholders.

General BOSTICK. As we came out of Katrina, one of the things we spent a lot of time on is deeper risk analysis and also stakeholder involvement, and in coming out of Sandy, the whole idea of resilience and resilient communities, resilient watershed, resilient coast lines, resilient communities. And resilience, you have to ask the question, resilient for what? And the people that best answer that are your stakeholders. There are limited funds that are available. There are different scenarios that you can plan for. None of them are completely predictable, so it is really up to the stakeholders to be part of that dialogue in terms of how we go forward, and we are really working that piece very, very hard now.

Mr. GARAMENDI. OK. The other piece of it is the cost-sharing partners, the local cost-sharing partners that were discussed by my colleagues here, to start projects early and the like. I would really urge you to engage deeply with those partners early in the project and on the consultation and really the guidelines that you need to put out.

You don't need to comment on that, but I do want to thank you. Your team has done a terrific job in the Sacramento Valley region, and it is much appreciated. All of the issues, complex as they are, more to come, we look forward to working with you, and it is our burden to make sure you have the money that you can fully employ to protect from floods, other hazards, and the like.

With that, Mr. Chairman, I will yield back my remaining 26 seconds.

Mr. GIBBS. Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman, and thank you, Secretary Darcy, General Bostick, Mr. Johnson. I am a little bit dismayed to hear that I won't be able to question General Peabody anymore. Well, congratulations on your retirement. I feel bad you are not at the table today. You maybe want to pull up a chair?

Mr. PEABODY. No, thank you, sir.

Mr. DAVIS. OK. Well, congratulations. Thank you for your service. We wish you well in your retirement and hope you are not a stranger to many of us who have gotten to work with you and respect the job that you have done greatly, so thank you.

Secretary Darcy, I thought I was going to be somebody who brought up an issue that, you know, would be new to the com-

mittee discussion, and both you and General Bostick and some of my colleagues already beat me to the punch. I want to talk about the Veterans Curation Program. I actually went to the St. Louis district office and met with those who were actually implementing that program. It is a phenomenal success. It is one that I am proud to represent many of those employees who work at the St. Louis district right across the river in my district in Illinois, and I wanted to tout the successes of the program and many already have. But what I saw on the ground in St. Louis was veterans who were learning valuable skills because of what the Corps of Engineers is tasked to do with archeological findings and recordkeeping. It is a match that just works, and I want to commend you and General Bostick and the entire Corps of Engineers for making that program such a success, and whatever we can do to be helpful to continue to tout its successes, I will continue to do here.

Do you have any other comments on that program, either of you, that you might want to make?

Ms. DARCY. I would just like to say that, yes, it has been successful and hopefully we are going to be able to expand it maybe to some other centers as well as the numbers of veterans that we are able to reach. I just can't talk about it without talking about Sonny Trimble. It was his brain child, and, after coming back from Afghanistan, he realized that there was a match here to be made with our veterans needing skilled training as well as what he was tasked with to do, because he is our curation director for the Corps.

Mr. DAVIS. Yeah.

General BOSTICK. In a previous life, I was the G1 of the Army, head of personnel, and I was really surprised to learn that in 2001, unemployment compensation for the Army was \$90 million. And then in 2012 it was a half a billion dollars. So many of our soldiers that have served their country are going out and don't have the opportunity for work, and as we try to solve that at a national level, it is really individual small businesses and organizations and big businesses that have to take on some of that responsibility.

So, the Corps is not going to solve this alone, obviously, but thanks to Secretary Darcy's leadership and the rest of the team working on trying to help veterans, in our small way, we are putting a dent in that challenge that our veterans and their families face. Thank you. Thank you for visiting.

Mr. DAVIS. Well, thank you both. I was with Sonny. He is an inspiration, somebody who recognized a need, and it is often many of us on both sides of the aisle sit in these committee rooms and we talk about what the bureaucracy doesn't do well. We talk about a lack of innovation and a lack of doing what is best to create opportunities, especially for our heroes who are returning from the battlefield. But what this program has shown me is that the Corps of Engineers has shown an innovative approach, and it is truly helping veterans in a temporary basis to learn those skills and then move on to true careers. And I want to thank you again for making that such a success. I am here to talk to anybody who may criticize that program. I stand ready to be helpful in that.

And because I don't have much time left to ask my second question, I will wait for the second round; and I will yield back the balance of my time.

Mr. GIBBS. Mr. Huffman.

Mr. HUFFMAN. Thank you, Mr. Chairman. And my thanks to the witnesses as well. Secretary Darcy, I would like to ask you and General Bostick, if he feels the need to join in, to talk with me about water in the arid West. I don't need to tell you how bad the drought is in California, but obviously you are a key agency when it comes to managing our scarce water resources. You have got lots of multipurpose projects that provide both flood control and water supply benefits.

And one of the things that I have been working on with you and with some of my local stakeholders is modernizing the Corps of Engineers' operating manual and rule curves, which are based on historic hydrology and do not yet incorporate modern weather science, satellite data, things that have come into play long after those manuals were put together back in the 1950s. So I am really heartened that you are participating in a pilot project with the National Weather Service and the Sonoma County Water Agency to see if there are opportunities where the weather data is reliable enough that you can begin considering it when you decide when to release water from these reservoirs.

We may not yet be at a point where we can tell you exactly how much water is going to come from a storm, but I think you are going to find that we are at a point that when there is no storm at all and we know no rain is coming, we know that with a lot of certainty because we have satellites and weather data that we want you to consider and we think should absolutely be part of your decisionmaking process. And toward that end, last year in WRRDA, the Corps was instructed to submit a report within a year on how they could make changes to reservoir operations in arid regions to improve water supply during droughts. I think that this kind of modern forecast-based reservoir operations would be a perfect fit, but I want to just ask you if you are on track to complete that report?

Ms. DARCY. I believe so, but I am going to check in the next 10 minutes to make sure I am right.

Mr. HUFFMAN. OK. Terrific. Well again, it is critically important. It is also important that we seize opportunities to do water reuse and recycling wherever we can. I think that is what Congress had in mind in the last WRRDA when the Corps was instructed to develop new guidelines under section 1014, on how non-Federal interests can do water resource development projects and then later seek reimbursement from the Corps. We want these projects to move forward.

And I know that a couple months ago in an Appropriations subcommittee, Representative Roybal-Allard asked you specifically whether environmental infrastructure projects like water recycling would be eligible. And she got a favorable response at that time. Unfortunately, I sent a letter seeking clarity on that and on April 20, got a letter from you saying, no, environmental infrastructure projects would not be eligible. And so I am just hoping that you continue as you develop the new guidelines for section 1014 that we asked you to do, that you continue to have an open mind about the critical role that water reuse and recycling is going to have to play to get us through this critical drought in the West and the op-

portunity that we have for the Corps of Engineers to help us stretch our water supplies. I hope you will reconsider the position that you outlined in that letter of April the 20th. Do you want to comment on that?

Ms. DARCY. Yes, Congressman. Environmental infrastructure is not within the core missions, but I understand that recycling and reuse are and continue to be a growing need, especially in the West, and I can tell you that I will take another look at it. However, as I said, environmental infrastructure, which wastewater and these kinds of projects are considered, are not within the Corps main missions.

Mr. HUFFMAN. In the limited time I have left I want to ask you about section 1135, Continuing Authorities Program projects. We have a very important one in Sonoma County. These are projects that look to modernize, modify and improve existing Corps projects to improve their environmental performance. But, that environmental performance can also be critical to water supply reliability as it is in the case of Sonoma County Water Agency Project on the Russian River. Compliance with the biological opinion for salmon through that project is going to be key to long-term water supply reliability. The Corps continues to request much less funding for this program than is needed to address the critical backlog and to keep these projects moving. Can you speak to why the administration is underfunding this program year after year?

Ms. DARCY. Congressman, in this year's budget I believe we requested \$3.5 million for all of our Continuing Authorities Programs. One of the reasons is because we had a great deal of carryover in that account. We had over \$100 million carryover from the year before, which is why we didn't request as much as maybe we had in years past. Also some of the challenges we have in some of the CAP programs is that our local sponsors oftentimes are unable to meet the cost share match, and so we are trying to figure out a way forward within our CAP program. The CAP authority is one that is used a lot because of the low dollar, not only the low dollar amount but the fact that it does not require the extensive authorization process. So we are trying to get a handle on how we can spend down the carryover as well as how we can improve how we communicate with our stakeholders to be able to help them come up with their portion of a cost-shared responsibility.

Mr. HUFFMAN. Thank you, Mr. Chairman. I yield back.

Mr. GIBBS. Mr. Rouzer.

Mr. ROUZER. Thank you, Mr. Chairman. I want to thank our witnesses for being here today and availing themselves to us. My questions are going to be directed to the Corps. But before I get into my questions, I want to give a little shout out to a good man that you have in your ranks, our new commander of the Wilmington district, Colonel Kevin Landers. I had the opportunity to meet and visit with him. And he is new on the block. I am new on the block, and so I look forward to forging a very good working relationship not only with him but with you all for a long time to come.

I have some specific questions as it relates to some beaches near and dear to my district and near and dear to my heart. You may not have the specific answer right at hand, but I want to get these

in for the record. The first pertains to Wrightsville Beach which is in New Hanover County, right there on the coast obviously. And the question, a couple questions, one is how many additional periodic nourishment cycles could be completed without exceeding the section 902 maximum project cost limit for the Wrightsville Beach Project? And then the second question is what is the status of the Corps developing a Post-Authorization Change Report to seek an increase in the project's authorized total cost in section 902 cost limit?

Ms. DARCY. I can give you those answers. On how many additional periodic renourishment cycles, this is for Wrightsville Beach, right, not Carolina?

Mr. ROUZER. That is correct.

Ms. DARCY. For Wrightsville Beach we project that at least two periodic nourishment cycles scheduled for 2018 and 2022 could be completed without exceeding the section 902 cost limit. And then regarding what is the status of our developing a 902 cost limit, the Corps is analyzing all cost-reduction measures to reduce the total cost of implementing this project, and subject to the overall viability of implementing these cost controls, a Post-Authorization Change Report may still be required, and this possibly could be accomplished in fiscal year 2016, subject to availability and appropriations.

Mr. ROUZER. Well thank you for those answers. I look forward to working with you on that specific issue.

The next set of questions relates to Carolina Beach and what is known as the Carolina Beach and Vicinity Project. Do you know when the Federal participation and periodic nourishment of the Carolina Beach portion of the Carolina Beach and Vicinity Project currently will expire?

General BOSTICK. It expires fiscal year 2017, for the Carolina Beach portion, and for the area south, Kure Beach portion, it expires in 2047.

Mr. ROUZER. Do you know what is needed to determine the feasibility of extending Federal participation in periodic nourishment of the Carolina Beach portion?

General BOSTICK. Yes. We would have to conduct a study in accordance with WRRDA 2014. We would also need economic justification, and it would have to be environmentally acceptable. We are still working on the implementation guidance for this section of WRRDA, but if it were to be extended, it could be up to 15 years.

Mr. ROUZER. Just so I am clear, what actions by the administration would be needed to initiate this? Or what encouragement does the administration need to initiate this?

General BOSTICK. Assuming all of the previous items I talked about: economically justified, technically feasible, and environmentally acceptable, and the review of the implementation guidance to ensure we are straight with WRRDA 2014, then we would need funding based on the study.

Mr. ROUZER. How much funding do you anticipate that would be?

General BOSTICK. That would be difficult to say at this point. We would really have to go through and execute this study, and the study would reveal the cost.

Mr. ROUZER. OK. Thank you very much. One last followup to all of that is, what can we do to be helpful in your mission? I know you have got a tough job. Obviously money is a scarce commodity, a scarce resource that everybody needs, but is there anything in particular that we as a committee can do to help make your job easier?

General BOSTICK. No. I would say we are getting great support from the committee and, I think, the administration, given the challenges that we face nationally; but as you look at our aging infrastructure around the country, we are maintaining about \$190 billion worth of infrastructure. The American Society of Civil Engineers rates our infrastructure at a D-plus and says we need about \$3.6 trillion by 2020, and we are probably going to be short about \$1½ trillion.

So the Federal Government can't do this alone. And I think as you work with your local stakeholders, and we work with the local stakeholders, it is going to take a team effort. Relying on the Federal Government on many of these projects alone will not suffice, and whether it is public-private partnerships and getting the private sector involved, getting local and State governments involved, to work in partnership with the Federal Government is going to have to be the way ahead.

Mr. ROUZER. Thank very much, Mr. Chairman. Appreciate your answers.

Mr. GIBBS. Ms. Johnson.

Ms. JOHNSON OF TEXAS. Thank you very much, Mr. Chairman, and Ranking Member, for having this very important meeting on the budget and the priorities of the Army Corps fiscal year 2016 budget. I want to thank the witnesses also for being here. I am grateful for the hard work and service to the country that the Army Corps of Engineers does. I know that they are at work day and night, building and maintaining our national infrastructure, completing projects that keep the safety and well-being of Americans all over the U.S. Having said that, I did want to bring to light a concern that I am sure the members of this committee have, and I apologize for being in another markup, another committee, so I have been in and out.

But as of January 15, the Army Corps of Engineers had an unallocated sum of approximately \$100 million specifically apportioned for flood risk management programs as part of the fiscal year 2015 workplan. As of January the 15th, the Corps was directed by the Congress to allocate such funds within a 45-day period, to expedite the transfer of management and operation of flood risk management projects such as the Dallas Floodway Project in my district.

Just yesterday my staff informed me that the city is poised to take in serious consideration, matching a Federal investment of \$8 million with \$7 million in municipal bonds to complete the Dallas Floodway Project that will add recreational features, community amenities, and flood control between the levees—amenities between the levees and flood control, as well as provide money to repair severe erosion in the floodway. Now Secretary Darcy, I understand that you were just completing an international trip, so I

want to especially thank you for taking time to join us today, and I want to inquire about two separate items.

Can you explain why the Army Corps has not yet complied with the congressional directive to allocate the existing \$100 million from fiscal year 2015 workplans, specifically a portion for expediting flood risk management, and projects and their eventual transfer of operation to non-Federal entities? And I want to thank you for the feasibility study and the environmental impact statement on the modified Dallas Floodway Project signed yesterday. But having said all that, I would like also to ask if you intend to move forward with approving the record of decisionmaking related to the Dallas Floodway Project as well as moving forward with the recommendation to allocate the \$8 million for said project.

And I would like for you to speak to these two things that are very central to my area and certainly urge some movement in the affirmative in some way. So let me allow you to comment.

Ms. DARCY. Yes, Congresswoman, I believe that yesterday when I signed the memorandum, the record of decision has now been completed, and then the project can move forward. As far as the allocation of the unallocated balances in the 2015 workplan for flood risk management, we will have a decision on those in shortly; and I understand that the project, the \$8 million that you are referring to in Dallas, that there is a requirement by the local sponsors that a decision needs to be made before the 28th of April, and I will commit to you that I will make that decision by then.

Ms. JOHNSON OF TEXAS. Thank you, Secretary. And for those others with the Corps of Engineers, I look forward to continuing to work with you, and I look forward to having us have an opportunity to move forward with the projects.

Thank you, and I yield back.

Mr. GIBBS. Mr. Katko.

Mr. KATKO. Thank you, Mr. Chairman, and thank you folks for being here this morning. I have a son who is a sophomore at Geneseo University in upstate New York who is in the Army ROTC program, and he just may be smart enough to get in the Army Corps of Engineers some day. I don't know. We will see. But I thank you for the work you have done. In my short time as a congressman I have had some experience already with the Army Corps, coming to my office, meeting with me. I found them to be incredibly professional and incredibly responsive, and I appreciate that. It came from the Buffalo sector, I believe, and so thank you very much for that.

In my district there is a vastly underutilized port called the Port of Oswego. It is the first deepwater port, and I say deepwater with caution, deepwater port in the Great Lakes, and it is really just not utilized as well as it could be. And, in discussing with officials up there on a regular basis, one of the things they bemoan is how long it takes to get dredging approved through the Corps. So, I am not here to cast stones, but I just kind of want to understand the process if you can explain it to me. When a port needs dredging to get it back to the depths where it once was, for example, can you just explain how that process works and what is the average time it takes?

Ms. DARCY. I can tell you that the port would need to have a national navigation port which would be how we would determine the dredging capabilities. And then, as some earlier comments stated about the Harbor Maintenance Trust Fund, it would have to compete within that trust fund balance as to what the funding could actually be for the eventual dredging of that project.

Mr. KATKO. OK. Do you have any idea from stem to stern, to borrow a ship phrase, how long it takes once someone applies generally before they get a response as to whether or not their request for dredging is going to be granted?

Ms. DARCY. I don't know. Do you, General?

General BOSTICK. My guess is part of this challenge, is it goes back to what Secretary Darcy was saying, in whether the project competes. There are many projects that folks request dredging, and year after year they are not competing for those small dollars that are available, so it really depends. I don't know the specifics on this port, but if it is a small port that is not competitive, then it could go for many years where it would get a response each year that it did not compete for funding that year.

Mr. KATKO. When you say a small port, assuming it is not competitive, what do you mean? There is not the commercial traffic to justify it, or is it something else?

General BOSTICK. That is true. What we base it on is the amount of tonnage that it carries each year, that particular port. We have just under 1,000 ports, and 59 of the top ports carry about 90 percent of the tonnage, and they receive about 60 to 65 percent, maybe sometimes 70 percent, of the funding. About 10 percent of the funding goes to those low-use ports, low-tonnage ports, so there is still funding that goes there.

Mr. KATKO. Is there consideration given to the fact that if these ports were dredged, that it could increase the tonnage coming into those ports?

General BOSTICK. One of the things that we are trying to look at is watersheds as a system. So looking at the Great Lakes for example, as a system instead of individual ports—and this is one of the things the Corps has been pushing—that there may be a port that doesn't compete well alone, but if it were funded, the entire system may produce more. We are trying to talk about that strategy as well.

Mr. KATKO. Yeah. I would urge you to do so because I know Oswego is one such port, and they have been having a lot of discussions, for example, with the New York-New Jersey Port Authority, and they are pretty much, as you probably know, at their maximum operating capacity, so there is overflow potential for these smaller ports that, you know, if they are dredged and they are able to take on some of the bigger ships. For example, Oswego we are hoping if they get a little more depth to the Port of Oswego, it might be able to take on more cargo container ships and then kind of married up with a major transfer point, CSX rail line in Syracuse, New York, which is about 45 minutes to its south.

So, I would urge you going forward, to try and consider as part of the component of, you know, these requests that what is the economic potential if it is done. As I understand it, shipping is going to increase. Rail transportation is going to increase, and those two

are intertwined, and the more we can take into consideration on the front end, we might be able to develop the economy more. But again, it is not a criticism. It is just a suggestion.

And I want to thank you all. I think the Army Corps of Engineers does a great job, and the only thing I would ask is that, to the extent you can, find ways to expedite the decisionmaking process, I would very much appreciate that. Thank you.

Mr. GIBBS. Ms. Norton.

Ms. NORTON. Thank you very much, Mr. Chairman. I very much appreciate this hearing, and I appreciate the testimony I have heard so far from our witnesses.

My first question is addressed to Secretary Darcy. Secretary Darcy, a particularly controversial issue in this committee and the Congress has been the Clean Water Act rulemaking. No matter what administration, what EPA, it would always be controversial when you consider how many rivers and streams of the United States are involved.

The President has included \$5 million to implement your Clean Water Act activities. Of course this committee last week passed a bill that would essentially require you to toss the whole thing and start all over again. If that bill were to ever pass, and I wonder if anyone ever thought it would pass, but assuming that bill were passed, and that is to say the House, and the Senate, and signed by the President, would the Army Corps need additional funds to carry out all of the requirements provided in that bill?

Ms. DARCY. My understanding of the legislation you are referring to would require us to stop doing the current rulemaking and start over again, meaning I think additional consultation within the administration as well as with outside stakeholders. So, I would anticipate that if we were required to stop and start over again, we would probably need additional resources. The \$5 million that was in the President's request for 2016 for the regulatory program is in anticipation of the rule that we had proposed going final, and that money would be used to train additional staff that would be needed in the initial startup to get up to speed on what the implementation of the new rule would—

Ms. NORTON. Do you have any idea how much in funds it has taken to get this far, with all the interruptions and all the consultations with all of the States that you have done?

Ms. DARCY. I don't have a good number for you, Congresswoman, about how much we have expended in proposing the rule.

Ms. NORTON. But essentially we would be putting essentially the same resources. You would have to go to all the States and all the jurisdictions all over again and essentially begin what has been very expensive rulemaking all over again. I just want that for the record. I don't assume this bill would be passed because I don't think there is any such thing as a controversial Clean Water Act bill on the waters of the United States.

I would like, General Bostick, to ask you about perhaps one of your oldest projects and one that I must say I am grateful for the Army Corps for the way in which it has proceeded. During World War I there were chemical weapons that were manufactured in one of our neighborhoods. It was not then a neighborhood. But because all the information wasn't known, one of our most illustrious com-

munities was built over that; and the Corps has pledged to make sure that that community is cleaned up and has proceeded forthwith.

I have been briefed by your Baltimore district office about this so-called FUDS site, formally a defense site, at the American University, Spring Valley neighborhood, I think it was the end of February, to bring me up to date. And you have released an investigative report, that has been available for public comment. So we see that work is proceeding, and progress has been made; but, General Bostick, I don't know if you have ever had an older project than this, but we are talking we are going to come on 25 years if we keep this up. And the timeline I have been provided for one of the last projects, Glenwood Road, has a high probability of excavation to be completed 2016, 2017, low probability excavation, winter 2017, spring 2017; and site restoration, not until spring or summer 2017.

I have to ask you, General Bostick, is there any way to speed up this timeline considering we are talking about a neighborhood where real people live and go to work every day and have had to abide this work for almost 25 years? Is there any way to speed up that deadline that would take us into 2017?

General BOSTICK. Representative, I am glad our team was able to brief you. The numbers that you are tracking is exactly the way that I am tracking the progress. I know they are working as hard and as diligently and as safely as they can. I can work with our division and district to determine if there is any way to move this faster, but honestly I suspect that they are going as quickly as they can. But I will go back—

Ms. NORTON. I was sure that you would say that, and I am sure that they are. But I wish you would get back to me after a month's time to see whether there is any way to speed up that timeline.

General BOSTICK. I will.

Ms. NORTON. And I would like to ask you about—

Mr. GIBBS. Mr. Babin.

Dr. BABIN. Thank you, Mr. Chairman. I wanted to ask a question of Secretary Darcy. It is my understanding that the Port of Houston, which I represent, and the Corps of Engineers have identified a significant safety concern along the Houston Ship Channel at what we call Bayport Flare; and there is a challenge in finding the appropriate authority to effectively address this situation. It is also my understanding that this is primarily because of a project 902 limit which is restricting the Corps' ability to fix the Bayport Flare.

While 902 is an important provision that helps control costs, it should not be an impediment to addressing an immediate navigation safety concern. If a local entity like the Port of Houston wants to work with the Corps to address these sorts of critical safety concerns, is the Corps permitted to grant a waiver to the 902 limit and allow this critical safety issue to be addressed? Do you have that waiver authority, or will it take congressional authorization? Do you know?

Ms. DARCY. I don't know for certain, but what I do know is I don't believe that we can waive 902. However, we may be able to find other authorities that could be used in order to address this as either an emergency or a safety issue, that we might be able to

proceed without having to do a 902, but I would need to check for you, Congressman.

Dr. BABIN. OK. Would you support legislation that would give the Corps the ability to grant 902 waivers under these circumstances if it is a safety concern?

Ms. DARCY. Again, I think that we may be able to address the concern because it is a safety concern or risk to public health or life and safety, without having to get a waiver from 902, but, again, I would have to check on that for you.

Dr. BABIN. Well, we had a collision down at the Port of Houston just a few weeks ago, and I am not blaming the Bayport Flares for this because it was not in that area, but with shipping soon to be coming from Panama, the Bayport Flares need to be widened and deepened as well. So what are you suggesting? Can you give me some specifics on what other entities might be able to help us with this situation?

Ms. DARCY. I think that if it is truly a safety issue, we may be able to consult with the Coast Guard as to how we might be able to, in the short term, resolve this safety issue and also looking also internally about what other authorities we might have to have to be able to address the problem.

Dr. BABIN. It is a problem. Very much one. Thank you. I yield back, Mr. Chairman.

Mr. GIBBS. Mr. Graves.

Mr. GRAVES OF LOUISIANA. Thank you, Mr. Chairman. First of all, thank you for being here. And, General Peabody, I want to join Congressman Davis in giving accolades to you. I have enjoyed a working relationship with you and look forward to your future and wish you luck.

I would like to associate my comments with Congresswoman Johnson who expressed concern over the \$130 million holdback. Madam Secretary General, that is a strong concern. One thing that you do, and I really appreciate the jurisdiction of this full committee in that it has jurisdiction over Stafford Act, FEMA disaster response, and Corps of Engineer mission, which is largely the proactive efforts. Study after study indicates that proactive efforts pay off multiple times over as compared to reactive efforts, and obviously Hurricane Katrina is a perfect example of that where we probably expended 10 or 12 times as much money doing disaster response as we would have if we had just actually done the proper protection on the front end.

First question for you. Back in 2013, the White House announced that they were going to shut down White House doors and save the Government approximately \$70,000 in doing so. During the same period of time, the Corps of Engineers has spent \$72 million in the Morganza, the gulf project studying it since approximately 1992. You spent \$20-something million studying the West Bank project for over 40 years in south Louisiana. You have spent over \$100 million and studied the Louisiana coastal area restoration efforts, ecosystem restoration efforts, and spent over 20 years doing that.

Can you help me reconcile the cost savings that the White House was trying to achieve while the Corps of Engineers is spending hundreds of millions of dollars and decades studying projects that we should be moving forward on today?

Ms. DARCY. The reconciliation of those expenditures are ones that I can only say that the Army Corps of Engineers has spent a great deal of time and efforts on those studies. One thing that we are doing as a result of not only some initiatives we have taken but also initiatives that the Congress has directed us to take, is to reduce the time and expense of our studies. We have a 3x3x3 requirement now that will require that all studies will take place in 3 years with \$3 million or less and be integrated in the vertical team within the Corps headquarters as well as the district and division. Those are ways that I think we have taken initiatives to be able to reduce our expenditures on studies as well as the time. I know there has been a long history of longtime studies in the State of Louisiana.

Mr. GRAVES OF LOUISIANA. Thank you, Madam Secretary. Another question, in a previous life I had the chance to carry out water resource projects in Louisiana and partner with the Corps of Engineers. In numerous instances we were able to build the entire project for the 35-percent cost share that the Corps estimated was our cost share. So say, again, for 35 percent of the cost we built the entire 100 percent project, and we were able to do that oftentimes in half of the time that the Corps of Engineers estimated. Can you just very briefly explain any project delivery mechanism efficiencies that you are pursuing today?

Ms. DARCY. We have established a Corps cost control board, and that is looking at not only the escalations of costs, but also how we can reduce existing costs. What we have discovered over the last couple of years is we were coming up against our 902 limit too many times, finding out not only was the contingency built in, but then a project came up to the 902 and without enough time in advance to either make cost adjustments or be prepared to ask for what we call a 902 fix, a legislative fix. So that is one of the things we have done, and the General may want to add—

General BOSTICK. The only other thing I can add is that we have seen great projects. And Representative Graves, you have seen what we have done in the HSDRRS Project. We did the same thing in BRAC, about \$12 billion worth of work in 6 years, and one of the keys was upfront funding, so contractors know what they are going to receive and when they are going to receive it and they can execute the project on a reasonable timeline. The other thing we have done is brought the contractors in early along with the stakeholders so we don't have the changes which usually cause projects to be extended.

Mr. GRAVES OF LOUISIANA. General, thank you, and I appreciate you recognizing that. There are fundamental flaws in the current project delivery mechanism and, look, and I will agree with you or perhaps where you were leading, Secretary Darcy, in that I think the Congress has some culpability in this flawed process.

But this year, for example, the budget request comes in at \$750 million below last year's actually enacted dollars in terms of construction funds. When you look at the backlog of projects totaling tens of billions of dollars, when you look at the vulnerabilities that are out there, General and Secretary Darcy, I want to remind you, we lost 1,200 Louisianians in Hurricane Katrina, 1,200. There is not a single one of those people that should have been lost. Hurri-

cane Isaac in 2012, we lost another two or three, if I recall, particularly on the West Bank at Plaquemines Parish which the Corps initially indicated in 2006 they would be protecting. These lives, this loss of lives, first of all, they matter. And second of all, every single one of them was preventable. Call me dramatic, whatever you want, you need to be thinking about what you are going to tell these families in the future whenever these projects that have been here in the study process now for decades, what you are going to tell them whenever they lose family members, because it is going to happen. And when we have a hurricane come up and takes a trajectory just to the west of Hurricane Katrina hit, I am telling you right now, and you all know it too, we are going to have probably hundreds of lives lost, entirely preventable. Meanwhile FEMA is coming in and spending billions of dollars, billions of dollars, responding.

Last question in this round. I want to ask about waters of the U.S. You look at the fact that we have lost 1,900 square miles of coastal wetlands in the State of Louisiana, 1,900. Virtually all the studies that are out there indicate that that land loss is attributable to Corps of Engineers actions in terms of modifying the hydrology on the Mississippi River system. Can you explain to me or reconcile the waters of the U.S. rule and out there touting the importance of wetlands, while the Corps of Engineers, being the largest cause of wetlands lost historical in perspective in the United States?

Ms. DARCY. The waters of the U.S., not only existing waters of the U.S. under the Clean Water Act, but the proposed rule, will continue to protect wetlands. And as you probably know, many of the projects that the Corps of Engineers has built and will build in the future will all consider the mitigation of wetlands loss under law. So the fact that the hydrology of the gulf coast is being impacted by these projects is something in the future we need to consider as far as the wetland loss, because it is a huge loss to the State of Louisiana, as well as to the country.

General BOSTICK. I would just offer that the Corps of Engineers builds what the American people, the Congress, authorizes and appropriates. We don't come up with our own ideas on projects. The first Chief's Report I signed as the Chief of Engineers was the Ecosystem Restoration Project at the Barataria Basin down in New Orleans to try to help balance some of the structural and non-structural type of work that we do. But America has changed and is looking more at environmental-type work, at ecosystem restoration work, which we agree is very important.

Mr. GIBBS. Representative Graves, since you have to leave, did you have another question you wanted to ask?

Mr. GRAVES OF LOUISIANA. I do. Thank you, Mr. Chairman. Thank you, Congresswoman Napolitano. I did have another question. Chief, you just pointed to the fact that Congress writes laws, and that is why we are here. I had the chance to work with some of the people sitting behind you on WRDA 2007 conference, in fact, some of the people sitting next to you on WRDA 2007 conference. If you take Hurricane Katrina to the current, I believe there are 16 different statutory deadlines that were placed in various bills, WRDA 2007, various appropriations bills since Hurricane Katrina.

The Corps of Engineers has missed every single deadline that was in the law.

Rolling forward to WRDA 2007 authorizing provisions, numerous places, "the Secretary shall," crystal clear; there is no discretion, black and white. I can go through there and find over and over and over again where the Corps of Engineers flat out ignored, ignored the provision; and my 10-year-old could tell us exactly what it means. This whole organization is here, the Congress is here to write laws. And it is the Corps' job to actually enforce, to implement those laws. When we sit here and do these things, and you just decide what you are going to follow and what you are not going to follow, what does that say to us? Why are we even here if you guys are going to just do whatever you want?

General BOSTICK. In all due respect, Congressman, we do follow the law, and we respect the Congress, we respect the law; and to the degree possible with the resources and the time and the expertise that we have, we work as diligently as our teammates can to follow that law and to execute it to the letter as best we can. There are some times where lawyers disagree on how to interpret different parts; and in those cases we come back to the Congress and try to get the clear interpretation, but in no way would we just flagrantly decide that we are going to disobey the laws of the country.

Mr. GRAVES OF LOUISIANA. General, I think you and I need to sit down and look at some laws, and I think that you would come to a very different conclusion. Unfortunately the State of Louisiana has had to sue the Corps of Engineers because of fatally flawed interpretations of laws that are delaying projects.

Thank you, Mr. Chairman. I just want to say when you work on WRRDA 2014 implementation, I have already seen some implementation guidance come out that I think deviates from congressional intent, and I just want to warn you that we are going to be paying very close attention. Thank you very much.

Mr. GIBBS. Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chairman. Yes, Secretary Darcy, there is a question in regard to a dam in California, Matilija, the Ecosystem Restoration Project, which was authorized in WRDA 2007, but there is yet to receive any construction. I understand you don't have the budget. I understand priorities. But the project apparently is quite critical for the restoration of the creek. There is a restoration of critical steelhead runs in the Ventura River. It has not yet risen to the level of being included in the President's budget. As a result, no construction appropriations are likely for the project due to the current moratorium on earmarks, which we all love but we wouldn't want back.

However, that does not diminish the importance of the project to the community, to the economy, or to the restoration of the steelhead population. And apparently there has been a discussion with Congresswoman Brownley who represents that area. The local sponsors understand that there are individual components to the project that may be good candidates for construction using one of the Corps continuing authorities. Can you commit to working with us to explore whether this is a possibility so that this important portion of the project can get underway as we continue to try and move forward with the larger projects? Is it a way the locals are

willing to sit and see if they can't break off the pieces into smaller elements? And certainly we need to be able to at least assist them in moving, since 2007, that is quite a few years ago.

Ms. DARCY. Yes, Congresswoman, we can look into whether there can be a CAP authority for a separable element because Matilija is I think the dam I think you are referring to, and I think that is a pretty big project.

Mrs. NAPOLITANO. I really appreciate it, ma'am.

Ms. DARCY. Sure.

Mrs. NAPOLITANO. Yes. To Mr. Johnson, in your testimony, you refer to the construction of the ward's Watts Bar Nuclear Plant No. 2. Now, in California we have got a couple of nuclear plants, and unfortunately one of them as you know has been shuttered because of problems. My concern has been through my years in the State assembly, of moving the nuclear waste to repositories because there is no way to get rid of it, the millions of years that they say it takes to, what did I say—diminish the impact. What are the plans to be able to move the nuclear waste generated because this is a very, very serious issue throughout the United States from nuclear plants?

Mr. JOHNSON. Thank you, Congresswoman. We operate six nuclear reactors today. With the addition of Watts Bar 2, that will be seven, and we currently store all of our own used fuel. So at each of our plants we have pool storage for long-term storage.

Mrs. NAPOLITANO. How long?

Mr. JOHNSON. You can put it in the pool indefinitely but typically at least 5 years. And then you move it out into another form of storage. And currently we are using dry cask storage, large, secure, very heavily secured casks, to store the fuel on site, which can also be done indefinitely and safely. You know, there is probably a more efficient way to do this in a centralized repository of some kind, but we have the capability to do this for the life of the plant and the safe life of storing the fuel.

Mrs. NAPOLITANO. And what is the life of the plant?

Mr. JOHNSON. Typically today you would think about 60 years at least of the useful life of the plant.

Mrs. NAPOLITANO. Somewhere along the line I had heard that there was an effort being made to recycle some of the spent fuel?

Mr. JOHNSON. Yes. Recycling spent fuel is done around the world, done in France, Japan, Russia. We have not done it here. Some of the things that President Carter did in nonproliferation kept us from recycling, and also historically it hasn't been economical as compared to making new fuel, but we never took into account the storage question. So I hope we do get to recycling here because there is a lot of energy left in the fuel that we could reuse.

Mrs. NAPOLITANO. Well that is something we may want to look at in the future because that can pose danger to the communities, as we have found out in San Clemente, and it is something that we all are critically aware of.

Back to Ms. Darcy; I want to be sure that we are going to be sending you a little note, a little love note, in regard to the harbor maintenance because I am reading the WRRDA, the two sections that deal with the expanded uses, and I certainly would want a clarification. If not then, we will maybe put stricter language to be

able to determine where that, the total amount collected in the immediate 3 years of the harbor maintenance taxes, where that amount can be forwarded to.

Ms. DARCY. OK.

Mrs. NAPOLITANO. OK? Thank you, Mr. Chair.

Mr. GIBBS. I will start with Mr. Johnson. You finally get a question, so thank you for your patience. I want to talk a little bit about the TVA's debt limit. The limit is \$30 billion, and you have kind of been pushing that. In your strategic plan you say that TVA would reduce its debt by \$3 billion to \$5 billion over 10 to 12 years. Is that still the plan?

Mr. JOHNSON. That is the plan, yes, sir.

Mr. GIBBS. And how would you avoid reaching that \$30 billion? Can you go into details a little bit about the plan?

Mr. JOHNSON. Yes. There are basically two elements of our financing, which is debt and rates. We can raise rates. And our general plan over the next 10 years is to reduce our operating costs, be much more effective, incrementally raise rates, get through a big capital spending, and reduce our capital spending, and then bend that debt curve down, which I think by about 2023 should be \$20 billion or \$21 billion.

Mr. GIBBS. On an annual basis how much is TVA for interest expense?

Mr. JOHNSON. Our average expense is about 10 percent of our total, so \$1 billion in interest expense.

Mr. GIBBS. OK. TVA recently purchased a natural gas plant in Virginia. Can you please explain TVA's rationale to expand its fleet of facilities given TVA's large number of older facilities that need maintenance?

Mr. JOHNSON. Yes, it was actually in Mississippi. We bought a gas plant recently in Mississippi.

Mr. GIBBS. Oh, it is not in Virginia?

Mr. JOHNSON. No. It is in Mississippi.

Mr. GIBBS. OK, so it was an error from my staff.

Mr. JOHNSON. I am pro everything, but mostly I am pro consumer. And so the reason we would buy a gas plant instead of retrofitting an older plant is because it is the cheapest way to serve the consumer. So, we got a very good price on this gas plant, and natural gas is fairly reasonably priced and projected to be so for a long time; so this is the best move for our consumers.

Mr. GIBBS. OK. Well I want to commend you for your short tenure there and the work you are trying to do to address the issue. As we said in my opening statement, your operations are self-contained, funded; but there is always that liability aspect if something were to go wrong that could come back on to Congress and taxpayers. So thank you for that.

Ms. Darcy, there is no provision in section 7001 for adding criteria or for projecting studies and projects from the annual report that meet all five criteria that are in law. Can you describe to us the list of projects submitted that met all five criteria pursuant to section 7001 in WRRDA?

Ms. DARCY. I believe that in the report that we have submitted for 7001, there were 19 projects that met those 5 criteria and appeared in the report.

Mr. GIBBS. Nineteen. OK. I want to talk a little bit about the annual report. I think you would probably agree that the first one you did was a little incomplete or inconclusive. The question that really comes up, it was clear, I think, in the intent of Congress implementing this, that as long as the five criteria were met, everything comes to Congress, to this committee; but the Corps has put in an administrative review process. I will give you two examples of that. The Brazos Island Chief's Report. Two Chief's Reports were in the appendix because of administrative review. Then we have in the city of South El Monte, California, a land conveyance which has been held up to my understanding, which seems to me that should be a pretty simple procedure to move forward, and I guess my question is where did this administrative review come in that is holding up inclusion of all the things out there that should be in the annual report?

Ms. DARCY. The administrative review is required under Executive Order 12322, which we have to do whenever we submit a report to Congress. The 7001 report is one of those. And in the administrative review, the two projects that you referred to were the two Chief's Reports that were not in the report but appeared in the appendix. Every submission we got from the public appears in either the report or the appendix. And the two Chief's Reports that did not appear are because they had not yet gone through administration review.

Mr. GIBBS. OK. I just want to make it clear to the administration what I think Congress' intent was, that as long as the criteria is met that it is under Federal purview, jurisdiction, the Corps, that these things should be coming to us to make a determination. And so we have got a little heartburn, I guess to say, about the administrative review process. We wanted to make that clear.

The other concern I have on the annual report is I am not convinced on the implementation out to the country, out to the districts, that the word has been put out how this process is supposed to work now since we don't have earmarks. As you know the process is supposed to work where the local districts be the lead entity working with port authorities, local governments, and develop or identify the challenges out there and put that in the report. I had some officials in from the Galveston-Houston area last week, and I explained that to them. I said go back to the Galveston district and talk to them and see what is going on.

I will just hold this out as an example because there's a couple projects one that needs a reauthorization or addendum, but there is one that will be a new authorization for a study on the flood gate, flood wall there in Galveston, the bay into Houston. It seems to me that ought to be a top priority, national priority. Because I know when, I think it was Hurricane Ike or Rita, whichever one, hit that, up in Ohio, northeast, we felt the results of that because of all the refineries down there. And so, I want to make it clear that hopefully the Corps is doing the job of getting this word out and how this process is supposed to work now and work with the local entities. But I was kind of surprised that they came to me first and wanted to know, well, can you get this authorized. And I said, well, you have been working, so it was kind of unclear. So I just wanted to—

Ms. DARCY. We are, Congressman. We are going to do more outreach with our districts so that everyone is aware of just what exactly the process is. As you know, this is the first time we did this. We did it pretty quick, by February 1. And also when we put out our public notice in the Federal Register in May, we are going to be more clear about what exactly needs to be involved in this—

Mr. GIBBS. I could be wrong on this, but the February 1 I think was for future years. I don't think it was for this year as much. They are shaking their heads I am right on that. So that might have been a miscommunication, and so it maybe caused some of the problem. But I just want to make sure going forward, that everybody understands what we are trying to do in this report. And so since we don't have earmarks, this should be a very transparent process that would lead to accountability but then also identifying those needs and challenges out there in the countryside, I think that is the best way to get it from the grassroots up. And we got to make that work, and I am sure that General Peabody and General Bostick and everybody wants to do it that way, but we have got to make sure we get it done.

Mr. Rokita, I think is next on the list. We will be back.

Mr. ROKITA. I thank the chairman. I thank the witnesses for their testimony. I couldn't be here for most of it because I happened to be chairing another subcommittee, but I had some staff in the room, and they have listened and reported. And so forgive me if these questions might seem repetitive. I am told they are not.

As a member of the subcommittee, I have been trying to study as best I can the different issues and relaying and applying them to the situation in our State of Indiana, and I come up with these. If the States were to take over the internal waterway dredging, would that free up the Corps to pursue its locks and dams projects faster?

Ms. DARCY. Talking about the locks and dams on the inland waterways system—

Mr. ROKITA. But the question is generic. I mean, just conceptually if States were to take over the dredging responsibilities, would you be able to move faster on your dams and locks projects?

Ms. DARCY. The dams and locks projects are funded out of the Inland Waterway Trust Fund, and that is for improvements. It is not for dredging of that system. So if the States took over the dredging, it would not really impact the funding for the modernization or the upgrades of the locks and dams.

Mr. ROKITA. Because right now the dredging is your responsibility, and where does that funding come from?

Ms. DARCY. That comes from General Treasury. I mean that comes from our budget.

Mr. ROKITA. So if we were to take it over, the dredging is behind schedule is my point. Right, or not?

Ms. DARCY. The dredging, it is essential. Because it is a—

Mr. ROKITA. If we were to take it over, fight about who is paying for it later, would that free you up?

General BOSTICK. In terms of—

Mr. ROKITA. General?

General BOSTICK. They are not as related. It seems that way. But one, it is different pots of money for the infrastructure improvement of the locks and dams and then the dredging.

But the other challenges, these inland waterways are all connected, and it is really a national system, and the Corps has responsibility to ensure that that national inland waterway system is operating, and there are puts and takes, and there are key decisions all up and down the inland waterways. If a State chose because of lack of funding or some other reason that they could not prioritize it, then the Nation would have an issue.

Mr. ROKITA. Any worse than now? You are behind.

General BOSTICK. I think so. I think we—

Mr. ROKITA. Worse than you?

General BOSTICK. Right now, the responsibility is on the Corps of Engineers to ensure the dredging occurs to manage flooding, so navigation and flood risk management all come together. So it is complicated.

Mr. ROKITA. I take your point. I take your point.

What was the last new project undertaken by the Army Corps of Engineers, and what year was it? The last new project.

General BOSTICK. We have projects ongoing. Olmsted is a good example that we are in.

Mr. ROKITA. How about new development project?

Ms. DARCY. This year's budget included funds to begin construction of the deepening of the Savannah River Channel. That began this year.

Mr. ROKITA. OK. Anything else to point to?

Ms. DARCY. Beginning of construction in this calendar year.

Mr. ROKITA. For example, this committee, some members of this committee went down to Panama. We saw their new locks being built.

Ms. DARCY. Right. Well, that is one of the reasons Savannah wants to go deeper. We are deepening Savannah.

Mr. ROKITA. But anything new like that, that the Army's—

Ms. DARCY. We are currently looking—

Mr. ROKITA [continuing]. The Corps is undertaking?

Ms. DARCY. Not undertaking. We have studies for deepening projects, including Charleston Harbor, but as far as a construction new project this year, SHEP is the one that comes to mind.

Mr. ROKITA. Let me ask this one. I have got about 1 minute left. The Harbor Maintenance Fund generates a surplus every year under my study. That is correct, right? What can be done to protect these funds to be used for water projects only, and does the administration support using the fund for water projects only?

Ms. DARCY. The Harbor Maintenance Trust Fund, as you noted, takes in more than it expends. This budget requests \$915 million to come out of the Harbor Maintenance Trust Fund for this fiscal year. That is what we believe is affordable at this time, and that is the intended use of those funding for the operation and maintenance of those coastal harbors.

Mr. ROKITA. OK. So none of the harbor maintenance funds are used for anything but water projects?

Ms. DARCY. In our appropriations bill the \$915 million is used just for water projects.

Mr. ROKITA. So there is no fund money going to anything else?

Ms. DARCY. The outstanding balances are used for other purposes within the Treasury.

Mr. ROKITA. Not water projects?

Ms. DARCY. Or other uses within the Treasury, so perhaps not.

Mr. ROKITA. Right. But my question was, your opinion, and where is the administration. Does the administration support water projects only? Or by virtue of what you just said, obviously not.

Ms. DARCY. The administration supports its budget request of \$915 million from the existing balance.

Mr. ROKITA. I think my time has expired. I appreciate the witnesses.

Mr. GIBBS. Ms. Frankel.

Ms. FRANKEL. Thank you, Mr. Gibbs.

Thank you again for testifying. And I need to go back to my original questions because I think there was a little confusion in the communication. My first question was in regards to a provision we put in the last WRRDA bill that allows a non-Federal sponsor to prefund the planning, and design, and construction phases at a project without congressional authorization and then later seek credit or reimbursement once it is authorized. That is section 1014. You know, when you responded, you commented on Mr. Webster's question, which is a little different, which had to do with another section, so—and I know you have a lot to talk about here, so my question was what—when do you expect there will be some guidance from the Corps on that provision?

Ms. DARCY. Thank you for clarifying that. That was my mistake. Section 1014, you are correct, the guidance has not been finalized. It is in the queue. I will defer to staff to come up with a date when we will have it done for you, and I will get back to you.

Ms. FRANKEL. OK. Thank you. And then I have another. My second question, which again, there's so many acronyms. I want to—the concern on that on the Broward Segment No. 2 is the—not on the LRR, which I think you said we would have in May. The problem is that Broward County is waiving a project participation agreement. That is the issue. And they have been pushed back to January 2016, which would really almost take them out of the next tourist season.

So I was—originally, it was set to be a November 1 date, 2015, not January 2016, so I just have a request, and this, I guess, General Bostick, is whether or not you could take a look at expediting that PPA because it really—to try and coordinate between the turtles nesting and the tourists, there is a very short window to get this restoration done.

General BOSTICK. Yes. Secretary Darcy had talked about the LRR being done in May of 2015, and then I followed up and said we need that to be completed in order to move to the PPA, so I wasn't tracking the timeline of 2016, but I will take a look at it and see if there is anything we can do to expedite it.

Ms. FRANKEL. OK. Thank you very much. This has been sort of an interesting issue that came up. Again, I mention how important our marine industry is to Florida, especially in south Florida. We have an agency there called the Florida Inland Navigation District

which sponsors a lot of marine projects, and they brought this issue to me. What happens, and I am going to try to put it in a practical way. Somebody, let's say a business wants to open, and they open a marine—a harbor in the inland coast land—coast of Florida. They do what they have to do, they get their permit, and you know 5, 10, 7 years later they have to do dredging, maintenance dredging.

What is happening now is that they are being required to actually, if their seagrass has grown, to actually mitigate that. So they may have created the environment. In their original project, they create the environment that allows the seagrass to grow, and then what happens is, because the seagrass grows and they have to go through mitigation, and a lot of these folks are now avoiding the maintenance dredging, which we really need to have. So I don't know whether that issue has ever come to your attention before, but we have requested the—our local folks to take a look at that.

Ms. DARCY. To my knowledge you are raising it for the first time, but if the locals have been in contact with the local Corps district as to what the possibilities are for maintenance dredging, I think that is the first step.

Ms. FRANKEL. OK. Thank you very much, and I yield back, Mr. Chair. Thank you very much.

Mr. GIBBS. Mr. Davis.

Mr. DAVIS. Thank you, Mr. Chairman. I said I would be back. So. Thank you for your patience today. I am sorry, Mr. Johnson, I don't have a question for you. If anybody wants to give me one on a TVA. It really doesn't impact Illinois where I am at that much. I would be happy to get you one, but thank you. Consider yourself lucky because I am probably going to be more little—a little more inquisitive this time than the last time.

Ms. DARCY. I think he likes testifying with us.

Mr. DAVIS. Yes. We will bring him back. We will bring Peabody back, too.

Secretary Darcy, obviously you have known from my testimony before and my questions of you, I am very interested in the P3 language that was inserted in WRRDA. It was a bipartisan approach that we took here. My colleague, Cheri Bustos, who serves on this committee, we were successful in inserting this language into the WRRDA bill, and I have some concerns that the Corps might lack some urgency in implementing this program.

What specific steps are you taking to make sure that the public-private partnership program in WRRDA is a priority, and why has it taken so long to implement?

Ms. DARCY. It is a priority both from response to the WRRDA language but also within the administration. We are looking at public-private partnerships, and as the Chief mentioned earlier, we are going to have to be looking for other sources of revenue to be able to address them, the infrastructure needs of this country overall.

We are looking at individual projects to see if there are public-private opportunities there, underway, as to what kind of financing mechanisms we can use within our existing authorities and whether or not there are barriers in our existing authorities that we may need to alter in order to take other sources of funding. We are looking at a project, Fargo-Moorhead, that has an opportunity for a pri-

vate partnership, possibly public-private—public public-private partnership with a local community and then a private investor.

Mr. DAVIS. And you are already working on a P3 with the Port of Tampa, right?

Ms. DARCY. I believe so, yes.

Mr. DAVIS. What is the status of that?

Ms. DARCY. I don't know. Do you know, Chief?

Mr. DAVIS. Can you get back to my office on that one?

Ms. DARCY. Absolutely.

[The information follows:]

Recently, the Port of Tampa determined that they wished to move forward with a reimbursement agreement as opposed to contributing funds for the project. Corps of Engineers headquarters is currently reviewing the letter report that will be the basis for executing a reimbursement agreement for the Tampa project. Section 120 of the Energy and Water Development and Related Agencies Appropriations Act of 2010 directed the Secretary to reimburse the non-Federal sponsor for the Federal share of dredging work that the Tampa Port Authority accomplished during the period from 2005 to 2010 to deepen the Big Bend Channel from 36 feet to 37 feet. The authorized project depth is 41 feet.

Mr. DAVIS. Obviously, as the author of the language, we want to see action. I want to see more investment in infrastructure, and I know you just mentioned where you are looking at different projects. I want to—I want the Corps to actually look at bigger projects as possibilities for P3s, too. I represent northern Olmsted, and we have seen what that project has done over the last few years, and unfortunately, it leaves a bad taste in the mouth of many policymakers who want to see projects like that move on. I stood in Quincy, Illinois, years ago watching the Corps of Engineers pick which plan of action they were going to use to upgrade the locks and dams along the Mississippi River, and I believe Jen Greer was with me in those meetings.

We want to see some action, and I think this is a tool that should be utilized, and frankly, you know, we have got—we have had—we feel like we have to put report language in the energy and water appropriations bill that is going to require the Corps to come up with some—with answers and also a schedule for issuing implementation guidance. We got to move faster.

General BOSTICK. We absolutely think this is important. We have been pushing on this very hard. We think it is essential to our future. In fact, it falls under John Peabody's responsibility, and he hired somebody that wakes up every day thinking about alternative financing in P3. We have been working very closely with—

Mr. DAVIS. And now he is leaving?

General BOSTICK. Right, but he is going to leave it in good hands. And we have been working very closely with OMB on this as well. We are working within our authorities now, and we have limited authorities in that regard, but we are thinking about other authorities that we might need in order to make this a better opportunity for business and for the Federal Government.

Mr. DAVIS. Well, we all have the same goal. We want to see projects get started and projects get completed. You have got a willing bipartisan committee here that is willing to help you if you need changes to authorities, but these are issues I wish we would

have addressed before we passed WRRDA so that we can continue to make sure that this is a priority for the Corps and also a priority for this committee and this Nation. So my time is about to expire. I really appreciate you all being here, and General Peabody, good luck. Don't let that guy sleep. Thanks. I yield back.

Mr. GIBBS. Mr. Rokita.

Mr. ROKITA. I thank the chairman again. Following up on my questions from before. I was asking about new projects, and my followup question would be what is more important, funding new projects or funding existing projects and getting them done, how do you balance it, and would it be helpful if there was a different kind of funding stream or source created by Congress to manage those two kinds of projects better?

Ms. DARCY. Well, sir, in this year's budget submission, we had 54 projects for construction, and 9 of those are funded to completion. So we are trying to focus not only on completions but we always focus on what are the highest performing projects for the overall value to the Nation. But we are focusing on completions. In this budget, there are 13 feasibility studies funded to completion, so that is what we are looking toward.

One of the provisions in WRRDA also directed us to come up with \$18 billion worth of projects for deauthorization. So we are looking at our whole portfolio of what has been authorized and what has been constructed, not constructed, and what the universe is, number one, and number two, what of those projects within that \$18 billion are probably not projects that warrant going forward. So that is going to help us get our arms around just how big our asset management needs to be.

General BOSTICK. I think it is difficult, Congressman, to answer the question of what is more important. But we do get concerned when we lack the ability to build new construction. I think if you look at some of the studies that have been done, there is a lot that can be done with the infrastructure we have. We have infrastructure that is up to 100 years old, and if we maintain it, a lot can be done with that infrastructure by reinvesting, doing regular O&M and major rehabilitation when necessary, and that is where most of our funds are going. We have gone from a balance of construction and O&M to more on the O&M side as where we are spending most of our dollars.

But we do need to look at our assets, and as part of what we are doing now, in deciding what do we retain, what do we divest of. As Secretary Darcy said, what do we repurpose. But the new construction like the Folsom Dam that we are doing and the Olmsted lock and dam, and those systems, the country will still need that kind of work, and we have got to think about how we do that.

Mr. ROKITA. Thank you. Speaking of the Olmsted Dam, do you think in that particular—or Olmsted locks, do you think in that particular situation there the funding is adequate for completion, or what would be needed to expedite it? Are you familiar with the particular project?

General BOSTICK. It is a \$3 billion project at this point, and we have the funds that we need, and we are on a good timeline to finish, so I think that is at a point where we are pretty confident of the budget in the timeline.

Mr. ROKITA. OK. How about the Soo locks? I mean, 20 years ago, if I get it right, Congress authorized funding. What could we do to expedite that project?

Ms. DARCY. The replacement of the Soo locks, the new lock at Soo?

Mr. ROKITA. Yeah.

Ms. DARCY. We did what is called a sensitivity analysis to look at whether the economics for that replacement lock are still viable, and we determined through that sensitivity analysis that yes, indeed, it was probably necessary to look at the economics, because as you said, it was authorized 20 years ago. And so in order to do that, the Corps would need to do what is called an economic re-evaluation report.

Mr. ROKITA. OK. Are you doing it?

Ms. DARCY. We have not undertaken that at this time.

Mr. ROKITA. OK. Are you?

Ms. DARCY. We have not budgeted for that at this time.

Mr. ROKITA. Is that an internal decision you can make or is that something Congress has to bless or what?

Ms. DARCY. It is a decision that we can make internally.

Mr. ROKITA. OK.

Ms. DARCY. But we would need to find funding in order to do it.

Mr. ROKITA. OK. So this goes back to my last question, and it went to your value determination. Being new to the committee, forgive this if it is widely known, but when you all determine what the biggest bang for the buck, is, is value determination, complete a project, start a new one, value to the country, I think, was your term, is that decision guided by guidelines from Congress regulations or is it completely up to agency discretion?

Ms. DARCY. Well, we base our budget recommendations on, as I said, the larger high-performing delivery for value to the Nation.

Mr. ROKITA. Yeah, but do you make what that—do you decide what that is?

Ms. DARCY. We do, and that is reflected in the President's budget.

Mr. ROKITA. So your discretion.

Ms. DARCY. Yes.

Mr. ROKITA. I would ask that your discretion include the Soo locks economic development phase. Thank you.

I yield back, Mr. Chairman.

Mr. GIBBS. Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chairman.

Mr. JOHNSON, in looking at the Tennessee Valley Authority's coal ash ponds, you have 24 existing and you are intending to convert all to dry, within 8 to 10 years. Where are you with that, and do you have any plans to recycle any of that ash? Or are you going to find permanent storage for it? Because that is contaminated.

Mr. JOHNSON. Yeah. So after Kingston, we surveyed all of our coal storage facilities to make sure they were stable and sound, and we developed a plan about that timeframe, spent \$2 billion. This is mostly bottom ash that is not reusable, so our plan is to dry out the ponds and to cap them and rehabilitate the area. They will be brownfield sites, but they will be drained, capped, and suitable for repurposing. So we don't plan to use much of that. If we can find

a use for it, as a beneficial reuse, we will, but we will cap and drain them.

Mrs. NAPOLITANO. Well, there is, you know, with all sorts of new technology coming to the forefront in recycling, I know even in my backyard we have recycling of contaminated material. Somehow we need to be able to see if there is anything that is being done to maybe recycle some of that ash or being able to—if you are going to have permanent storage for it, where is it going to be, and is there any chance of it ever getting into the aquifer, if you are going to put it in an area where it might permeate the site?

Mr. JOHNSON. No, we are going to make sure it doesn't affect anybody's drinking water or get in the aquifer. The way to do this is pretty well known. You dry out the ponds, you don't put anymore wet material in them, you cap them with a liner, a nonpermeable liner, you put clay over it, and you put grass over it. You know, a lot of people are looking at recycling opportunities, the Electric Power Research Institute and others, and if we can find a way to use it beneficially, that would be the first preference.

Mrs. NAPOLITANO. That would be great, and whatever I can do. If you are looking at doing a brownfield restoration, is it going to go in the Superfund?

Mr. JOHNSON. No, no, we don't have any Superfund sites. So we do brownfield restoration. I am hoping we can attract industry, that kind of reuse on the sites, so put jobs back on those sites.

Mrs. NAPOLITANO. Right. Thank you so much.

Thank you, Mr. Chair.

Mr. GIBBS. OK, thank you.

Ms. Darcy, I want to follow up a little bit. We were talking about the annual report, and a couple of questions come to mind. In the appendix, if it didn't have the administrative review process, I will get to that in a minute, but if that wasn't a consideration, of the projects listed in the appendix, how many would have been in the actual report if it wasn't for the administrative review process; do you know?

Ms. DARCY. I don't. I don't, but I can provide that for you.

Mr. GIBBS. Pardon?

Ms. DARCY. I can provide that information for you.

[The information follows:]

If only the statutory criteria was used in the analysis (not the administration policy review overlay), the total in the report would have been 49, which is an additional 30 over the 19 that were included in the submission.

Mr. GIBBS. OK. This is why I want to drill on this. It is my understanding that the Executive order the Corps used to do, the implementing guidance language for the annual report, is not a recent Executive order. I guess it goes back probably to before any of us were born. It is just an old Executive order. Is that correct?

Ms. DARCY. The Executive order is a longstanding administrative review order that we—

Mr. GIBBS. Because it seems to me there is a conflict here because the concern I have, the law, in the order was clear that if it made the five criteria, it goes in the report, not the appendix. The reason I think this is important, because the law is pretty clear, Members of Congress on this committee can only authorize

what is in the report. The question is, would we be able to authorize or not, or address what is in the appendix? And there is a question that we probably can't, that is in the appendix, so there is a clear problem here.

If something is in the appendix, we might not be able to address it, when we hopefully do WRRDA next year, and I would argue the law is clear, that everything should be in the report. That is what the law says. So the law should supersede the Executive order in the implementation of guidance.

So that is a thought to think about, because I think we all want to get to the same place here, and if we, as a congressional committee, can't authorize projects, if it is not in the report because it is in the appendix which might be a technical thing, that might work against what we are trying to do. So I just want to raise that question and you can address it, but you can see what I am trying to say.

Ms. DARCY. I understand your intent.

Mr. GIBBS. OK. General Bostick, earlier this year you were recorded as saying that the construction backlog was \$23.5 billion. Is this reflected in WRRDA 2014 deauthorization of a number? We deauthorized \$18 billion of projects. Can you kind of expound on how the Corps calculated the \$23 billion in backlog? Was \$18 billion included in that; where did that come from?

General BOSTICK. No, the actual backlog is probably in excess of \$60 billion. The number \$23 billion was based on what it would take for us to complete the projects we are currently working on.

Mr. GIBBS. OK.

General BOSTICK. Currently funded and working on. It would cost about \$23 billion to finish that and at a rate of about \$1.5 billion annually in construction.

Mr. GIBBS. Well, that gives clarity. That helps. I think we should be clear on that.

Also, in WRRDA, the Corps is supposed to give us a list of projects that includes the deauthorization part. We haven't received that list yet. Do you have any idea when that list will be coming forward? Maybe that is Secretary Darcy, I don't know, either one, what is the answer?

Ms. DARCY. I think it is due in September.

Mr. GIBBS. Pardon?

Ms. DARCY. September.

Mr. GIBBS. OK. This year?

Ms. DARCY. Yes.

Mr. GIBBS. Just want to make that clear.

Ms. DARCY. September 2015.

Mr. GIBBS. OK. Thank you.

General Bostick, the President's budget proposes \$379 million for the Corps of Engineers to construct ecosystem restoration projects. Of that amount, how much is devoted to projects to comply with the Endangered Species Act or other biological opinions? You might not be able to answer it, but you can try.

General BOSTICK. I don't know the answer, but I will get it for you and follow up, sir.

[The information follows:]

The FY16 Aquatic Ecosystem Restoration program contained approximately \$144 million to fund actions in response to Biological Opinions.

Mr. GIBBS. OK. Because we have a concern—when I am out in the countryside talking to all different entities, working in the field and stuff, and Endangered Species Act, there are some things out there that need to be addressed, I think, some commonsense rationale.

Can you give us, General Bostick, an update on the Olmsted lock and dam project? I know you hit on it a little bit with one of the previous questions from Mr. Rokita, but when do you expect the operational and completion date?

General BOSTICK. I would to have follow up for you. To my recollection, it is in—well, I would have to follow up on the date. I would be or—pardon me? In the fall of 2018 is—

Mr. GIBBS. Could you repeat that quick for us?

General BOSTICK. The current projection is the fall of 2018.

Mr. GIBBS. Fall of 2018. I do want to commend—from the reports we are getting, things are going there well now, progressing well, and new project managers. Things actually could be ahead of schedule, so that is good because that project has been going on for a long time, and it is holding up a lot of other projects, so it is good to get that off the books and get done. And of course, the economic benefit for the entire country is immense.

Ms. Darcy, developing an implementation of WRRDA, can you give us an update process where the Corps is in regard to WIFIA?

Ms. DARCY. We are currently working with EPA to try to develop the guidance for the implementation of the WIFIA provision. It is one of those that is ongoing. I can check as to when we think that will be completed, but we want to be able to participate in that program in a way that it is going to be beneficial for using the intended provisions for Corps projects.

Mr. GIBBS. OK. I do want to talk a little bit about waters of the United States. I know you don't call it that anymore, but I still do. First of all, what is the status of the final rule package? I know it went to OMB. Do you have any idea what—

Ms. DARCY. The draft final rule went to OMB on the 3rd of April. Now it is in the interagency review process, and that can take anywhere from 1 month to—there is a 90-day clock, but we are hoping that we are able to complete that review before then.

Mr. GIBBS. OK. Can you characterize the comments the court provided to the EPA and the waters of the U.S. rule package? How did the EPA address those comments in the rule package that went to OMB? You had about 1 million comments.

Ms. DARCY. Right. We, the Corps of Engineers, worked hand in hand with the EPA in order to address those comments because this is a joint rule within the administration. So we responded to the comments. We posted them on the Federal docket, and many of the comments gave us some good information and some revelations and insights as to what appeared to be not clear by the language that we had provided. So in the final rule we are hoping to make some changes that will help to make things more clear than they were in the proposed rule.

Mr. GIBBS. Can you verify or not? I heard from a fairly reliable source within the Corps, by the way, that I won't mention, that the

U.S. EPA put out kind of a draft guidance to their regional offices regarding orders about 3 or 4 weeks ago.

Ms. DARCY. You mean a draft proposed rule for them to respond to?

Mr. GIBBS. For the implementation.

Ms. DARCY. I believe that the regions, including our regions, all had a chance to look at what we were going to eventually propose to OMB for their input and—

Mr. GIBBS. Well, wait, can you help me here a little bit. I am struggling here a little bit. We have a proposed rule, and we had a comment period and 1 million comments or so. Of course the EPA and the Corps haven't been forthright telling me the changes they are going to make or to the American public. Moving forward, OMB but then—and I think you just said it. U.S. EPA sent a guidance out to their regional offices about the implementation even though the final rule hasn't been approved by OMB.

Ms. DARCY. No, Congressman, I believe—and I will also doublecheck with my colleagues at EPA, but I think what you are referring to is the draft final rule for the review of the regions in response to both the comments and the review period. It wasn't guidance. It was just what was anticipated to probably be the final rule that they could have input on.

Mr. GIBBS. OK. So they shared it with the regional offices, but they haven't shared it with Congress or the public, what they expect the final—

Ms. DARCY. That is right.

Mr. GIBBS [continuing]. Proposed rule to be. Is that correct?

Ms. DARCY. Yes.

Mr. GIBBS. OK. That is interesting. I will get to you in a second. I think Mrs. Napolitano has another question, and I will get back. I do have one comment.

When Ms. Norton was asking the questions about the cost. I know in the President's budget he puts \$5 million in there for, as you said, for additional training, staff, for the additional permitting process, and then it will cost more if you go back. The bill we passed out of this committee last week says not to lose sight that there is other analysis out there that this proposed rule could cost stakeholders or the economy over \$228 billion. So the cost well exceeds the cost of taking a timeout, saying let's get this right, so that is my editorial comment on that, but I will also say on that part of it with the expansion of WOTUS, it will require more permitting. I think that is a lot of what this is all about, and the President's budget really concedes that because they ask for additional money for more staffing, for more—requires some more 404 permits, whatever, and so I think that kind of substantiates my concerns that just because there is more permitting out there, doesn't mean we are going to actually improve or protect water quality.

I will turn it over to Mrs. Napolitano for another question she may have.

Mrs. NAPOLITANO. Thank you. And Madam Secretary, I understand you have to go back to the White House shortly.

Ms. DARCY. I am supposed to be there at 1 o'clock, I think.

Mrs. NAPOLITANO. Well, I will just have—these are questions, but they can be answered in writing, and I noticed that there is a request—there is a statement on combatting the spread of invasive species, the carp, the fish. My concern has been the cost of the removal of the quagga and the zebra mussels. That cost a lot of money to be able to have in your dam operation, so would you report to us or would you let this committee know how much that is costing you to be able to address in your operations?

Ms. DARCY. Of zebra mussels or—

Mrs. NAPOLITANO. Zebra and quagga, yes.

Ms. DARCY. OK.

Mrs. NAPOLITANO. In your waterways. And the dam safety, it is so critical because in some areas, as we know, especially as Mother Nature continues to surprise us in many other States, we don't get the water in California but some of the States are having abundant water and storms. Dam and levee safety are critical for life safety, so any information that would be critical to us to be able to determine how can we help assess the status of the levees in some areas that have been hit by storms and have been inundated, so to speak, so with that, I would like just to have you maybe make a comment on that.

Ms. DARCY. This budget gives more funding to the Corps to do more on our levee safety program, and we will be sharing that levee safety information with local communities, but any additional information you want on the dam safety program, we will be happy to provide that for the record.

Mrs. NAPOLITANO. Thank you so much, Mr. Chair.

Mr. GIBBS. OK. Ms. Darcy, I have one followup or another question. But I would be remiss if I didn't bring up Cleveland and—

Ms. DARCY. I thought we were going to get out of here.

Mr. GIBBS. Everyone is chuckling because this has been a very hot topic and now there is a lawsuit involved. The Federal standard. My understanding is the Federal standard was put in place by the Corps back in 1988, and it was really to, you know, make sure who is paying for what, but the Federal standard, my understanding, says that dredge material will be disposed of in the most cost-effective environmentally safe way, OK. And so basically now what has happened in Cleveland, the State of Ohio, the Ohio EPA has a disagreement with the Corps of disposing of some of the dredge material out of the Cuyahoga River, and up previously, it has all been put in the confined landfill because of PCB issues, and now the Corps says part of that river, the contaminants aren't as great, that the PCB issue is not as much risk, even though they did concede to dispose of the dredge material 9 miles out in the lake to get away from the Cleveland water intake, so that is a little worrisome or interesting.

The issue here with the PCBs I think is rather unique. I think when you look at disposing of dredge material around the country, around the Great Lakes, we know it is a phosphorous issue, a nutrients issue. According to the Ohio EPA, they have a fish advisory, I think in the law no more than once per week consumption, and they said they are real close to the threshold that could go to 1-month consumption.

And so I guess I would look at the Federal standard, the big question here is that environmental safe aspect. Can you please comment on how you see the Federal standard working here, playing, and what discretion you as the Assistant Secretary of Civil Works would have in determining if the Federal standard, how it applies?

Ms. DARCY. The Federal standard applies, and you are right, it has to be economically as well as environmentally sound. Our scientists, including our head scientist at ERDC, have concurred and determined that the levels for open lake disposal, or open water disposal, of the dredge material in the last mile stretch of the river would be suitable for open lake disposal. Therefore, the Federal standard would be to have that portion be disposed of in open lake.

The Ohio EPA does not agree and believes that the remaining dredge material should be in a confined disposal facility. As you are aware, under the Federal standard, any additional cost above the Federal standard, which in this case would be open lake disposal for that portion, would need to be cost shared by the local sponsor.

Mr. GIBBS. Now with the lawsuit the State of Ohio has filed in Federal court in Cleveland against the Army Corps on this issue, determining the Federal standard, basically, and who is going to pay the delta cost. I think everybody's in agreement for the Ohio EPA and I believe you are, too, you can concur that it is very imperative that the dredging get completed.

I think in my previous conversations that you are committed to that, too, because the economic consequence to northeastern, northern Ohio is quite significant, and that is why I have been so involved to make sure this gets done. Now we just have the issue, who really is responsible, and the courts are going to work through that, I guess.

I do believe that the Army Corps did send a letter to the Ohio EPA to say that last mile that is being challenged, that the Corps is willing to dredge as long as they pay it, so you made the offer and now I know there will be a counteroffer going to the court probably. But I hope that you are committed, and I know General Peabody and Bostick are committed to get this done even while it is going through litigation. I don't want to—hopefully, nobody is going to hide behind the wall, well, we are litigating now, we can't do it. I hope that is not going to be the attitude because I think it is a way to work through this during the litigation.

Ms. DARCY. I hope that is the case as well.

Mr. GIBBS. I thank you for your commitment that we can work through this, and I guess I won't get all too excited about—I know that from the Corps' perspective, there could be an issue about if this court decision, how this ever worked, goes against Corps, the Federal standard, that opens up the door all around the country. I might be totally off base here, but I think with the PCB issue, it is a little unique. This is kind of an interesting thought just come to mind. Do we have a PCB issue in dredge material anywhere else in the country like this? Is this rather unique? I see General Peabody kind of shaking his head.

General BOSTICK. We have similar levels in other places.

Mr. GIBBS. Pardon?

General BOSTICK. We have similar levels in other places where we have open lake placement. So we are not treating this area differently than we are—

Mr. GIBBS. Well, I guess this is where the court will have to make that determination. That is the court's, but I just want to make it clear. I hope that the parties involved here want to work through this so we can get done what needs to be get done even during the litigation process. That is what I am asking, and I think we are committed.

Ms. DARCY. I hope that my lawyers say I can do that, but you know, I think we have had this conversation, too, Congressman. We need a long-term solution.

Mr. GIBBS. Oh, I totally agree. And I think we are close. Was it the 217 agreement, or 26, I forget the number.

Ms. DARCY. Yeah.

Mr. GIBBS. Twenty-year plan. I think that we are close. I think the only issue is who is going to pay the dollar cost on the last mile of the 6 miles, that is where we are at. And alternative uses for dredging material, I think, as you look at the general public, we have to find alternative uses. And of course, in Cleveland, there is an alternative use. I think we can make it work, and I think the port authority and the State of Ohio wants to get there. Toledo is a bigger challenge because of the number of cubic yards out there of dredge material, but you know, there ought to be some value to that, it is high nutrients, and we just got to start thinking outside the box and figure out how we can make it cost benefit, make it work because I don't think the general public is going to be—especially in Lake Erie because it is so sensitive because of the shallowness of Lake Erie, especially in the Western Basin.

I appreciate the time and the commitment to do what we need to do here in America's maritime infrastructure. And Mr. Johnson, I appreciate your patience to sit through all this and not have as many questions towards you, but that doesn't mean that we are not concerned and we want to make sure that the Tennessee Valley Authority can move ahead and be profitable and work well, so I commend your work in doing it and your goals to get there. So thank you, and this adjourns our hearing.

[Whereupon, at 12:44 p.m., the subcommittee was adjourned.]

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DEPARTMENT OF THE ARMY

WRITTEN STATEMENT

OF

THE HONORABLE JO-ELLEN DARCY

ASSISTANT SECRETARY OF THE ARMY (CIVIL WORKS)

BEFORE

**COMMITTEE ON TRANSPORTATION AND
INFRASTRUCTURE**

**SUBCOMMITTEE ON WATER RESOURCES AND
ENVIRONMENT**

UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE FISCAL YEAR 2016 BUDGET

FOR THE ARMY CORPS OF ENGINEERS, CIVIL WORKS

APRIL 22, 2015

Thank you Chairman Gibbs and distinguished members of the subcommittee for the opportunity to present the President's Budget for the Civil Works program of the Army Corps of Engineers for fiscal year (FY) 2016. We are pleased to have an opportunity to further expand on the Administration's priorities and goals. Those priorities include promoting resilient communities in the wake of the impacts of climate change and sea level rise; fostering and maintaining strong partnerships with local communities; and practicing sustainability and sound stewardship across all our missions. I also want to take this opportunity to touch on points that this Committee has raised in the past.

This year's Civil Works Budget reflects the Administration's priorities through targeted investments in the Nation's water resources infrastructure, including dams and levees, navigation, and the restoration of aquatic ecosystems.

The 2016 Civil Works Budget provides \$4.7 billion in discretionary appropriations for the Army Civil Works program, focusing on investments that will yield high economic and environmental returns or address a significant risk to safety.

The Budget focuses on funding our three major mission areas:

- 41 percent of funding is allocated to commercial navigation,
- 27 percent to flood and storm damage reduction,
- And 9 percent to aquatic ecosystem restoration.

Other practical, effective, sound investments include allocating 5 percent of the Budget to hydropower, 4 percent to regulatory activities, and 2 percent to the clean-up of sites contaminated during the early years of the Nation's nuclear weapons program.

The Civil Works program, which this Budget supports, relies on the strong relationships between the Corps and local communities; these strong relationships allow us to work together to meet their water resources needs across all of our missions, as well as to address broader water resources challenges that are of concern at the national or regional level.

The Budget supports a Civil Works program that has a diverse set of tools and approaches to working with local communities, whether this means funding studies and projects with our cost-sharing partners, or providing planning assistance and technical expertise to help communities make better informed decisions.

PLANNING MODERNIZATION

This Budget supports the continued implementation of Corps efforts to modernize its planning process. The Budget provides funding in the Investigations account for 54 feasibility studies, and funds 13 of them to completion.

Section 1002 of the Water Resources Reform and Development Act of 2014 repeals the requirement for the Corps to conduct a Federally-funded reconnaissance study prior to initiating a feasibility study. This creates an accelerated process which allows non-Federal project sponsors and the Corps to proceed directly to the cost shared feasibility study. The Budget reflects that change, and does not propose any new reconnaissance studies.

The Budget reflects full implementation of the SMART (Specific, Measurable, Attainable, Risk Informed, Timely) planning initiative, under which each feasibility study is to have a scope, cost, and schedule that have been agreed upon by the District, Division, and Corps Headquarters. The Budget supports efficient funding of these studies.

Studies generally are funded with the presumption that they will complete in three years and for \$3 million (\$1.5 million Federal). For most studies, the Corps estimates that it will spend \$300,000 in the first year, \$700,000 in the second year, and \$500,000 in the final year. In the first year, the Corps will work to identify the problem, develop an array of alternatives, and begin the initial formulation. The bulk of the study costs are anticipated to be incurred during year two, as the alternatives are narrowed down and a Tentatively Selected Plan is identified, which requires more detailed feasibility analysis and formulation. During the third year, the focus is on completing the detailed feasibility analysis, state and agency review, and finalizing the Chief's Report. There are limited exceptions to this funding stream, where the Corps has approved an increase in the study cost or an extension in its schedule based on factors such technical complexity, public controversy, the need for more detailed work to address a specific issue, or the overall cost of a proposed solution.

The Budget includes funding to complete two ongoing preconstruction engineering and design efforts. Within the past year, the Corps has initiated 19 new studies under the FY 2014 and FY 2015 work plans. The Budget does not propose additional new studies for FY 2016. Instead, the Corps would focus on managing its existing portfolio of ongoing studies and bringing them to a conclusion. However, the Budget does propose two important, new initiatives in the Investigations account – the North Atlantic Coast Comprehensive Study Focus Areas; and Disposition of Completed Projects. Both of these are funded as remaining items.

North Atlantic Coast Comprehensive Study Focus Areas

The Disaster Relief Appropriations Act, 2013, tasked the Corps to work with a variety of partners to conduct a Comprehensive Study of the coastal areas affected by Hurricane Sandy to evaluate flood risks and, as part of this study, to identify areas warranting further analysis and institutional and other barriers to reducing flood risks. The Water Resources Reform and Development Act, 2014, provided further requirements to the study. In January of 2015, the U.S. Army Corps of Engineers released to the public the North Atlantic Coast Comprehensive Study (NACCS) detailing the results of a two-year

effort to address coastal storm and flood risk to vulnerable populations, property, ecosystems, and infrastructure in the North Atlantic region of the United States affected by Hurricane Sandy in October 2012.

Within the NACCS, nine focus areas were identified and analyzed. There is a new remaining item included in the FY 2016 Budget in the Investigations account to follow on with additional analysis into those focus areas; in-depth studies of three of the nine areas – New York-New Jersey Harbor, the New Jersey Back Bays, and Norfolk, Virginia – will be undertaken beginning in FY 2016 under this remaining item.

Disposition of Completed Projects

The Corps would use the funds provided under the new remaining item for Disposition of Completed Projects to develop a process to help identify projects that it could sell or transfer to other parties, and to determine the viability of such a divestiture and what actions would be necessary to make it happen. In the future, funds provided through this line item would primarily be used to undertake studies or analyses of options for candidate projects to support specific divestiture recommendations.

CONSTRUCTION

The Budget for the construction program funds 53 ongoing efforts, and four new ones. It funds nine of them to completion. Several of these efforts are in fact programs, which comprise multiple projects. For transparency, the supporting budget justification materials for each of these programs display their constituent parts separately. For example, the South Florida Ecosystem Restoration Program includes many projects. Some of these projects are part of an integrated, ongoing Federal and State effort to restore the unique aquatic ecosystem of the Everglades; while others primarily seek to restore the aquatic ecosystems of surrounding areas. This year's Budget also presents the main stem flood damage reduction features of the Lower Mississippi River together, since they are the component parts of a single, integrated project.

The Corps continues to contribute to the Nation's efforts to restore degraded environments; to that end, the Budget for the Corps funds restoration of several large aquatic ecosystems that have been a focus of interagency collaboration, including the California Bay-Delta, the Chesapeake Bay, the Everglades, the Great Lakes, and the Gulf Coast. Other funded efforts include the Columbia River, portions of Puget Sound, and priority work in the Upper Mississippi and Missouri Rivers.

The Budget requests funds sufficient to complete nine construction projects. Among these is the Chicago Sanitary and Ship Canal Dispersal Barrier in Illinois; the Budget will allow the Corps to physically complete Permanent Barrier I and appurtenant features. Finishing this project has been a high priority of both the Administration and

Congress and I am pleased that the Corps will be able to deliver a solution that will reduce the risk of migration of Asian carp and other invasive species between the Great Lakes and Mississippi River through the Chicago Area Waterway System (CAWS). After FY 2016, work for this project will be limited to operation and maintenance and will be funded through the Operation and Maintenance account.

The Budget also helps to further combat the spread of invasive species by its proposals for funding work associated with the Great Lakes and Mississippi River Interbasin Study (GLMRIS). The Budget supports efforts to reduce the risk of interbasin transfer of aquatic nuisance species through the CAWS in the vicinity of Brandon Road Lock and Dam. The Brandon Road effort will assess the viability of establishing a single point to control the one-way, upstream transfer of aquatic nuisance species from the Mississippi River basin into the Great Lakes basin near the Brandon Road Lock and Dam located in Joliet, Illinois. Carryover funds are being used to develop a scope, schedule, and cost for a study. This is needed as a basis for further action to undertake a feasibility-level evaluation of options to support a decision. The Budget includes funding to continue this effort.

Another completion of note is the Main Tunnel System (Stage 1) of the McCook Reservoir, Illinois project. The \$9 million in the Budget coupled with the additional funds provided in the FY 2015 work plan will allow the Corps to complete this work on a schedule that will support the non-Federal sponsor, the Metropolitan Water District of Greater Chicago, in meeting its requirements under the Clean Water Act by December 2017.

Also funded to completion are two dam safety projects in Oklahoma – Pine Creek Lake and Canton Lake - that will result in reduced dam safety action classification ratings as a result of the construction.

Dam and Levee Safety

Over the last several years, Congress has funded the dam safety program at a lower level than the Budget, based on revisions of capabilities that the Corps has provided to Congress subsequent to the Budget submission; these revisions - often but not always showing a lower capability than requested in the Budget - are caused by a variety of factors, including savings from contract awards, process efficiencies, and unforeseen changed conditions. The Budget includes \$310 million (not including \$24 million for the Dam Safety remaining item) for the dam safety program that, when coupled with anticipated unobligated carryover balances on these important projects, will ensure that each of the Dam Safety Action Classification (DSAC) I and DSAC II projects funded in the Budget is able to progress as efficiently and effectively as possible toward risk reduction.

The Budget also provides \$44 million for a comprehensive levee safety initiative that will help ensure that all Federal levees are safe and in line with the Federal Emergency Management Administration standards.

Inland Waterways

The overall condition of the inland waterways has improved over the last few years. The number of lock closures due to preventable mechanical breakdowns and failures lasting longer than one day and lasting longer than one week has decreased significantly since FY 2010. However, the lock closures that do occur result in additional costs to shippers, carriers, and users. That is why the Budget continues to provide a high level of funding to operate and maintain the inland waterways, with emphasis on those that together carry 90 percent of the commercial traffic.

The Budget funds inland waterways capital investments at \$974 million, of which \$53 million will be derived from the Inland Waterways Trust Fund (IWTF). With the passage of the Water Resources Reform and Development Act of 2014 (WRRDA 2014), the Olmsted Locks and Dam, Ohio River, Illinois and Kentucky project is now cost-shared 85 percent General funds and 15 percent IWTF. This change reduced the cost of this project to the navigation users by around \$500 million, and increased the amount that Federal taxpayers will have to pay by an equivalent amount. In the ABLE Act, the Congress also increased the tax on diesel fuel used in commercial transportation on certain of the inland waterways. As a result of both of these changes, over the next few years there will be somewhat more money in the IWTF to support the user-financed share of inland waterways capital investments.

The Administration has proposed legislation to reform the way that we finance capital investments for navigation on the inland waterways. The Administration's proposal includes a new user fee to produce additional revenue from the users to help finance long-term future capital investments in these waterways to support economic growth. We would like to work with the Congress to enact this legislation.

The Corps also is working to develop a Capital Investment Program for the inland waterways. It will coordinate this effort with stakeholders and the Inland Waterways Users Board to provide an opportunity for their input. The process will include development of objective nationwide criteria to provide a framework for deciding which capital investments should have priority for funding from a national perspective.

OPERATION AND MAINTENANCE

The Budget provides \$2.71 billion for Operation and Maintenance, with \$1.08 billion for operation and \$1.44 billion for maintenance, and an additional \$186 million for remaining items. This encompasses a wide range of activities, from operating and

maintaining our locks and dams to monitoring the condition of dunes and berms that reduce the risk of flooding in a hurricane from wave action and storm surges, running the Corps recreation facilities that are visited by millions of Americans each year, and helping us be responsible stewards of the lands associated with Corps projects and operate them in an increasingly sustainable fashion.

For example, the Budget helps us maintain and improve our efforts on sustainability. We are reducing the Corps' carbon footprint by:

- increasing renewable electricity consumption,
- reducing greenhouse gas emissions,
- and reducing non-tactical vehicle petroleum consumption.

The Budget continues to support the Corps' actions to improve the sustainability of our facilities and projects, by participating in Energy Savings Performance Contracts, which are innovative tools that enable us to work with non-Federal partners in financing improvements that otherwise might be postponed due to competition for scarce Federal dollars, and which can help to make upgrades to our facilities in ways that have immediate positive impacts, such as by cutting power consumption from lighting and buildings.

We are also making important investments to promote the sustainable management of the lands around Corps facilities; the Budget provides \$2.3 million to update 22 of the Master Plans that govern how we manage our facilities, which will help us make better decisions about how to use the land and keep it healthy, such as by combating invasive species.

Harbor Maintenance Trust Fund

The Budget provides \$915 million from the Harbor Maintenance Trust Fund (HMTF) to maintain coastal channels and related work, matching the highest amount ever budgeted. This includes \$856 million from the O&M Account, \$2 million from the Mississippi River & Tributaries account, and \$57 million from the Construction account.

Levels of Service

At some of our navigation projects, we have adopted changes to the level of service at low commercial use locks (those with less than 1,000 commercial lockages per year). The Corps has worked with navigation stakeholders to reduce impacts to commercial users. Generally, commercial traffic will be able to continue to use the locks at certain times. The intent of this effort is to focus the available Federal resources on maintenance that will extend the service life of these or other navigation locks.

RESEARCH AND DEVELOPMENT

Research, Development, and Technology is a component of the Science and Technology portfolio of the Corps and continues to address key strategic technology needs to inform policy-making and business processes. The FY 2016 Budget includes \$18.1 million for research and development. This funding will be used to extend the service life of water resources infrastructure through research, use of novel materials, and technology transfer. Research, Development, and Technology efforts address ways to maintain or improve the reliable and efficient operation of marine transportation, continued development of tools for flood and coastal storm preparation and recovery, and capabilities that address ecosystem restoration, sustainable environmental management, and changing environmental conditions.

REMAINING ITEMS

The Budget includes \$61 million in the Investigations account, \$47 million in the Construction account, and \$186 million in the Operation and Maintenance account for remaining items.

Annual funding for these remaining items is determined based on current needs, such as the increased focus on technical assistance to States and local communities to improve resilience to climate change.

This year, the President's Civil Works Budget provides \$31 million for the Corps to provide these resources to local communities, to improve their resilience to the impacts of climate change and sea level rise.

REGULATORY PROGRAM

The Budget includes a \$5 million increase from the FY 2015 Budget level for the Regulatory program, which is necessary to implement Clean Water Act (CWA) rulemaking activities while maintaining staffing needs, adequate scientific and technologic support, and Regulatory strategic priorities. This increase is based on estimates derived from the EPA Economic Analysis to support revisions to the definition of waters of the United States and would support certain actions to facilitate implementation, such as changes to documentation forms, training, science and technology development, and public outreach. Without the increase over 2015 levels, resources could be shifted away from permit evaluation, affecting processing times and increasing the time it takes to render a permit decision.

ALTERNATIVE FINANCING AND PUBLIC-PRIVATE PARTNERSHIPS

As part of looking to the future of the Army's Civil Works program, we are considering potential tools to expand and strengthen our already strong partnerships, especially in the area of Alternative Financing. As part of this effort, we are actively talking with potential non-Federal partners about their ideas for how we can work together and soliciting suggestions and best practices from others in the Federal government with experience in this area.

As part of this effort, we are considering new authorities, such as Section 5014 of the Water Infrastructure Finance and Innovation Act (WIFIA), and other parts of WRDDA 2014. We are focusing on understanding how we could structure programs to provide efficient forms of Federal assistance and partnership under authorities, including identifying potential challenges to implementation and what additional tools we may need to successfully engage in public-private partnerships. There are limitations on how such structures can be applied to the Civil Works program, but we are working on developing several pilots to flesh out opportunities associated with alternative financing.

We are also considering other approaches to public-private partnerships, such as by expanding use of existing authorities. In some cases, non-Federal sponsors have expressed interest in contributing funds to enable work to occur more quickly than it could with just Federal funds. Before entering into an agreement to accept such funds, the Corps carefully evaluates its overall workload to ensure that execution of the proposed work will not adversely affect directly-funded programs, projects and activities

VETERANS CURATION PROGRAM

Finally, this Budget provides \$4.5 million for the Corps' Veterans Curation Program, which was started in 2009 with support from the American Recovery and Reinvestment Act. This program offers veterans the opportunity to learn tangible work skills and gain experience by rehabilitating and preserving federally owned or administered archaeological collections found at Corps projects.

Thank you all for attending today. General Bostick will provide further remarks on the Army Corps of Engineers 2016 Budget.

QUESTIONS FOR THE RECORD

HOUSE SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT
HEARING ON

“A Review of the President’s Fiscal Year 2016 Budget Request for the United States Army
Corps of Engineers and Tennessee Valley Authority”

April 22, 2015

QUESTIONS for the Honorable Jo-Ellen Darcy
(Secretary of U.S. Army Corps of Engineers Civil Works)

A. Submitted on Behalf of Chairman Gibbs:

Q1 - The implementation guidance for section 7001 of the Water Resources Reform and Development Act of 2014 (WRRDA), the Annual Report to Congress, adds new criteria, including the clearing of “the Administration’s review process.” Please describe this process and any other additional criteria the Corps of Engineers requires that is not consistent with Section 7001 of WRRDA. Additionally, does this criteria apply to all projects, or is each project held to a different standard?

Answer: The initial implementation guidance for section 7001 of the Water Resources Reform and Development Act of 2014 (WRRDA 2014), the Annual Report to Congress, incorporates Executive Order 12322. This Executive Order requires all projects, reports, plans and proposals that will be submitted to Congress must be reviewed by the Administration to determine if the report is consistent with the policies and programs of the President. This review process applies equally to all projects, reports, plans, and proposals. The criteria for project identification and selection are applied consistently.

While we believe the implementation guidance was consistent with Section 7001 of WRRDA, for the second annual report we are updating the implementation guidance and the Federal Register Notice to interpret the criteria in a manner that will make the annual report more inclusive and expansive, reflecting the concerns raised by the Committee. It should be noted that, even with the more inclusive and expansive report, a current, approved decision document is needed to identify scope of the potential project and demonstrate the Federal interest prior to any project being implemented.

Q2 - In the initial Annual Report to Congress submitted in February 2015, there were 31 requests in the appendix that stated the Corps already had the authority under section 216 of the Flood Control Act of 1970 to study the project. Of those 31 requests, how many are underway? How many of those accurately reflect what was being requested of the Corps of Engineers?

Answer: Of the 31 requests in the appendix that states study authority exists under Section 216, three are currently underway. All three, Des Moines Levee System, Des Moines and Raccoon Rivers, Iowa; Houston Ship Channel Improvements, Texas; and Houston Ship Channel Design Deficiency, Texas, are working toward the proposals' stated purposes.

Of the proposals in the appendix that state study authority exists under Section 216, eight were requesting feasibility studies. Those eight proposals would not need additional Congressional authorization to proceed with a feasibility study.

Q3 – Pursuant to Title VI of WRRDA 2014, the Corps is required to provide a list of projects to Congress that may ultimately deauthorize \$18 billion of old inactive projects. When should Congress expect to receive the interim list of projects proposed to be deauthorized and when should Congress expect to receive the final list?

Answer: Section 6001 of WRRDA 2014 set September 8, 2015 as the deadline for submittal of the interim list of projects and elements eligible for deauthorization. The deadline for the final deauthorization list of eligible projects and elements is April 7, 2016.

Q4 – Recently, the Administration released a new Principles, Requirements and Guidelines for Water and Land Related Resources Implementation Studies related to the Principal, Requirements and Guidelines for the formulation of water resources development projects. How will this new document ensure that the Corps can satisfy the streamlining requirements pursuant to Sections 1001, 1002, and 1005 of WRRDA 2014?

Answer: The impact of the new Principles, Requirements & Guidelines (PR&G) on the Corps Planning program is yet to be determined. Per the direction in the 2015 Omnibus Appropriations Act the Corps has not begun the process to implement and integrate the PR&G into the Corps Planning program.

Q5 - How many project modifications like “902 fixes” (authorization of cost increases) will be needed in FY2016? How many will be needed in FY2017?

Answer: Four projects require an increase to their 902 limit authorization in order to utilize additional funding in FY 2016 - Houston Galveston Navigation Channels, Texas; Blue River Basin, Missouri; Swope Park, Missouri; and Turkey Creek Basin, Missouri and Kansas. The Corps is completing Post Authorization Change Reports for all four.

Four projects and programs require an increase to their 902 limit authorization in order to utilize additional funding in FY 2017 - Tres Rios, Arizona; Rio de Flag, Arizona; and the Lower Columbia River Ecosystem Restoration Program, Oregon and Washington.

Q6 - The EPA is actively developing implementation guidance for the Water Infrastructure Finance Innovation Act (WIFIA). Can you give us an update on where the Corps is in the process of writing the implementation guidance for Title V, Subtitle C of WRRDA?

Answer: The Corps is currently developing a feasibility analysis that considers the benefits and resource requirements of a WIFIA program for Civil Works. The feasibility analysis will help inform agency decision-making on how a WIFIA program for Civil Works might be pursued. The Corps is coordinating with USEPA as part of this analysis.

Q7 – The Charleston Harbor deepening project did not receive preconstruction, engineering and design (PED) funding in either the 2015 Work Plan or the 2016 President’s Budget. How will this impact the timing for the Civil Works Review Board approval? If the schedule has shifted for the Civil Works Review Board, what are you doing to ensure the Chief’s Report is still completed as expected in September 2015?

Answer: The FY 2015 work plan includes \$695 thousand for this study. With these funds, the Corps anticipates that it will be able to complete the Chief’s Report by September 2015.

Q8 - It seems to me that the Charleston Harbor deepening project stands to lose valuable time it gained through your own Smart Planning process and will now have to wait for federal funding to begin the PED phase. My understanding is there were some tasks and activities that were moved from the Feasibility Phase of this project into the PED phase. What is the concern with beginning these activities now, especially if the local sponsor has agreed to accelerate funding to accomplish these tasks?

Answer: Significant study milestones, including review by the Civil Works Review Board, completion of State and Agency Review, and issuance of the Chief’s Report are still pending. During this stage of the study process, the project plan could change. However, we could consider funding to begin preconstruction engineering and design activities if the Civil Works Review Board approves release of the draft report for State and Agency review.

Q9 - Given the tight deadlines to finish the Chief’s Report for the Charleston project by September of 2015, what is the Corps doing to coordinate with the Office of Management and Budget so that review times are completed as scheduled and this project is not delayed?

Answer: At this time, the Corps anticipates that it will be able to complete the Chief’s report by September 2015.

Q10 – Section 1009 of WRRDA 2014 required a report to the Committee within 180 days of enactment. While clearly the Corps of Engineers has missed this deadline, when can we expect to see the report that is required by Section 1009 of WRRDA 2014? Furthermore, can you characterize the discussion with State agencies, local communities, other federal agencies, software vendors, the contractor community or others about the benefits of electronic bidding?

Answer: The Corps of Engineers currently accepts electronic responses to solicitations, although it does not currently receive all the detailed proposal documents electronically. The Corps supports the use of electronic commerce in Federal procurement and is piloting electronic receipt of proposals at two Districts: the Savannah and Fort Worth Districts. Concurrently, the Corps is seeking input from industry and exploring all available solutions for electronic proposal submission and receipt. The reporting deadline of December 7, 2014,

was not met due to the complex effort of conducting the analyses and collecting information required by Section 1009. A report is expected to be completed in August 2015 and it will be submitted to Congress as soon as possible thereafter.

B. Submitted on Behalf of Chairman Shuster:

Q1 – Ms. Darcy, I, along with Senator Toomey and 9 other members of the Pennsylvania delegation sent a letter to you about our continued concerns with the delays in authorizing midstream pipeline construction projects in Pennsylvania. Due to the policy of the Baltimore District of the Army Corps of Engineers, it takes about three times longer for companies laying gathering lines in Pennsylvania to obtain routine permits as compared to the rest of the country. This practice creates a serious problem in my state and I want to make sure that it gets corrected in the next version of the Pennsylvania State Programmatic General Permit, known as PASPGP-5 that the Corps is now developing. Can I have your commitment that you will become immediately and directly involved in the development of PASPGP-5 and describe how the next version will address the concerns raised with the current general permit so that Pennsylvania is on equal footing with other states?

Answer: The proposed Pennsylvania State Programmatic General Permit (PASPGP-5) is being developed by the Corps Baltimore, Philadelphia and Pittsburgh Districts in cooperation with the Pennsylvania Department of Environmental Protection (PA DEP). The Baltimore District, as the lead district for the regulatory program in Pennsylvania, has engaged in preliminary discussions with stakeholders to receive suggestions for PASPGP-5 and to answer questions about Department of the Army permitting requirements for activities in waters of the U.S. in association with midstream pipeline construction activities. The current schedule calls for a public notice soliciting broad public comment on the proposed PASPGP-5 to be issued in October 2015.

My office and Corps Headquarters have met multiple times with stakeholders to discuss their concerns with the Corps regulatory program regarding Marcellus shale-related activities. We have also provided responses to written inquiries, where we have explained the Corps regulatory requirements, provided data on use of permits, and explained actions the districts are taking to implement process improvements that ensure both efficient and effective decision making under all applicable laws and regulations. My office will work with the Corps Headquarters office to provide policy support and guidance as needed during the districts' development of the SPGP. A final decision on the terms and conditions of the new permit will be made after considering all substantive input and completing documentation pursuant to all required laws and regulations.

Regarding processing times, the Corps strives to make all general permit decisions across the country, including Nationwide Permits and SPGPs, within 60 days of receipt of a complete application. While requests for PASPGP-5 permits are generally approved 90 days after they are received by the Baltimore and Pittsburgh district offices, approximately 60 of those days can be attributed to incomplete applications and/or because consultations with other agencies or Federally-recognized Tribes are required. The time to process complete PASPGP-5 applications averages 30 days at these districts.

Q2 - Under the current process virtually all midstream gathering natural gas pipeline stream and wetland crossing projects are categorized as Category 3 under the state programmatic general permit, requiring a duplicative state and individualized Corps review. Under the prior process, virtually all midstream gathering natural gas pipeline projects were categorized under Category 1, which only required state review and approval. As you may know, Pennsylvania's permit program is among the most comprehensive and robust in the nation. For example, Pennsylvania's Chapter 105 program requires a permit for almost any structure or activity in or affecting any water in Pennsylvania, in accordance with the State's Dam Safety and Encroachments Act and Clean Streams Law, (not just navigable waters) and only allows the issuance of general permits for certain activities that specify design, operating and monitoring conditions necessary to adequately protect life, health, property and the environment. Activities that do not meet these conditions are not eligible for a general permit but must get an individual permit. Furthermore, Pennsylvania's general permit for utility lines (GP-5) requires an individualized review of every permit application by the Pennsylvania Department of Environmental Protection. Why is the Corps of Engineers under PASPG-4 now categorizing projects that have been Category 1 as Category 3, thereby exerting Corps of Engineers jurisdiction over projects that are already being reviewed and approved by Pennsylvania?

Answer: The way in which single and complete projects and overall projects were described and reviewed under PASPGP-3 is not different than the procedures used for PASPGP-4. It was standard practice under the PASPGP-3 to require information on all single and complete projects associated with overall projects in order to assess cumulative effects. At the request of the public, the Corps and PA DEP added a definitions section in PASPGP-4 to clarify how certain terms and concepts were defined. However, the Corps' interpretation and application of those terms and concepts has remained consistent throughout all versions of the PASPGP dating back to the 1990s. It is important to note that the surge of development in the Marcellus shale gas region in the 2010-2011 timeframe drove industry need for Clean Water Act permits, and increased industry recognition of applicable federal requirements.

The existing SPGP-4 is a programmatic permit that was developed by the districts in cooperation with PA DEP to avoid duplicative reviews and ensure efficient evaluations of activities. The PASPGP-4 builds upon the existing PADEP Chapter 105 Dam Safety and Waterway program, in that the Corps recognizes under this program, PADEP applies evaluation criteria that are similar to the Corps evaluation including consideration for avoidance and minimization of, and compensation for, impacts to waters of the Commonwealth. The SPGP is designed to reduce unnecessary duplicative project evaluations for applicants and to promote effective and efficient use of Federal and State resources; therefore, approximately 85 percent of all activities are verified as Category 1 or 2 activities with no Corps review at all. During development of the SPGP, it was determined that some projects, such as those that have cumulative stream impacts in excess of 250 linear feet, would require Corps review in order to ensure appropriate evaluation of all effects. As part of the development of PA-SPGP5, the districts are evaluating impact data, as well as mitigation and monitoring data, associated with PASPGP-4 to determine if changes to the Category III triggers are warranted. This evaluation will inform any proposed changes to SPGP-5, which will be advertised for public comment later this fall.

C. Submitted on Behalf of Congressman Webster:

Q1 - A number of provisions in WRRDA were intended to remove federal barriers to enable and encourage non-federal interests to undertake greater responsibility for completing water resources projects. One such project is the authorized Big Bend project in the Tampa Harbor, where the sponsor has forged an innovative public-private partnership that will commit nearly 80 percent of the total project cost.

- A. Can you provide a status update on the Big Bend project, and discuss the ways that the sponsor is utilizing the authority of Sec. 1023 of WRRDA?

Answer: Section 1023 of WRRDA 2014 authorizes the Secretary of the Army to receive funds from a non-Federal interest for any authorized water resources development project that has exceeded its maximum cost under subsection (a) of section 902 of the Water Resources Development Act of 1986, as amended, and to use those funds to carry out such project, if the use of those funds does not increase the Federal share of the costs of such project. The Corps understands that the Tampa Port Authority was considering using this authority to provide contributed funds for a portion of the project to deepen the Big Bend channel as authorized in Section 101 of Public Law 106-53. The Corps understands that the Port is no longer interested in moving forward with providing contributed funds under section 1023 of WRRDA 2014 at this time.

The Port is interested in receiving reimbursement, as authorized under Section 120 of the Energy and Water Development and Related Agencies Appropriations Act of 2010, for a portion of the cost of certain dredging work, which the Tampa Port Authority performed between 2005 and 2010. This work deepened the Big Bend Channel from 36 feet to 37 feet mean low water level (the authorized depth is 41 feet). The reimbursement agreement and the associated decision document (letter report) are currently under review by Corps Headquarters.

- B. I understand the total cost of the Big Bend project is roughly \$47 million, but the federal share requested by the sponsor is less than 20 percent, or \$10.9 million. Does your department plans to fund the requested federal share?

Answer: The Corps estimates that the total cost of this project is \$68.1 million at the October 2014 price level. The project would deepen the Big Bend channel as authorized in Section 101 of Public Law 106-53. That project is eligible to be considered for future funding, along with many other projects across the Nation. The benefit-cost-ratio of this project is 1.4 to 1 at a 7% discount rate, which is lower than many other projects that would be competing for the same funding.

- C. Can you provide a list of other projects where sponsors are utilizing or have discussed potential utilization of Sec. 1023 of WRRDA? What, if any, are the barriers sponsors

have encountered to utilization of Sec. 1023 of WRRDA and how has the U.S. Army Corps acted to resolve those barriers?

Answer: At this time, the Corps has not received any requests from non-Federal sponsors to contribute funds under the authorization provided in Section 1023 of WRRDA 2014. Additionally, the Corps is unaware of any barriers non-Federal sponsors are encountering in utilizing this provision of WRRDA 2014. Implementation guidance for this provision was finalized and published on February 15, 2015.

Q2 - What criteria were used in the allocation of the FY15 work plan funds, which were made available by the FY15 Omnibus Appropriations Act? Were budget metrics used? Is projected job creation a factor in your allocation decisions? If not, why not?

Answer: Attached is the Army Civil Works Program Fiscal Year 2015 Rating System Used in Work Plan Development, which was required by the Statement of Managers accompanying the Energy and Water Development's portion of the Omnibus and was provided to Congress on February 1, 2015.

Projected job creation was not a factor in allocation decisions because, due the variety of types of work accomplished in the Army Civil Works program, there is not a standard means of determining the number of jobs that would be created and that data was not readily available.

Q3 - The C-111 South Dade project is crucial for providing water supply to Everglades National Park and South Dade County. One of the remaining two construction contracts, Contract 8 is for a detention area that will connect C-111 South Dade project to the Modified Water Deliveries to Everglades National Park Project. Can you provide us a status update on Contract 8? Are there outstanding issues that must be resolved in order for Contract 8 to progress? If any, how is the U.S. Army Corps resolving those issues, and what is the expected timeline for completion of Contract 8?

Answer: Contract 8 for the C-111 South Dade project is ready for solicitation. A request for approval for use of the continuing contract clause is currently under development. The current expected timeline is that the contract would be awarded in July 2015 with an expected construction period of 16 months after notice to proceed.

D. Submitted on Behalf of Congressman Curbelo:

Q1 - U.S. Army Corps Environmental Infrastructure funding has helped to build Advanced Wastewater Treatment systems in my District which includes the Florida Keys. These treatment plants are protecting the Near Shore waters of the Keys and by doing so they are also helping to protect and sustain our economic future as well. The President's proposed funding in FY16 for USEPA Clean Water SRF cut funding by \$333 million and cut Corps Construction funding by a proposed \$468 million. Over the past several years Congress has restored many of the proposed

cuts in Clear Water Act related funding, including providing a line-item for up to \$50 million for Corps Environmental Infrastructure. If the Congress provides funding once again for FY16 is the Corps prepared to continue to oversee a national competition for these funds via the Corps Annual Work Plan? Is the Corps willing to consider adding water quality to its list of Corps missions?

Answer: If funds are appropriated for environmental infrastructure projects, the Corps would examine all competing candidates using objective criteria, as it has done in the past. Water quality is a mission of the Environmental Protection Agency and they have programs designed to assist communities seeking to address water quality challenges.

E. Submitted on Behalf of Congressman Farenthold:

Q1 - We have learned that the Corps of Engineers' interpretation of OMB policy sometimes requires treating separable elements of a Congressionally authorized project as essentially a "new start" which may involve the need for enhanced economic analysis, new initial construction funding, and other requirements, as well as making those elements subject to other limitations on the number of "new start" projects that can be funded.

- A. If that policy and/or any guidance on applying that policy exist in written form, please provide those documents to the Committee.
- B. If that policy is unwritten, please provide the Committee with a detailed written description of the factual and policy considerations that guide application of that policy.
- C. Please provide the Committee with Corp of Engineers' definition and criteria for a "new start."

Please provide the Committee with the legal authority which supports the authority of the Executive Branch to treat separable elements of a project authorized by Congress as a "new start

Answer: The Corps considers each separable element of a project separately, on its own merits, as a plan to address a specific water resources issue is formulated. The Congress first endorsed this approach in the Water Resources Development Act of 1986. It is a basic principle of the Corps project planning process, and does not result from an OMB policy, or an interpretation of an OMB policy.

Corps Engineer Circular 11-2-206, found at <http://www.publications.usace.army.mil/USACEPublications/EngineerCirculars.aspx>, states that "new construction" requires an investment decision within the Executive Branch before it is included in the budget. New construction includes "new starts" and "resumptions." An extract from the Engineer Circular follows:

"11-2-7. Budgeting for New Construction. New construction includes new starts and resumptions.

“a. New Start. A new start is one of the following that has not been funded previously in the Construction or MR&T Construction account. Note: A maintenance Dredged Material Disposal Facility that has never been funded is not a new start; see paragraph II-2-8).

“(1) Physical construction of a specifically authorized project.

“(2) Physical construction of a specifically authorized project modification (reconstruction, beneficial use, navigation mitigation, or environmental modification).

“(3) Physical construction of a separable element of a previously funded, specifically authorized project.

“(4) Physical construction of a rehabilitation project, deficiency correction project, or biological opinion project.

“b. Resumption of physical construction. A resumption of physical construction is considered new construction and as such requires a construction new start decision.”

Deciding what to include and not include in the annual budget is a policy decision by the Executive Branch. The Engineer Circular is internal guidance governing Corps of Engineers participation in the decision making process.

Q2 - The Corpus Christi Ship Channel’s Channel Improvement Project (the “Project”) was authorized in WRDA 2007 and reauthorized in WRRDA 2014 to approve a Section 902 increase in costs. The Project has four primary elements. The La Quinta Channel Extension and the Ecosystem Restoration elements are mostly completed pursuant to a Project Partnership Agreement (PPA) and funding that occurred prior to WRRDA 2014. Two remaining elements are the addition of Barge Shelves and the badly-needed Deepening and Widening of the Main Channel. Since that time the Port has received inconsistent guidance on the issue of whether additional requirements will be required for approval of funding for the remaining elements and what those requirements might be.

- A. Please address the issue of whether the remaining two elements of the Project are subject to Corps/OMB policy imposing additional requirements for funding, and specifically enumerate what factual and/or policy considerations will guide that decision.

Answer: The Corps prepared a Limited Reevaluation Report (LRR) on this project. OMB reviewed that report under Executive Order 12322. In a letter dated July 31, 2013, to the Assistant Secretary of the Army (Civil Works), OMB concluded that an authorization to increase the authorized level of appropriations of appropriations for this project, as proposed in the LRR, would be consistent with the program and policies of the President. The Congress later enacted this increase in WRRDA 2014.

The OMB letter also discusses the costs and benefits of one of the two remaining elements of the project. That element primarily involves the deepening and widening of the main navigation channel at this port. The LRR estimated that this element of the project would cost a total of \$285 million, which is roughly 83% of the estimated total costs of the authorized project. To address the concern raised in the OMB letter on this point, the Corps is planning to update and refine its estimates of the benefits of this element of the project.

- B. Please describe whether the following factors will be part of that decision and how the following factual and/or policy considerations will be weighed in making that decision.
1. The Project was both authorized and appropriated for as a single project.
 2. All elements of the Project were contemplated as part of a comprehensive project, although always planned to be executed in a certain sequence. The remaining elements of the work are just a continuation of the Project's overall design.
 3. When the new LRR for reauthorization of the Project was reviewed, the 12 Feb. 2013 Corps memorandum to the Assistant Secretary of the Army (Civil Works) stated:
 - There are no changes in project location, purpose, or scope.
 - Headquarters policy compliance review of the LRR concluded that there are no unresolved policy issues and that the project is technically sound, environmentally acceptable, and economically justified.
 4. Congress reiterated its support for the Project by reauthorizing it less than a year ago in WRRDA 2014.
 5. Neither the Corps nor OMB gave any indication that further action by Congress (either authorization or appropriation) would be required at any time during the WRRDA 2014 reauthorization process.

Answer: Prior to making a decision on proceeding with the construction of the Main Channel element of the project, the Corps will update and refine its estimates of the benefits of this element of the project. In particular, the Corps will re-examine the assumptions of the LRR with regard to future imports of crude oil and petroleum products at this port over the next 50 years.

Q3 - Please provide a timeframe for communicating a decision to the Port and the Committee on:

- A. Whether the Project will be subject to any policy requiring the remaining elements be treated as a "new start" or otherwise be subject to enhanced

requirements for funding;

- B. Whether it will be the Corps of Engineers' position that any additional requirements, such as new "first dollar" construction funding, will be required for completion of the Project.
- C. What factual and policy criteria are the basis for imposing any additional requirements for completing funding and construction of the two remaining elements of the Project; and
- D. What additional actions by the Committee and Congress might enable the remaining elements of the Project to be completed consistent with the intent of Congress in both authorizing and reauthorizing the entire Project.

Answer: Over the past year, there have been numerous meetings and phone calls with the Port. Participants included staff from the Corps Galveston District, Southwestern Division and Headquarters. On December 15, 2014, the Assistant Secretary of the Army (Civil Works) sent a letter to Mr. John LaRue, Executive Director, Port of Corpus Christi, which explained that the fourth element of this project, which primarily involves deepening and widening the main channel at this port, warrants a separate investment decision. Therefore, it should compete on its own merits for funding in future budgets alongside other proposed investments.

DEPARTMENT OF THE ARMY CORPS OF ENGINEERS

COMPLETE STATEMENT OF

LIEUTENANT GENERAL THOMAS P. BOSTICK

CHIEF OF ENGINEERS

U.S. ARMY CORPS OF ENGINEERS

BEFORE

**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEE ON WATER RESOURCES AND ENVIRONMENT**

UNITED STATES HOUSE OF REPRESENTATIVES

ON

**THE FISCAL YEAR 2016 BUDGET
FOR THE ARMY CORPS OF ENGINEERS, CIVIL WORKS**

APRIL 22, 2015

Mr. Chairman and Members of the Subcommittee:

I am honored to be testifying before your committee today, along with the Assistant Secretary of the Army for Civil Works, the Honorable Jo-Ellen Darcy, on the President's Fiscal Year 2016 (FY 2016) Budget for the Civil Works Program of the United States Army Corps of Engineers (Corps). This is my third time before this Subcommittee to testify on the Civil Works budget; thank you for your support in the past, and I look forward to continuing to work together.

I have been in Command of the Corps for nearly three years, and I want to briefly update you on the four Campaign Plan Goals for the Corps.

First, **Support National Security**. The Corps supports the National Security of the United States. We continue working in more than 110 countries, using our Civil Works, Military Missions, and Water Resources Research and Development expertise to support our Nation's Combatant Commanders. We are proud to serve this great Nation and our fellow citizens, and we are proud of the work the Corps does to support America's foreign policy. Civilian Army Corps employees from across the Nation have volunteered – and continue to volunteer – to work, in a civilian capacity, to provide critical support to our military missions abroad and humanitarian support to the citizens of those nations. Many of them have served on multiple deployments.

Second, **Transform Civil Works**. The four elements of the Civil Works Transformation strategy will make the Corps more efficient and effective while continuing to support the Nation by addressing some of our greatest infrastructure needs. Civil Works Transformation focuses on modernizing the project planning process; enhancing the budget development process through a systems-oriented approach and collaboration; evaluating the current inventory of projects and the portfolio of proposed water resources projects using an infrastructure strategy to identify priorities and develop better solutions to water resources problems; and improving methods of delivery to produce and deliver sound decisions, products, and services that will improve the ways in which we manage and use our water resources.

Since the inception of Civil Works Transformation efforts in 2008, 42 Chief's reports have been completed. In seven years, 13 Chief's Reports were completed in the first four years, and 29 Chief's Reports completed in the last three; we are learning and becoming more efficient in our processes.

Third, we must continue to be proactive and develop better strategies to **Reduce Disaster Risks**, as well as respond to natural disasters when they do occur, under the National Response Framework, National Disaster Recovery Framework, P.L. 84-99 as amended, and Corps project authorities for flood risk management. I continue to be amazed at the work the Army Corps does in this arena. One great example of this proficiency is the Hurricane Sandy recovery work ongoing in three of our Divisions. The Flood Control and Coastal Emergency (FC&CE) program is over 95 percent complete. At the end of 2014, the South Atlantic Division completed its Sandy Operation and

Maintenance program; with nearly 70 percent complete, both the North Atlantic Division and Great Lakes and Ohio River Division O&M programs are on schedule to be 100% complete by the end of 2016. And I'm pleased to highlight that the Army submitted the North Atlantic Coast Comprehensive Study to Congress and the public on 28 January 2015. This two-year study addresses coastal storm and flood risk from New Hampshire to Virginia and provides a Coastal Storm Risk Management Framework, data, and tools such as the Sea Level Change Calculator that are now available online to help all stakeholders better assess vulnerabilities and adopt forward thinking floodplain management strategies.

Fourth, **Prepare for Tomorrow**. This is about our People – ensuring we have a pipeline of Science, Technology, Engineering and Mathematics workers, as well as Workforce Development and Talent Management. Equally important is helping the Nation's Wounded Warriors and Soldiers transitioning out of active duty to find fulfilling careers. I am proud that last year we set a goal to assist 125 transitioning Wounded Warriors, and we exceeded that goal by more than 50 percent. Nearly 200 Wounded Warriors found permanent position within the Corps and other organization.

We are also focused on Research and Development efforts that will help solve some of the toughest challenges facing the Army and the Nation. Civil Works Program research and development provides the Nation with innovative engineering products, some of which can have applications in both civil and military infrastructure spheres. By creating products that improve the efficiency of the Nation's engineering and construction industry and providing more cost-effective ways to operate and maintain public infrastructure, Civil Works program research and development contributes to the national economy.

SUMMARY OF FY 2016 BUDGET

The FY 2016 Civil Works Budget is a performance-based budget, which reflects a focus on the work that will provide the highest net economic and environmental returns on the Nation's investment or address a significant risk to safety. Investments in the Civil Works program will reduce the risks of flood impacts in communities throughout the Nation, facilitate waterborne transportation, restore and protect significant aquatic ecosystems, generate low-cost renewable hydropower and support American jobs. Continued investment in critical Civil Works infrastructure projects is an investment in the Nation's economy, security and quality of life – now and in the future.

The Budget focuses on high performing projects and programs within the three main water resources missions of the Corps: commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. The FY 2016 Budget includes \$4.732 billion in gross discretionary funding to fund Civil Works activities throughout the Nation, including the construction of water resources projects that will provide high economic, environmental and public safety returns on the Nation's investment. Second, in the Operation and Maintenance program, the Budget focuses on investments that address infrastructure maintenance needs on a risk assessment basis. The budget also

proposes an increase in funding for the Regulatory program to better protect and preserve the Nation's water-related resources.

INVESTIGATIONS PROGRAM

The FY 2016 Budget provides \$97 million in the Investigations account, and \$10 million in the Mississippi River and Tributaries account to fund projects, programs, and activities that will enable the Corps to evaluate and design projects that are the most likely to be high-performing within the Corps three main mission areas. The Budget also supports the Corps planning and technical assistance programs, including using its expertise to help local communities increase their resilience to risks such as the flood risks in coastal communities associated with sea level rise.

CONSTRUCTION PROGRAM

The goal of the construction program is to produce as much value as possible for the Nation from the available funds. The Budget provides \$1.172 billion for the Construction account, and \$62 million in the Mississippi River and Tributaries account, to further this objective and gives priority to the projects with the greatest net economic and environmental returns per dollar invested, as well as to projects that address a significant risk to safety. The Budget includes funds for four high-priority construction new starts: Port Lions Harbor (Deepening and Breakwater), Alaska; Coyote and Berryessa Creeks, Berryessa Creek, California; Ohio River Shoreline, Paducah, Kentucky; and Marsh Lake, Minnesota River Authority, Minnesota. In keeping with our Civil Works transformation strategy, the Budget also allocates construction funding to complete projects and deliver their benefits to the Nation sooner.

The Corps uses objective performance measures to establish priorities among projects. These include benefit-to-cost ratios for projects that are being funded primarily due to their economic outputs. For projects funded on the basis of their environmental return, those projects that are highly effective at restoring degraded structure, functions or processes of significant aquatic ecosystems on a cost-effective basis are given priority. The selection process also gives priority to dam safety assurance, seepage control, and static instability correction projects and to projects that address a significant risk to safety.

OPERATION AND MAINTENANCE PROGRAM

All structures age over time with a potential decline in reliability. With proper maintenance and periodic rehabilitation, we can extend for many years the effective lifetime of most of the facilities owned or operated by, or on behalf of, the Corps. As stewards of this infrastructure, we are working to ensure that its key features continue to

provide an appropriate level of service to the American people. In some cases, this is proving to be a challenge.

The Corps strives to continually improve the efficiency and effectiveness of its investigations, construction, and operation and maintenance programs. In FY 2016, the Corps will further expand the implementation of a modern asset management program, dedicating an increased amount of its O&M funding to the key features of its infrastructure and for work that will reduce long-term O&M costs in real terms, while implementing an energy sustainability program and pursuing efficiencies in the acquisition and operation of its information technology.

The Budget for the operation and maintenance program provides \$2.71 billion in the Operation and Maintenance (O&M) account, and \$152 million in the Mississippi River and Tributaries account. Our focus in this program is on the operation and maintenance of key commercial navigation, flood and storm damage reduction, hydropower, and other facilities. The Budget gives priority to those coastal ports and inland waterways with the most commercial traffic, and includes \$915 million to be spent from the Harbor Maintenance Trust Fund. The Budget also funds small harbors that support significant commercial fishing, subsistence, or public transportation benefits. The Budget provides operation and maintenance funding for safety improvements at Federal dams and levees based on the risk and consequence of a failure. According to our analyses, almost half of the 707 Corps dams will likely require some form of modification or risk reduction measure in the future if they are to continue to serve their original purposes.

Generally, the O&M program supports completed works owned or operated by the Corps, including administrative buildings and laboratories. Work to be accomplished includes: operation of the locks and dams along the inland waterways; dredging of inland and coastal federal channels; operating multiple purpose dams and reservoirs for flood risk reduction, hydropower, recreation, and related purposes; maintenance and repair of the facilities; monitoring of completed coastal projects; and general management of Corps facilities and the land associated with these purposes.

The FY 2016 Budget provides \$212 million in Operation and Maintenance for hydropower activities in order to maintain basic power components such as generators, turbines, transformers and circuit breakers at Corps hydropower facilities to keep them operating efficiently and effectively. The Corps is the largest hydropower producer in the U.S., producing 24 percent of the Nation's hydropower.

REIMBURSABLE PROGRAM

Through the Interagency and International Services (IIS) Reimbursable Program, the Civil Works program helps other Federal agencies, state, local, and tribal governments, and other countries with timely, cost-effective implementation of their programs. These agencies can turn to the Corps of Engineers, which already has these capabilities, rather than develop their own internal workforce and expertise to oversee project design

and construction. Such intergovernmental cooperation is effective for agencies and the taxpayer by using the skills and talents that we bring to our Civil Works and Military Missions programs. The work is principally technical oversight and management of engineering, environmental, and construction contracts performed by private sector firms, and is financed by the agencies we service. IIS Reimbursable Program activities in support of our domestic stakeholders totaled \$905 million in FY 2014. We only accept agency requests that are consistent with our core technical expertise, in the national interest, and that we can execute without impacting our primary mission areas.

EMERGENCY MANAGEMENT

The FY 2016 Budget proposes an increase in funding for the Flood Control and Coastal Emergencies account to enable the Corps to prepare for emergency operations in response to natural disasters. The Budget for the emergency management program also includes \$4.5 million for the National Emergency Preparedness Program as well as \$3 million in the Investigations account for the Corps participation in the development and expansion of interagency teams, known as Silver Jackets, which collaboratively reduce the risks associated with flooding and other natural hazards. The Silver Jackets is an innovative program providing a common forum to address state and local flood risk management priorities. Silver Jacket programs are developed at the state level. Currently, there are 43 active teams (42 states and the District of Columbia); the ultimate goal is to offer an interagency team in every state.

CONCLUSION

The FY2016 Budget represents a continuing, fiscally prudent investment in the Nation's water resources infrastructure and restoration of its aquatic ecosystems. The U.S. Army Corps of Engineers is committed to a performance-based Civil Works Program, based on innovative, resilient, sustainable, risk-informed solutions.

Thank you, Mr. Chairman and Members of Subcommittee. This concludes my statement. I look forward to answering questions you or other Members of the Subcommittee may have.

LTG Thomas P. Bostick, Chief of Engineers, U.S. Army Corps of Engineers, Response to Question from Hon. Glenn Thompson

Question 1: While we often focus on the Army Corps of Engineers domestic presence, they also play a critical role in supporting infrastructure interests abroad. Additionally, the committee continues to be concerned about environmental standards, particularly at facilities that involve the use of fuels at government or third-party operated installations. A prime example is the ongoing energy modernization programs at the U.S. Kaiserslautern Military Community in Germany.

The implementation of long-standing legislative language contained in the annual Department of Defense Appropriations Act, regarding furnished heating services for Army and Air Force installations within the city of Kaiserslautern and the Rhine Ordnance Barracks installation area (ROB), has demonstrated outstanding environmental standards compliance and the cost-effective acquisition of mixed energy sources, which include U.S. anthracite coal.

Section 8055 of Public Law No: 113-235, provides for compliance for facilities in the ROB, including the pending development of the U.S. Army's medical center replacement for the Landstuhl Hospital. Given the Army Corps of Engineers is the executive agent for the medical center planning and construction, is the ongoing process in compliance with section 8055 of P.L. No: 113-235? Please elaborate on how the Army Corps of Engineers plans to continue to follow the letter of the law in executing the hospital replacement.

Response 1: The U.S. Army Corps of Engineers (Corps) coordinates with the U.S. Air Force for compliance with section 8055. The Air Force is responsible for contracting utility services in the Kaiserslautern and Ramstein military community, and the Corps is the Air Forces' execution agent for delivering those services. The Air Force has verbally assured the Corps that they will be in compliance with U.S. laws and regulations. Additionally, the Corps is the design and construction agent on behalf of the Defense Health Agency for the Rhine Ordnance Barracks medical center replacement project.

The Corps medical center design team is currently evaluating the studies and life cycle cost analyses that they solicited regarding various types of mechanical systems that could be used for the medical center replacement project. This effort was undertaken in order to provide the Defense Health Agency and the medical commands with a system that is affordable, effective, energy-efficient and environmentally-compliant with U.S. and German laws, and results in lower maintenance and operation expenses over the long-term. The Corps team plans to meet with various stakeholders to discuss options identified in the studies, which include the German government, U.S. Army and Air Force installation and medical personnel, and U.S. Army and Air Force command groups. The team will make a recommendation to the U.S. Air Force for the contracting of utility services for the medical center replacement project at Rhine Ordnance Barracks.

The Corps is also aware that there are different utility companies in the local area of the Rhine Ordnance Barracks, but just one of which that produces hot water for underground, long-distance heating distribution network using U.S. coal as one of its fuels. Our engineers intend for the medical center replacement project's mechanical

systems design to be the most efficient and cost-effective system possible, yet are concerned that any potential "sole-sourcing" of utility service may result in non-competitive pricing.

**Written Testimony of
William Dean Johnson
President and Chief Executive Officer
Tennessee Valley Authority
As submitted to the
U.S. House Committee on Transportation and Infrastructure
Subcommittee on Water Resources and Environment
April 22, 2015**

Chairman Gibbs, ranking member Napolitano, and members of the Committee, thank you for the opportunity to appear before you to discuss the Tennessee Valley Authority's fiscal year 2016 budget.

I have been the President and CEO of TVA for a little more than two years. In that position, I have been humbled by the honor and privilege of serving the nine million people and many business and other entities in the seven states in which TVA operates. Those people and entities engage with TVA in a very responsible way – they pay for all of the costs incurred by TVA in the performance of the services it provides. TVA is currently self-funded, financing its operations almost entirely from revenues and power system financings.

During this time, I've seen how TVA's employees have improved relations with our customers, worked to modernize our generation portfolio, protected our natural resources, and improved nuclear performance and financial performance.

We have faced significant challenges, including: record weather events, a significant cost reduction initiative, a stagnant economy, aging infrastructure, increased regulation and low load growth.

To meet these challenges and strengthen our organization, TVA has focused on its core mission – energy, environmental stewardship and economic development. This mission matters

as much today to the people of the region as it did in 1933. As I mentioned, TVA employees deserve a tremendous amount of credit for our renewed focus on the people we serve. They are making a difference in the lives of their neighbors.

In my testimony today, I will discuss our recent performance in more detail and share our budget priorities with you.

Let me begin with a brief review of TVA operations.

About TVA

TVA was created by Congress in 1933 as a corporate agency of the United States charged with a unique mission: to improve the quality of life in a seven-state region through the integrated management of the region's resources. To help lift the Tennessee Valley out of the Great Depression, TVA built dams for flood control, provided low-cost power and navigation, restored depleted lands, improved agriculture and forestry, and helped raise the standard of living across the region.

Today, TVA provides electricity for business customers and local power companies serving nine million people in parts of seven southeastern states. The region covers most of Tennessee and parts of Alabama, Georgia, Kentucky, Mississippi, North Carolina and Virginia. TVA also provides power directly to large industrial customers and federal installations.

In 2014, TVA made the final scheduled payment to fulfill the statutory requirement to repay \$1 billion of Congress' original appropriations investment in building TVA's power program. TVA will continue to make payments to the U.S. Treasury as a return on the remaining power

program appropriations investment. Virtually all of TVA's revenues are derived from sales of electricity. In addition to operating and investing its revenues in its electric system, TVA continues to provide flood control, navigation and land management for the Tennessee River system and assists local power companies and state and local governments with economic development and job creation.

TVA Mission

TVA's mission of service is threefold — delivering affordable, reliable power, caring for our region's natural resources, and creating sustainable economic growth. By focusing on our mission, we provide significant value to the region and to the nation as a whole.

Energy

Safe, clean, reliable and affordable electricity powers the economy of our region and enables greater prosperity and a higher quality of life for its residents. After safety, our top priority is keeping our electric rates as low as feasible and our reliability as high as possible.

TVA operates the nation's largest public power system, including 41 active coal-fired units, six (soon to be seven) nuclear units, 109 conventional hydroelectric units, four pumped-storage units, 87 simple-cycle combustion turbine units, 11 combined cycle units, five diesel generator units, one digester gas site and 16 solar energy sites. We also purchase a portion of our power supply from third-party operators under long-term power purchase agreements (PPAs), including purchases of wind power.

TVA's 16,000-mile-long transmission system is one of the larger in North America. For the past 15 years, the system achieved 99.999 percent power reliability – very high reliability. It efficiently delivered more than 161 billion kilowatt-hours of electricity to customers in fiscal year 2014.

TVA makes annual investments in science and technology innovation that enable us to be at the forefront of advances in the utility industry and help us meet future business and operational challenges. Core research activities directly support improving our generation and delivery assets, air and water quality and clean energy integration. Currently, we are involved in research activities related to emerging technological advances in small modular nuclear reactors (SMRs), grid modernization for transmission and distribution systems, energy utilization technologies and distributed energy resources.

Environmental Stewardship

TVA manages natural resources of the Tennessee Valley for the benefit of the region's people. This includes the Tennessee River system and associated public lands to reduce flood damage, maintain navigation, support power production, enhance recreation, improve water and protect shoreline resources.

TVA also manages its power system to provide clean energy and minimize environmental impacts from its operations. Today, air quality across the region is the best it has been in more than 30 years. Since 1977, TVA has spent almost \$6 billion on air pollution controls and is investing approximately another \$1 billion in additional control equipment at plants. Emissions of nitrogen oxides (NO_x) are 91 percent below peak 1995 levels and emissions of sulfur dioxide (SO₂) are 95 percent below 1977 levels through 2013. TVA's emissions of carbon dioxide (CO₂)

were reduced 32 percent between 2005 and 2013. We project approximately a 40 percent reduction in CO₂ emissions by 2020 from 2005 levels.

Economic Development

TVA's large power system, diverse fuel mix and robust transmission system allows us to provide high reliability and competitive rates to attract industry to our region. TVA offers numerous programs, technical assistance, and community assistance to support economic development. During the past five years, TVA has helped attract or retain 240,000 jobs in our service territory and secure more than \$30 billion in capital investment for the region through the Valley Investment Initiative program. This program, established in 2008, is designed to increase the number and quality of jobs in the Valley and to benefit the power system through smarter energy use.

TVA Governance

TVA is governed by its Board of Directors, which is responsible for approving TVA's annual budget. The TVA Board has nine part-time members when fully constituted, at least seven of whom must be legal residents of the TVA service area. The TVA Board members are appointed by the President with the advice and consent of the U.S. Senate. Their responsibilities include, but are not limited to: formulating broad strategies, goals, objectives, long-range plans, and policies for TVA; reviewing and approving TVA's overall energy resource and transmission portfolio; shepherding the financial health of TVA; reviewing and approving annual budgets; setting and overseeing electricity rates; and establishing a compensation plan for employees.

Fiscal Year 2014 Budget Impacts in Review*Safety*

First, I want to talk about safety. Our safety record was good in 2014, and we continue to be in the top 10% of our industry. Safety is a top priority for us. It's a value woven into the fabric of the work we do every day, and this year's performance reflects our employees' good focus on safety. That's something of which I'm particularly proud and most certainly do not take for granted. But if you've been around this industry or around this space, even one injury is not acceptable. And so, we will continue to push to have zero injuries.

Customer Relations

We're also focused on listening to our customers and being attentive to their concerns. We're seeing more constructive and collaborative relationships taking root. This year, local power companies partnered with TVA in development of the Integrated Resource Plan (IRP) refresh, development of energy efficiency and renewables products and a new pricing structure to complement those new products. At the center of these actions are what is most important to our customers—affordable and reliable power and strong and loyal partnerships.

Sales, Weather, Rates

2014 was a strong year for TVA financially, and we made very good progress in reducing our internal expenses. We also saw roughly 4% more sales to local power company customers last year. Much of this was due to the high demand during 2014's polar vortex that we were able to meet through the extraordinary performance of our employees and cooperation of our local

power companies and customers during that event. Beyond the impact from weather, TVA had a modest general rate increase, and we continued to see some underlying growth in the Tennessee Valley economy.

Operations and Maintenance (O&M) Reductions

We also made good strides in our multiyear effort to reduce operations and maintenance costs through further efficiency gains and streamlining the organization. By the end of 2014, we had realized over \$300 million in sustainable cost reductions, which represents a 20 percent reduction to our non-fuel O&M spending and puts us well on our way to the \$500 million in sustainable savings we intend to achieve by the end of 2015.

Now, that won't be the end of our efforts to reduce O&M expenses. Our continuous improvement efforts will go long into the years ahead, but I must say I am pleased with the progress we're making here.

Debt Reduction

Thanks in large part to the factors I just mentioned, TVA achieved our highest net income since 2010 this past year. Now, given the nature of TVA, positive income results are reinvested in the company to support a cleaner, lower cost and even more reliable power system.

We also managed to reduce our debt by more than a billion dollars and are well below our \$30 billion statutory debt cap. We achieved this while still funding billions of dollars of investment in our infrastructure.

Final Treasury Payment

As mentioned earlier, 2014 saw TVA make its final scheduled payment to the U.S. Treasury on Congress' original appropriations investment to build the TVA power system. We've now repaid one billion dollars of the total investment, plus interest, for a total of more than \$3.6 billion. We will continue to make smaller annual payments each year as the return on the government's permanent equity investment. Though much has changed since TVA's founding many years ago, our unique mission of service to the people of the Tennessee Valley still remains as relevant today as it was in 1933.

Payments in Lieu of Taxes

Last year, TVA made \$533 million in tax equivalent payments to state and local governments. The TVA Act requires us to return five percent of gross revenue from the sale of power, and we make tax equivalent payments to the eight states where TVA sells electricity or owns generating plants, transmission lines, substations or other power-related assets, and directly to 146 local governments where TVA owns power property. The redistribution of each state's allocation of tax equivalent payments to local governments is strictly governed by each state's individual legislation.

Pension

As of September 30, 2014, TVA's qualified pension plan had assets of \$7.5 billion compared with liabilities of \$12.2 billion. The plan has approximately 35,000 participants, of which approximately 23,400 are retirees or beneficiaries currently receiving benefits. Benefits of approximately \$650 million were paid to participants in 2014. TVA is committed to collaborating

with the Tennessee Valley Authority Retirement System (TVARS) Board to ensure a financially healthy pension plan over the long-term.

Nuclear Performance and Construction

Our nuclear fleet is expanding and its performance is improving. Within our asset portfolio, we reached a key milestone for our nuclear fleet. All three of TVA's nuclear sites and all six operating units are under normal Nuclear Regulatory Commission (NRC) regulatory oversight. These assets are key to our ability to generate large amounts of carbon-free electricity. Our nuclear generating fleet is operating safely and reliably.

At our Watts Bar nuclear facility, we have entered the home stretch of completing the second reactor. At more than 97 percent complete, Watts Bar Unit 2 is being finished the right way, safely, with high quality, and in a manner to assure regulatory compliance and excellence in operations after the unit is licensed. Workers have logged over 32.5 million hours without a lost-time incident. The quality control acceptance rate continues to track above 97%. The project remains on budget and on schedule to be the first new nuclear generation of the 21st century. And we have recently achieved several notable milestones on our path to requesting an operating license. Once operational, this new unit will supply 1,150 megawatts of safe, affordable, carbon-free power to our customers for many years to come.

As part of our mission to be a national leader in technology innovation, TVA is evaluating small modular reactor designs for potential deployment at our Clinch River Site in Oak Ridge or elsewhere. TVA has completed field work to establish the suitability of the site to demonstrate SMR technology, and is in the process of developing an Early Site Permit application. TVA

intends to submit that application to the Nuclear Regulatory Commission in early 2016. Some of TVA's operating nuclear plant licenses begin expiring by the mid-2030s, so demonstrating the merits of SMRs may offer a safe, reliable and competitive replacement option to maintain a diverse portfolio of generation supply. TVA will make incremental SMR investment decisions, evaluating the technology, regulatory and financial viability at each project phase prior to making a decision to proceed with the next step. The current decision to proceed with development and submittal of an Early Site Permit application to the NRC in early 2016 is supported by the Department of Energy.

Clean Air and Environmental Investment

In addition to nuclear capacity expansion, we're also investing in other key generating sources to ensure balance across our asset portfolio. We continue the work of installing emission-control equipment at our Gallatin Fossil Plant outside of Nashville, and the TVA Board recently approved the installation of additional controls at the Shawnee Plant in Western Kentucky. Together, this represents more than a billion-dollar investment in maintaining a cleaner coal-fired generation presence in our asset portfolio.

We have taken numerous steps to ensure the safe storage and handling of coal ash. Our remediation work at Kingston, where a spill occurred in 2008, is nearly complete; the site has been returned to pre-spill conditions and the area has been upgraded with many public conveniences. We're also investing roughly \$2 billion to convert all of our coal ash storage from wet to dry systems and making steady progress on this effort.

As TVA strives to maintain this important source of energy capacity, we also recognize the value of operating a diverse mix of assets. Last year, we announced that TVA would construct

plants in Kentucky and West Tennessee that will be powered with natural gas. These investments will help to ensure that TVA is able to provide reliable, clean, and affordable power to the Tennessee Valley region.

Administration's Strategic Review

The Administration's fiscal year 2014 Budget called for a strategic review of options for addressing TVA's financial situation – including the possible divestiture of TVA – in response to TVA approaching its statutory debt limit. We're pleased the Administration has concluded its strategic review of TVA. The Administration has acknowledged TVA's efforts to improve its operational and financial performance and TVA's commitment to resolve its capital financing constraints. Last year, Lazard & Frères Co., LLC prepared an independent strategic assessment report, which concluded that allowing TVA the opportunity to continue to achieve operational improvements and to pursue a more sustainable financial path would be in the interest of the citizens of the Valley and the American taxpayer.

Economic Development

As you know, economic development is a core component of our service mission, and we do that work in partnership with our customers, public officials, local communities, and economic development agencies across the region. During 2014, TVA helped attract and retain more than 60,300 jobs in the Valley, and these were accompanied by approximately \$8.5 billion of capital investment in the communities that we serve. We are on an even better pace this year.

Integrated Resource Plan

In the fall of 2013 and throughout 2014, we began a refresh of the 2011 Integrated Resource Plan (IRP) due to dramatic changes in the utility industry. Such changes include abundant, lower-cost natural gas, decreased cost of renewable generation and increased focus on energy conservation efforts.

The refresh effort has involved significant stakeholder input and examines a variety of economic, regulatory and market-driven scenarios and strategies – both within and outside TVA's control – to help TVA respond to changing energy demands while continuing to provide reliable power at the lowest possible cost. Although not yet final, the IRP indicates that energy efficiency, demand response, renewables and natural gas will play a larger role in the future.

Last month, TVA released its draft IRP. We will hold a number of public meetings to gather feedback this spring before the final draft is presented to the TVA Board of Directors later this year.

Proposed Budget for Fiscal Year 2016 budget

As stated earlier, the TVA power program is entirely self-financing and does not receive federal appropriations.

The TVA board approves an annual budget for TVA each summer. These budgets include estimates that reflect significant levels of uncertainty due to weather, the economy and other factors that weigh heavily on energy providers. TVA's fiscal year 2016 budget projects revenue in excess of \$10.9 billion. The fiscal year 2016 budget projects operating expenses of \$8.9 billion, a reduction of approximately \$600 million compared to 2014's operating expenses. Over

\$400 million of this reduction is attributable to our intensive efforts to reduce operating and maintenance expenditures.

TVA, like the rest of the electric utility industry, is challenged to meet customer demand with cleaner, reliable, low cost energy resources and must continually make prudent, long-term investments to meet that demand, maintain system reliability and protect the environment.

In fiscal year 2016, TVA projects it will invest \$2.3 billion in capital projects. This includes over \$1.0 billion invested in new generating capacity, including \$150 million for the completion of Watts Bar Unit 2, as well as nearly \$250 million invested in clean air and other environmental projects.

TVA's statutory debt is estimated to be \$24.9 billion and outstanding debt and debt-like obligations are estimated to be \$26.9 billion at the end of 2016. We are committed to effectively managing our level of debt and debt-like obligations.

TVA funds its water and land stewardship activities from power revenues, user fees and other non-appropriated sources. No appropriations have been received by TVA for these activities since fiscal year 1999, and none are requested for fiscal year 2016. TVA will self-fund these activities in fiscal year 2016 at \$71 million, which is about the same level as last year.

Conclusion

As I travel throughout the region, I've become more enlightened about the people who rely on TVA. Although there are pockets of prosperity in our region, we continue to serve some of the poorest in our country.

In visits to local power companies who distribute TVA power, I've spent time at the billing window, to see in person the people we serve as they pay for the service our company provides. It's a humbling experience to see and hear first-hand how difficult it can be for families of modest means to pay their monthly power bills.

The job we do each and every day to keep rates low, manage debt, maintain our assets and be good stewards of what we've been given is extremely important to these people and the entire region.

I am proud of TVA and proud of this budget because I believe it reflects our mission of service. This budget will result in a healthier TVA and more sustainable TVA.

Thank you for the opportunity to address you, and I look forward to any questions you may have.

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Questions for William Dean Johnson, Tennessee Valley Authority, issued by the majority side Subcommittee on Water Resources and Environment

Q1. Is the Lazard Report TVA's current long term debt management plan? If so, when was it officially adopted by the board? If not, what is the current long term debt management plan officially adopted by the TVA board?

ANSWER: Response was not received at the time of publication.

Q2. What are the top 5 factors that could impact TVA's ability to successfully carry out its current debt reduction goals?

ANSWER: Response was not received at the time of publication.

Q3. What is TVA's current total debt, including alternative financing arrangements?

ANSWER: Response was not received at the time of publication.

Q4. Does TVA anticipate entering into any alternative financing arrangements in the next Fiscal Year? Does TVA anticipate purchasing any new generating assets in the next Fiscal Year?

ANSWER: Response was not received at the time of publication.

Q5. How viable and reasonable are TVA's plans and specific options for successfully meeting its debt reduction targets? Have these plans or options been reviewed by TVA's Inspector General? Independent outside entities?

ANSWER: Response was not received at the time of publication.

Q6. What are TVA's projection of financial viability over the next five and ten years? What are your debt projections for 2020? What assumptions are critical for these projections?

ANSWER: Response was not received at the time of publication.

Q7. How will growth or lack of growth in parts of the TVA territory affect TVA's ability to reduce debt? Will greater growth likely provide greater economies of scale and savings or require more resources and make debt repayment more difficult?

ANSWER: Response was not received at the time of publication.

Q8. According to the 2011 GAO report, TVA does not count alternative financing arrangements toward its statutory debt limit? Is this still the case? What is TVA position on alternative financing arrangements and whether they should count towards the debt limit?

ANSWER: Response was not received at the time of publication.

Q9. In its 2011 report on TVA, GAO stated that TVA planned to spend \$9.9 billion on capital investments. How much has TVA spent to date and how has TVA funded these investments?

ANSWER: Response was not received at the time of publication.

Q10. In its 2011 report, GAO also mentioned that TVA did not have a formal capital expenditure management plan. Does TVA now have a plan and how often is this plan updated and revised?

ANSWER: Response was not received at the time of publication.

Q11. Does TVA project that it will exceed the \$30 billion debt limit? If so, when? When the cap is reached how does TVA plan to go forward? Is the financial community worried about the current debt limit?

ANSWER: Response was not received at the time of publication.

Q12. In 2010, TVA announced its renewed vision to become a leader in energy efficiency. Since that date, how much energy savings have been realized? How much was spent to achieve these savings? What is TVA's current energy efficiency goal?

ANSWER: Response was not received at the time of publication.

Q13. What has been the trajectory of TVA's operating costs over the last 10 years? Does TVA predict that the current trend will continue into the near future? What are the key factors that contribute to this change?

ANSWER: Response was not received at the time of publication.

Q14. How does TVA's debt compare to other utilities in the U.S.?

ANSWER: Response was not received at the time of publication.

Q15. What are TVA's costs to comply with environmental rules? For instance, like other entities, TVA has to comply with the Clean Water Act, the Endangered Species Act, the Clean Air Act and many other statutes. Can you provide us with the types of compliance costs related to those requirements, compliance costs related to lawsuits, and compliance costs with other State and local environmental laws?"

ANSWER: Response was not received at the time of publication.

Q16. As you know, EPA is expected to finalize its carbon dioxide regulations for both new and existing power plants this summer. What is TVA's plan for complying with these new regulations? How much does TVA estimate it will cost to bring existing and future plants into compliance? What options is TVA exploring to finance these costs? (Will TVA raise rates, issue new debt, use alternative financing arrangements?)

ANSWER: Response was not received at the time of publication.

Q17. According to GAO's 2011 report, TVA forecasted that peak power demand would grow by an average annual rate of 1 percent for the next 20 years. Has growth followed these projections? If not what has been the annual demand growth to date? Currently, what rate of growth does TVA expect going forward to 2030?

ANSWER: Response was not received at the time of publication.