



DEPARTMENT OF THE ARMY  
OFFICE OF THE CHIEF OF ENGINEERS  
WASHINGTON, D.C. 20314-1000

CECW-MVD (1105-2-10a)

31 DEC 2006

SUBJECT: Port of Iberia, Louisiana

THE SECRETARY OF THE ARMY

1. I submit for transmission to Congress my report on navigation improvements from the Port of Iberia in south-central Louisiana to the Gulf of Mexico. It is accompanied by the report of the district and division engineers. These reports were prepared in response to a study authority contained in Section 431 of the Water Resources Development Act (WRDA) of 2000, which directed the Secretary of the Army to conduct a study to determine the feasibility of carrying out a project for navigation for the Iberia Port in Louisiana. Further, Section 6009 of the Emergency Supplemental Appropriations Act (ESAA) of 2005 modified the traditional determination of the economic justification specified in the Principles and Guidelines for Water and Related Land Resources Development (Principles and Guidelines) for navigation projects involving offshore oil and gas fabrication ports, such as Port of Iberia, by directing the Secretary of the Army, acting through the Chief of Engineers, to measure and include in the National Economic Development (NED) calculation the value of future energy exploration and production fabrication contracts and transportation cost savings that would result from larger navigation channels.
2. The reporting officers identified a plan for navigation at the Port of Iberia, Louisiana, to improve access for ocean going vessels transporting prefabricated deepwater topsides to the Gulf of Mexico. The plan includes modifications of about 57.5 miles of existing navigation channel which consist of two segments of the existing inland waterway system: Freshwater Bayou and a portion of the Gulf Intracoastal Waterway (GIWW), and the non-federally constructed Commercial Canal. It provides for an enlargement of the Commercial Canal, a 14-mile-long segment of the GIWW and Freshwater Bayou navigation channels to a depth of -16 feet mean lower low water (MLLW) and a bottom width of 150 feet. New floodgate structures would be included at each end of the non-Federally constructed Freshwater Bayou bypass channel to accommodate large vessels that cannot transit the Freshwater Bayou lock. The least cost disposal of dredged material from the project would result in incidental, but significant, ecological benefit of creating and protecting approximately 971 acres of marsh habitat. Therefore no compensatory mitigation is included in the plan.
3. Project costs are allocated to the commercial navigation purpose. Based on October 2005 price levels, the estimated total first cost of the project is \$125,000,000, with a Federal cost of \$100,300,000 and a non-Federal cost of \$24,700,000. The estimated total first cost includes about \$123,300,000 for general navigation features (GNF) and \$1,700,000 for lands, easements, rights of way, and relocations (LERR). The GNF cost includes channel excavation, floodgates, and disposal of dredged material. In accordance with Section 101 of WRDA 1986, as amended,

the non-Federal cost includes 10 percent of the cost for the GNF during construction and an additional cash payment of 10 percent of costs for the GNF, including interest, less credit for LERR, over a period not to exceed 30 years. In addition to this amount, the local sponsor will be investing about \$15,700,000 for local service facilities, which include bulkhead modifications and dredging of berthing areas. Utility owners will incur approximately \$22,600,000 for removals and modification of utilities including pipelines that would otherwise obstruct navigation. The total cost of all features required to obtain the projected navigation benefits, including GNF, LERR, local service facilities, aids-to-navigation, and utility removals is estimated at \$163,300,000. Total average annual costs, based on a discount rate of 5 1/8 percent and a 50-year period of analysis, are \$12,795,000 and include annual operation and maintenance costs of \$3,677,000.

4. To address the uncertainties associated with future deep-water topside fabrication by Gulf of Mexico (GOM) businesses and Port of Iberia's potential future share of the GOM deep-water topside market, a number of scenarios were projected to encompass a reasonable range of future conditions. Deep-water topside contract benefits for each scenario were measured in accordance with Section 6009 of the ESAA of 2005 and used to identify a recommended plan. Port of Iberia firms would likely compete with fabricators located at other U.S. ports for the topside contracts. The 24 scenarios encompassed 3 distinct GOM topside forecasts and differing assumptions of foreign or other domestic competition, contract types, topside and hull integrations, and order staging. The outcome was that 17 of 24 scenarios indicate maximum net benefits for channel deepening to 16 feet at Port of Iberia, representing more than 70 percent of the scenarios (corresponding benefit-to-cost ratios range from 2.2 to 0.8). Based on the scenario analysis results, the 16-foot channel is the plan that most reasonably maximizes net benefits and represents the minimum Federal investment that accommodates barge transport of all topsides forecast for fabrication by Port of Iberia firms.

5. The local sponsor, the Louisiana Department of Transportation and Development, prefers the 20-foot channel-deepening plan and considers it critical to Port of Iberia's future competitiveness. Such a plan includes a depth of -20 feet mean lower low water (MLLW) and a bottom width of 150 feet along the same channel segments as the recommended plan, and new floodgate structures at each end of the non-Federally constructed Freshwater Bayou bypass channel. Based on October 2005 price levels, the estimated first cost of the GNF and LERR of the locally-preferred plan is \$174,700,000. The GNF cost of \$173,000,000 includes channel excavation, floodgates, and disposal of dredged material. Non-Federal LERR are estimated to be \$1,700,000. In addition, the local sponsor would invest about \$15,700,000 for local service facilities, which include bulkhead modifications and dredging of berthing areas. Utility owners would incur approximately \$22,600,000 for removals and modification of utilities including pipelines that would otherwise obstruct navigation. The total cost of all features required for the locally-preferred plan, including GNF, LERR, local service facilities, aids-to-navigation, and utility removals is estimated at \$213,000,000.

6. It is difficult to project with some degree of certainty the future deep-water topside fabrications by Gulf of Mexico businesses and the Port of Iberia's future share of that market. As a result, there may be a need to reevaluate the feasibility of a deeper navigation channel at some point in the future. Additional authorization will be required to construct the 20-foot channel plan. When conditions warrant, additional supporting investigations must be undertaken to support the need for authorization. In order to prepare for that potential situation, it is a prudent Federal investment to include construction of the bypass channel flood gates for the 16-foot channel plan to specifications that also accommodate the 20-foot channel plan to facilitate additional channel deepening as conditions require in the future, and as such, these costs have been included in the recommended plan. The additional cost of the bypass channel floodgates construction to accommodate future expansion to a 20-foot channel plan is estimated at \$3,400,000. Likewise, utility and pipeline modifications will be specified to accommodate the 20-foot channel plan.

7. Washington level review indicates that the plan recommended by the reporting officers is technically sound, environmentally and socially acceptable, and on the basis of congressional directives, economically justified. The plan complies with all essential elements of the U.S. Water Resources Council's Economic and Environmental Principles and Guidelines for Water and Land Related Resources Implementation Studies, except for the measurement of National Economic Benefits which was modified by Section 6009 of the ESAA of 2005. Further the recommended plan complies with other administration and legislative policies and guidelines. The views of interested parties, including Federal, State and local agencies, have been considered.

8. I generally concur in the findings, conclusions, and recommendation of the reporting officers. Accordingly, I recommend that the proposed project be authorized in accordance with the reporting officers' recommended plan, with such modifications as in the discretion of the Chief of Engineers may be advisable, as it reasonably maximizes net benefits measured in accordance with Section 6009 of ESAA of 2005. My recommendation is subject to cost sharing, financing, and other applicable requirements of Federal and State laws and policies, including WRDA 1986, as amended by Section 201 of WRDA 1996. This recommendation is subject to the non-Federal sponsor agreeing to comply with all applicable Federal laws and policies, including the following requirements:

a. Enter into an agreement which provides, prior to execution of the project cooperation agreement, 25 percent of design costs;

b. Provide, during the first year of construction, any additional funds necessary to pay the full non-Federal share of design costs;

c. Provide, during the period of construction, a cash contribution equal to 10 percent of the total cost of construction of the general navigation features (which include the construction of land-based and aquatic dredged material disposal facilities that are necessary for the disposal of

dredged material required for project construction, operation, and maintenance, and, for which a contract for the federal facility's construction or improvement was not awarded on or before October 12, 1996):

d. Provide all lands, easements, and rights-of-way, including those required for relocations, the borrowing of material, and the disposal of dredged or excavated material; perform or ensure the performance of all relocations; and construct all improvements required on lands, easements, and rights-of-way to enable the disposal of dredged or excavated material all as determined by the Federal Government to be required or to be necessary for the construction, operation, and maintenance of the project;

e. Provide, operate, maintain, repair, replace, and rehabilitate, at its own expense, the local service facilities, bulkheads, and berthing areas, in a manner compatible with the project's authorized purposes and in accordance with applicable Federal and State laws and regulations and any specific directions prescribed by the Federal Government;

f. Pay with interest, over a period not to exceed 30 years following completion of the period of construction of the project, up to an additional 10 percent of the total cost of construction of general navigation features. The value of lands, easements, rights-of-way, and relocations provided by the non-Federal sponsor for the general navigation features, described below, may be credited toward this required payment. If the amount of credit exceeds 10 percent of the total cost of construction of the general navigation features, the non-Federal sponsor shall not be required to make any contribution under this paragraph, nor shall it be entitled to any refund for the value of lands, easements, rights-of-way, and relocations in excess of 10 percent of the total cost of construction of the general navigation features;

g. Accomplish all removals determined necessary by the Federal Government other than those removals specifically assigned to the Federal Government;

h. Agree, as between the Federal Government and the non-Federal sponsor, that the non-Federal sponsor shall be considered the operator of the project for the purpose of CERCLA liability, and to the maximum extent practicable, operate, maintain, repair, rehabilitate, and replace the local service facilities in a manner that will not cause liability to arise under CERCLA;

i. Shall not use funds from other Federal programs, including any non-Federal contribution required as a matching share therefore, to meet any of the non-Federal obligations for the project unless the Federal granting agency providing the Federal portion of such funds verifies in writing that the expenditure of such funds is authorized;

j. Give the Federal Government a right to enter, at reasonable times and in a reasonable manner, upon property that the Non-Federal Sponsor, now or hereafter, owns or controls for access to the project for the purpose of inspecting, operating, maintaining, repairing, replacing, rehabilitating, or completing the project;

k. Hold and save the United States free from all damages arising from the construction, operation, maintenance, repair, replacement, and rehabilitation of the project, any betterments, and the local service facilities, except for damages due to the fault or negligence of the United States or its contractors;

l. Comply with all applicable provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, Public Law 91-646, as amended (42 U.S.C. 4601-4655), and the Uniform Regulations contained in 49 CFR Part 24, in acquiring lands, easements, and rights-of-way, necessary for the initial construction, periodic nourishment, operation, and maintenance of the project, including those necessary for relocations, the borrowing of materials, or the disposal of dredged or excavated material; and inform all affected persons of applicable benefits, policies, and procedures in connection with said Act;

m. Comply with Section 221 of Public Law 91-611, Flood Control Act of 1970, as amended (42 U.S.C. 1962d-5), and Section 103(j) of the Water Resources Development Act of 1986, Public Law 99-662, as amended (33 U.S.C. 2213(j)), which provides that the Secretary of the Army shall not commence the construction of any water resources project or separable element thereof, until the non-Federal interest has entered into a written agreement to furnish its required cooperation for the project or separable element;

n. Perform, or cause to be performed, any investigations for hazardous substances that are determined necessary to identify the existence and extent of any hazardous substances regulated under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), Public Law 96-510, as amended (42 U.S.C. 9601-9675), that may exist in, on, or under lands, easements, or rights-of-way that the Federal Government determines to be required for the initial construction, periodic nourishment, operation, and maintenance of the project. However, for lands that the Federal Government determines to be subject to the navigation servitude, only the Federal Government shall perform such investigations unless the Federal Government provides the Non-Federal Sponsor with prior specific written direction, in which case the Non-Federal Sponsor shall perform such investigations in accordance with such written direction;

o. Assume, as between the Federal Government and the non-Federal Sponsor, complete financial responsibility for all necessary cleanup and response costs of any hazardous substances regulated under CERCLA located in, on, or under lands, easements, or rights-of-way that the Federal Government determines to be necessary for the construction, operation, or maintenance of the project;

p. To the maximum extent practicable, operate, maintain, and repair all project features, other than those required for general navigation, in a manner that will not cause liability to arise under CERCLA;

q. Keep and maintain books, records, documents, and other evidence pertaining to costs and expenses incurred pursuant to the project, for a minimum of 3 years after completion of the

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accounting for which such books, records, documents, and other evidence is required, to the extent and in such detail as will properly reflect total project costs, and in accordance with the standards for financial management systems set forth in the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments at 32 Code of Federal Regulations (CFR) Section 33.20;

r. Comply with all applicable Federal and State laws and regulations, including, but not limited to, Section 601 of the Civil Rights Act of 1964, Public Law 88-352 (42 U.S.C. 2000d), and Department of Defense Directive 5500.11 issued pursuant thereto, as well as Army Regulation 600-7, entitled "Nondiscrimination on the Basis of Handicap in Programs and Activities Assisted or Conducted by the Department of the Army", and all applicable Federal labor standards and requirements, including but not limited to 40 U.S.C. 3141- 3148 and 40 U.S.C. 3701 – 3708 (revising, codifying and enacting without substantial change the provisions of the Davis-Bacon Act (formerly 40 U.S.C. 276a *et seq.*), the Contract Work Hours and Safety Standards Act (formerly 40 U.S.C. 327 *et seq.*) and the Copeland Anti-Kickback Act (formerly 40 U.S.C. 276c *et seq.*).

9. The recommendation contained herein reflects the information available at this time. It does not reflect program and budgeting priorities inherent in the formulation of a national civil works construction program or the perspective of higher review levels within the executive branch. Consequently, the recommendation may be modified before it is transmitted to the Congress. However, prior to transmittal to Congress, the non-Federal sponsor, the State of Louisiana; the Port of Iberia; interested Federal agencies, and other parties will be advised of any significant modifications and will be afforded an opportunity to comment further.



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