

Testimony Presented by Martin Hettel
Senior Manager, Bulk Sales of AEP River Operations
Water Resources and Environment Subcommittee
Hearing on the reliability of the Inland Waterways Transportation System
April 18, 2012

Good morning and thank you for allowing me to testify at this hearing today. My name is Martin Hettel and I have been employed within the River Transportation Industry for 32 years, the last 16 years with American Electric Power's River Operations Division. AEP owns and/or operates 3,275 barges and 90 tow boats. Our headquarters is in Chesterfield, Missouri; and we have field offices in Pittsburgh, Pennsylvania; Lakin, West Virginia; Paducah, Kentucky; Convent, Louisiana; and Mobile, Alabama. AEP River Operations has over 1,500 employees.

In 2011, AEP River Operations transported over 74.4 million tons of cargo within the Inland Waterways Transportation System. Our traffic patterns move freight on the Gulf Coast between Brownsville, Texas and Pensacola, Florida; between New Orleans, Louisiana and Catoosa, Oklahoma; St. Paul, Minnesota; Chicago, Illinois; Pittsburgh, Pennsylvania, and all points in between.

Within the last few years, we have seen what had been a very reliable transportation system deteriorate more and more each year to the point that we now experience lock outages on a regular basis. While the reliability of the entire River Transportation System is vital to AEP River Operations, of the 74.4 million tons of cargo we moved in 2011, over 48.3 million tons were delivered into, out of, and within the Ohio River Basin. Therefore, the remainder of my testimony will focus on the extraordinarily serious problems within the Ohio River Basin.

Within the last 8 years, we have experienced several lock failures on the Ohio River. In 2003, Greenup Main Chamber was closed for 52 days. In 2004, McAlpine experienced a total river closure of 10 days. In 2005, Hannibal lock experienced a 13 day closure of the Main Chamber and, during this time, the auxiliary chamber failed which caused a total river shut down for 5 days. In 2009, Markland experienced a failure at the Main Chamber which lasted for 154 days. In 2010, we had another failure at Greenup Lock for 22 days, a failure at J. T., Meyer Lock for 9 days, and an outage at Lock 52 for 32 days. This outage at Lock 52 cost AEP River Operations \$4.6 million in delay costs. This increase in Lock outages is displayed in Attachment 1 (USACE LRD Historical Lock Outages)

An outage at Markland Lock that started on July 11th, 2011 is still not in operation and this lock is not expected to be operational until August 3rd of 2012. This will amount to 389 days the Main Chamber at Markland has been out of service. As of the end of last month, this outage has cost AEP River Operations over \$3.8 million in delays costs. If Markland does in fact get back into operation on August 3rd, the total delay cost to AEP River Operations will be over \$5.5 million for this one outage. In addition, we have Greenup Lock scheduled for yet another outage From June 3rd through September 1st of this year. This 90-day outage at Greenup will cost AEP River Operations another \$1.3 million in delay costs.

When we add up the outage at Lock 52 in 2010, the outage at Markland in 2011 through 2012 and the upcoming outage at Greenup in 2012, AEP River Operations will have experienced a total of over \$11.4 million in delay costs due to lock outages.

These outages are increasing each year. The United States Army Corps of Engineers predicts that, by the year 2015, we will experience outages at 8 lock chambers; by the year 2020 we will have outages at 14 lock chambers; by the year 2025 we will have outages at 18 lock chambers; and by the year 2030 we will have outages at 22 lock chambers. (Attachment 2 - USACE Predicted Lock outages for the Ohio River)

All of these delays affect the consumer as when the cost of transportation increases, the final cost to the consumer also increases. As we have seen in our every-day lives at the grocery store, when fuel costs increase, the costs of goods delivered to market increase. When the cost of transportation of raw materials increases, the cost of the finished product also increases. With American Electric Power, electricity to the consumer increases as our cost of delivering fuel to power plants increases. American Electric Power has looked at the predicted lock failures and put together a program that estimates the additional cost to deliver fuel to our power plants, should we experience a catastrophic failure in the upcoming years. As an example, if both chambers at Willow Island Lock fail, as the USACE predicts will occur in 2015, the cost to get the fuel to our power plants via truck, rail, and trans-loading barges around the lock, and to purchase coal on the spot market, would be over \$22 million dollars per month.

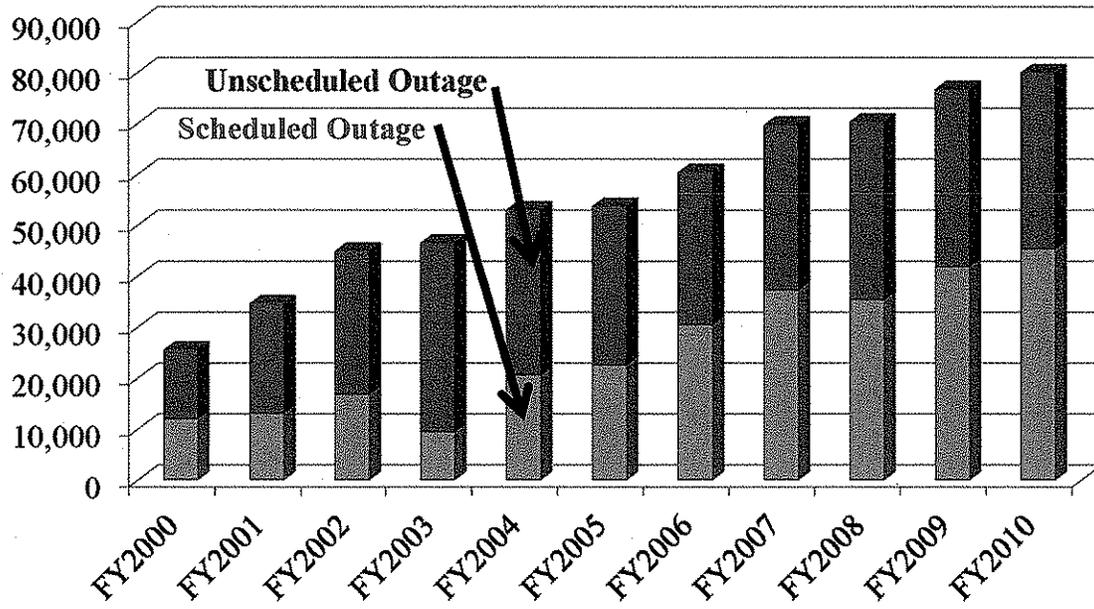
The predicted lock failures are compounded by the recent regulations the EPA has put into law, particularly the Mercury and Air Toxin Standards that will shut down coal fired power plants. With less availability for producing electricity coupled with a complete closure at a lock, such as what the USACE predicts at Willow Island, a situation could very well arise that affects the reliability of the electricity grid potentially causing brown outs or perhaps even limited black outs.

Not only do these lock delays affect the consumer within this country, it can also affect the producer of materials that are exported out of this country. With the world markets that the United States competes in, increased costs of transporting the products can put the producers at a competitive disadvantage in the world market place, thus affecting the steel producers, the coal producers, the farmers, and anyone else that competes for the export of bulk commodities out of the United States.

AEP River Operations and hundreds of other companies and organizations believe that one critically important step that Congress should take to address this situation is to approve and send to the President for his signature H.R. 4342, the "Waterways Are Vital for the Economy, Energy, Efficiency, and Environment Act of 2012". This legislation, which Congressman Ed Whitfield from Kentucky and Congressman Jerry Costello from Illinois---a member of this important Subcommittee---and others have introduced on a bipartisan basis, would put in place what we believe is a balanced, comprehensive, workable 20-year inland waterway system modernization investment program for the Nation. A second critical step Congress should take is to assure on a continuing basis that the Corps of Engineers is provided with adequate operation and maintenance funds to keep the Ohio River and the remainder of the inland waterway system functioning at an optimal level. Our Nation's inland waterways are too important to do anything less.

Thank you again for the opportunity to testify this morning. I'd be pleased to address any questions that the Subcommittee may have for me.

Attachment 1



Attachment 2

	Project	2010		2012		2015		2020		2025		2030	
		MAIN	AUX	MAIN	AUX	MAIN	AUX	MAIN	AUX	MAIN	AUX	MAIN	AUX
Upper Ohio	Emsworth		*		*		*		*		*		*
	Dashields		*		*		*		*		*		*
	Montgomery		*		*		*		*		*		*
	New Cumberland												
	Pike Island												
	Hannibal												
	Willow Island												
	Belleville												
	Racine												
	RC Byrd												
	Greenup												
	Mid	Meldahl											
Markland													
McAlpine													
Lower Ohio	Cannelton												
	Newburgh												
	JT Myers												
	Smithland												
	Locks 52							D	D	D	D	D	D
	Locks 53							D	D	D	D	D	D
Olmsted													

Martin Hettel

Career Overview

32 years of Logistics experience within the Inland Waterways.
Positions held in Inland Waterways advocacy groups.
2011-2012 Board Member Waterways Council, Inc.
2007-2010 President of the Illinois River Carriers Association
2005-2007 Secretary of the Illinois River Carriers Association

Skills

- Expertise in Logistics
- Computer proficient
- Customer service experience
- Customer service skills
- Group environments
- Computer proficient
- Employee performance reviews
- Project management skills
- Solid communication skills
- Strong organizational skills
- Supervisory experience
- Timely project completion
- Consistent work history
- Data analysis tools
- Inventory control practices

Professional Experience

Senior Manager Bulk Freight Sales

January 2012 to Current

AEP River Operations – Chesterfield, Missouri

Lead a team of seven sales positions in two different locations to coordinate bulk freight sales. Develop annual bulk freight sales budget, including long term contracts, annual contracts, and spot contracts. Coordinate pricing guidelines with the sales group. Coordinate bulk freight sales within designated traffic patterns. Create new opportunities within traffic patterns. Evaluate personnel development and advancement opportunities.

Manager Captive Services

January 2010 to December 2011

AEP River Operations – Chesterfield, Missouri

Coordinate the delivery of 30 million tons of coal and consumables to twelve river served power plants. Manage inventory levels at the twelve river served power plants. Bi-weekly travel between Chesterfield and Columbus, Ohio to build relationships with the Coal and Consumable Procurement teams in Columbus. Develop annual budget for the delivery of thirty millions tons of coal and consumable to the twelve river served power plants. Manage asset utilization within swings in coal and consumables to the twelve river served power plants. Coordinate rail to barge delivery with the Rails Transportation group in Columbus with the Barge Logistics group in Chesterfield.

Manager of Logistics

June 2005 to December 2009

AEP River Operations – Chesterfield, Missouri

Manage a group of 24 logistics personnel to coordinate the delivery of 35 million tons of customer products throughout the Inland Waterways. Develop annual budget for assets needed to transport 35 million tons of customer products throughout the Inland Waterways. Evaluate personnel for development, advancement, and disciplinary actions. Provide performance reviews for annual compensation increases and Incentive Compensation Plan.

Manager Boat Logistics

January 2001 to May 2005

AEP River Operations – Chesterfield, Missouri

Manage the Towboat Logistics group for the delivery of barges to designated traffic patterns. Manage a group of 5 personnel to coordinate towboat needs within the Inland Waterways. Evaluate personnel for development, advancement, and disciplinary actions. Provide performance reviews for annual compensation increases and Incentive Compensation Plan.

Lead Logistics Coordinator Cairo North

January 1998 to December 2000

Memco Barge Line – Chesterfield, Missouri

Coordinate the delivery of barge freight between Cairo, Illinois on the Upper Mississippi, Illinois, and Ohio Rivers. Manage a group of 5 personnel to coordinate towboat needs within the Upper Mississippi, Illinois, and Ohio Rivers. Evaluate personnel for development, advancement, and disciplinary actions. Provide performance reviews for annual compensation increases and Incentive Compensation Plan.

Logistic Coordinator Baton Rouge through Myrtle Grove

June 1996 to December 1997

Memco Barge Line – Chesterfield, Missouri

Manage the barge logistics for the Baton Rouge through Myrtle Grove corridor.

Dispatcher

February 1993 to May 1996

Tolen Marine – Paducah, Kentucky

Dispatch a fleet of seven towboats on the Ohio River.

Dispatcher

January 1991 to December 1993

Garvey Marine – Lemont, Illinois

Dispatch a fleet of 5 towboats on the Illinois River.

Dispatcher

January 1988 to December 1990

Delmar Marine – Pekin, Illinois

Dispatch Pekin Harbor and a fleet of 3 towboats on the Illinois River.

Ohio River Company

January 1987 to December 1988

Ohio River Company – Reserve, Louisiana

Dispatch the fleet at Reserve Louisiana.

Education and Training

Illinois Valley Community College 1980

Olgasby, Illinois, USA

Data Processing

Associate

AEP Projects Receiving Federal Funds Since October, 2008

Recipient	AEP's Role	Project	Source of Funding	Program	DOE Grant	Award Amount	AEP Business Unit	Funding Received in 2008	Funding Received in 2009	Funding Received in 2010	Funding Received in 2011	Total Funding Received To-Date
AEPSC (on behalf of Appalachian Power Co.)	Recipient	NextGen Plus Carbon Capture/Storage Commercialization Demonstration Project	American Recovery & Reinvestment Act of 2009 and DOE Program Funds	Expand and Refine Clean Coal Power Module Program	DE-FE0002671	\$33,000,000	Generation	\$0	\$0	\$6,169,393	\$6,316,235	\$12,485,628
Columbian Southern Power Co.	Recipient	AEP One-gas/SMART Demonstration Project	American Recovery & Reinvestment Act of 2009	Electricity Delivery and Energy Reliability, Research, Development and Analysis Program - Smart Grid Demonstration and Grid Program	DE-CE0000193	\$75,000,000	AEP One (Distribution)	\$0	\$0	\$13,996,496	\$27,759,313	\$41,755,809
PJM	Subrecipient (AEP Service Corp. in most East Jurisdictions)	PJM Synchronous Demonstration Project	American Recovery & Reinvestment Act of 2009	Electricity Delivery and Energy Reliability, Research, Development and Analysis Program - Smart Grid Investment Grant Program	DE-CE0000373	\$1,000,000 (AEP share)	Transmission	\$0	\$0	\$2,296	\$32,706	\$35,004
Oklahoma Dept. of Commerce	Subrecipient (AEP Service Corp. of Oklahoma)	PSO andSMART Demonstration Project	State of Oklahoma's State Energy Loan Guarantee Program and American Recovery & Reinvestment Act of 2009	Oklahoma's State Energy Program Amendment - Research, Development and Analysis Program - Smart Grid Investment Grant Program	DE-EE0001130 600-EE0001130 SSEEP 09	\$4,750,000 (AEP share)	PSO (Distribution)	\$0	\$0	\$2,290,000	\$2,261,665	\$4,551,665
University of Wisconsin-Madison	Subrecipient (AEP Service Corp)	CERTS Managed Demonstration Project	July 2008 DOE Research Funding (NOT ARRA)	Value and Technology Assessments to Enhance the Business Case for CERTS Managed	DE-SF02062411350	\$225,163	AEP Service Corp	\$0	\$61,687	\$138,351	\$0	\$228,038
The Programs of the University of Colorado-Larvenso Bioregional Laboratory	Subrecipient (AEP Service Corp)	CERTS Managed Demonstration Project	July 2010 DOE Research Funding (NOT ARRA)	Value and Technology Assessments to Enhance the Business Case for CERTS Managed	DE-AC02-05CH11731	\$243,802	AEP Service Corp	\$0	\$0	\$0	\$0	\$0