DEPARTMENT OF THE ARMY
MISSISSIPPI VALLEY DIVISION, CORPS OF ENGINEERS
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REPLY TO
ATTENTION OF:

CEMVD-MD-PM (1105-2-10c) 11 AUG 2003

MEMORANDUM FOR HQUSACE (CEDC), WASH DC 20314-1000

SUBJECT: Upper Mississippi River-Illinois Waterway (UMR-IWW) System Navigation Study Benefit Model Sensitivity Analysis

1. References:

a. Memorandum, CECW-PM, 2 Aug 01, subject: Upper Mississippi River and Illinois Waterway (UMR-IWW) System Navigation Study Project Guidance Memorandum.

b. Memorandum For Record (MFR), CEMVR-PM, 6 Feb 03, subject as above (encl).

2. This memo documents our use of the original Essence model in the ongoing Upper Mississippi River-Illinois Waterway (UMR-IWW) System Navigation study. Reference 1.b. contains the recommendations of the project delivery team (PDT). The PDT recommended using the original version of the ESSENCE model to conduct a sensitivity analysis of spatial equilibrium effects on commodity movements along the river. They identified the original ESSENCE model as the most effective tool currently available to evaluate commodity elasticity and provide meaningful sensitivity feedback even though the National Research Council reviewers found it not ready for use as a primary evaluation tool. The MFR was developed in collaboration with stakeholders and contained input from the Federal Principals Task Force, Regional Interagency Work Group, and other stakeholders.

3. The USACE vertical team for the UMR-IWW navigation study considered the recommendations of the PDT and concurred that the Essence model would provide meaningful results for evaluating the sensitivity of commodity movements to elasticity factors. These estimates would provide valuable information for

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performing the economic analysis. I will consider the results of economic evaluations, using both the Tow Cost Model and the ESSENCE model in the decision-making process. The PDT is developing a decision model, applying the criteria of risk, robustness, acceptability, and adaptability to assist the decision-makers in selecting a recommended plan.

4. In recognition of the need to evaluate the effects of demand elasticity on commodity movements as recommended by the study team and after discussions with you and the Federal Principals Task Force, I have decided that the ESSENCE model will be used for conducting a sensitivity analysis as described in the referenced memorandum. By this decision, and with your concurrence, I am modifying the guidance contained in reference 1.a.

5. The MVD POC for this action is Mr. Greg Ruff at (601) 634-5928.

Encl

DON T. RILEY
Brigadier General, USA
Commanding

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