



**Office of the Inspector General  
Report of Administrative Inquiry**

November 7, 2007

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INGRAM BARGE COMPANY  
OIG FILE NO. 20Z-303

We have completed our update review on the amount of coal being left in Ingram barges after they are unloaded at the Cumberland Fossil Plant (CUF). Information provided by Ingram shows that from August 1, 2006, through July 31, 2007, TVA abandoned roughly 14,000 tons of coal per month. We were advised that coal at CUF during this time period cost on average about [redacted] per ton plus [redacted] per ton for transportation, so the total cost for the abandoned coal averaged roughly \$556,500 per month, or \$6.678 million annually. We continue to believe TVA should promptly address the merits of seeking to unload this coal rather than abandoning it to Ingram.

**Background**

Under TVA's contract with Ingram, coal left in Ingram barges at CUF is considered abandoned and can be salvaged by Ingram. We understand Ingram cleans the barges and salvages the coal when it is operationally efficient to do so.

By memorandum dated October 13, 2005, we advised Fuel Supply of the results of our review into the amount of coal being left in Ingram barges after they were unloaded at TVA facilities. We noted that more coal was left in barges at CUF than any other facility and we estimated the cost for abandoned CUF coal at about \$164,000 per month.

TVA subsequently advised us the amount of coal left in the barges averaged about 58 tons per barge and it would not be cost effective to clean out the barges. This calculation was based on (1) a bid from one company of approximately \$480-550 to clean out each barge and (2) \$20 per ton for the cost of coal.

## Findings

We continued to work with management on this issue after our October 2005 report and management agreed to conduct a further analysis. We are providing this report to further that effort.

Our investigation revealed the following regarding the coal abandoned in the Ingram barges at CUF.

- Ingram provided a spreadsheet listing barges that between August 1, 2006, and July 31, 2007, were unloaded by TVA at CUF, returned to Ingram containing abandoned coal, and then cleaned at Ingram's facility. Ingram advised the tonnage amounts shown were visual estimates made by the cleaning crew at its facility. Ingram's spreadsheet listed 1,442 barges and a total of 168,135 tons. The coal listed per barge ranged from 1 to 800 tons and averaged roughly 116 tons.
- Fuel Supply advised the number of Ingram barges delivering coal to CUF is about 245 per month. The information Ingram provided the OIG indicated that Ingram cleans out roughly half of these barges.
- Fuel Supply advised the delivered cost of coal has increased since the first analysis, making the economic benefit for cleanout more compelling. Specifically, the average cost per ton of coal at CUF during the time period August 1, 2006, through July 31, 2007, was [redacted] and the cost of transportation was [redacted]. Based on the average of 116 tons left in each barge that Ingram cleaned out, that equals about [redacted] in coal left on each barge at a transportation cost of [redacted]. This average does not include barges that Ingram did not clean out; it also does not include any excess cost for replacement coal.
- In a letter to TVA dated May 26, 2006, Ingram stated the following. In response to the Request for Proposals in 2005 for transportation to CUF, they provided rate structures for dedicated and non-dedicated equipment and they expressed a willingness to establish a cleanout operation at CUF if TVA chose non-dedicated equipment. Fuel Supply stated, however, that Ingram's offer for dedicated barges was contingent on Ingram being the sole carrier of coal to CUF. Fuel Supply further advised that during August 2007 TVA received letters from Ingram indicating a willingness to discuss barge cleanout only if Ingram was the sole carrier in a longer term contract.

- TVA management informed us they have been working on a more extensive cost analysis on this issue. We were further advised in May 2007 that TVA was getting bids on cleaning out the barges and in August 2007 that TVA was negotiating with Ingram on dedicated barges and barge cleanout.

### **Recommendation**

Based on the above information, we recommend the Vice President, Fossil Operations, Region 1, in consultation with the Senior Vice President, Commercial Operations and Fuels, promptly address the merits of cleaning out barges at CUF before releasing them to Ingram.

We would appreciate being informed within 30 days of your determination of what action is appropriate on the basis of our report. In addition, if you decide to take documented action on the basis of this report, we would appreciate your sending a copy of the relevant information to this office for our file.

This report has been designated "restricted" in accordance with TVA's Business Practice 29, Information Security. Accordingly, it should not be disclosed further without the prior approval of the Inspector General or his designee. In addition, no redacted version of this report should be distributed without notification to the Inspector General of the redactions which have been made.

Our investigation of this matter is closed.



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