

415 Lincoln St.
P.O. Box 740
Holdrege, NE 68949-0740



CENTRAL
Nebraska Public Power
and Irrigation District

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September 5, 2013

Jerry F. Kenny, Ph.D., Executive Director
Platte River Recovery Implementation Program
4111 4th Avenue, Suite 6
Kearney, Nebraska 68845

Subject: Offer of Net Controllable Conserved Water Pursuant to Central's
FERC License Article 402

Dear Jerry:


Enclosed is a replacement offer to the Platte River Recovery Implementation Program (Platte Program) for Net Controllable Conserved Water achieved by conservation to fulfill the requirements of Article 402 of Central's Federal Energy Regulatory Commission (FERC) License which extends the duration of the offer to December 31, 2013.

Central's prior offer dated March 4, 2013, effective for a period of six months, is hereby expressly withdrawn.

As we discussed on the telephone, there was considerable discussion by Central's board regarding this extension, and a further extension is unlikely.

Please let me know if you have any questions.

Sincerely,


Don Kraus, P.E.
General Manager

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Enclosure

OFFER OF NET CONTROLLABLE CONSERVED WATER
PURSUANT TO CENTRAL'S FERC LICENSE ARTICLE 402

To: Jerry F. Kenny, Ph.D.
Executive Director
Platte River Recovery Implementation Program
4111 4th Avenue, Suite 6
Kearney, NE 68845

From: Don Kraus, P.E.
General Manager
Central Nebraska Public Power and Irrigation District
415 Lincoln St., PO Box 740
Holdrege, NE 68949-0740

Date: September 5, 2013

Re: Offer of Net Controllable Conserved Water Pursuant to Central's FERC License Article 402

The Central Nebraska Public Power and Irrigation District (Central) hereby makes the following offer to the Platte River Recovery Implementation Program (Platte Program) pursuant to Article 402 of Central's Federal Energy Regulatory Commission (FERC) license:

1. DEFINITIONS. Unless otherwise defined, the capitalized terms used herein shall have the meaning set forth in Central's FERC license for Project No. 1417 (FERC License).
 - a. Zero Irrigation Delivery Season shall mean an irrigation delivery season in which Central delivers no storage water or natural flow to any of its irrigation customers located on Central's Supply Canal, the E65 Canal, the E67 Canal or the Phelps Canal.
2. QUANTITY OF NET CONTROLLABLE CONSERVED WATER. The maximum quantity of Net Controllable Conserved Water being offered is 10,586 acre-feet per year. This amount is the estimated Net Controllable Conserved Water achieved by conservation counted toward fulfilling Central's obligation under the National Wildlife Federation agreement but not funded by the U.S. Bureau of Reclamation. The quantity of Net Controllable Conserved Water accepted by the Platte Program shall be the quantity entered below upon acceptance of this offer by the Platte Program not to exceed 10,586 acre-feet per year.
3. WATER SERVICE. Central shall request the Nebraska Department of Natural Resources (NDNR) to contribute to the Environmental Account on or before October 1 of each year during the term of this Agreement storage water in the amount indicated in the Platte Program's acceptance of this offer, provided, however, that a lesser amount may be contributed as follows:
 - a. In any year in which there is a Zero Irrigation Delivery Season, the quantity of storage water requested to be contributed to the Environmental Account for that irrigation season shall be zero.

- b. In any year in which there is a reduction in the allocation of water to Central's irrigation customers, a shortening of the time during which Central provides irrigation service, or other situation in which Central reasonably concludes that a reduction in the quantity of Net Controllable Conserved Water is hydrologically justified, Central shall provide to the Platte Program on or before October 1 a written explanation of the reduced amount completed by a hydrologist and request that NDNR contribute that reduced amount to the Environmental Account. Should the Platte Program notify Central in writing of a dispute with Central's explanation of the reduced amount on or before December 1, Central and the Platte Program shall settle such dispute by arbitration.
4. PURCHASE PRICE. The purchase price for the water service shall be the sum of Fifty Seven Million Nine Hundred and Twenty Two Thousand and Three Hundred Dollars (\$57,922,300) if the entire 10,586 acre-feet per year is accepted by the Platte Program, or a proportional amount of Five Thousand Four Hundred and Seventy Two Dollars (\$5472) per acre-foot if a lesser amount is accepted, due and payable to Central in full within thirty (30) days after acceptance of this offer by the Platte Program. This amount is equal to the 2013 value of the average cost in 1997 dollars accrued by Central and/or its irrigation customers, as appropriate, in achieving the conservation described in Paragraph 2 above. Because the costs of achieving the conservation are independent of whether or not there is a Zero Irrigation Delivery Season, in the event Central reduces irrigation allocations or shortens irrigation seasons, or other situations which may result in the conservation projects yielding less water savings in a particular year, there shall be no reduction in the purchase price, reimbursement, or return of payment as a result of a reduced contribution of water in accordance with 3.a. or 3.b. above.
5. TERM. The term of this Agreement shall commence when this Agreement is accepted by the Platte Program and the Platte Program makes the payment to Central set forth in paragraph 4 above and shall expire on June 30, 2038.
6. WATER APPROPRIATIONS. The source of supply for the water service shall be Central's storage appropriation A-2374 in Lake McConaughy. The storage use appropriation for the Environmental Account is A-17695. The water service delivered pursuant to this Agreement shall be consistent with and limited to the terms and provisions of the water appropriations held by Central. Storage water contributed to the Environmental Account pursuant to this Agreement shall be subject to all of the rules, regulations, terms and conditions applicable to the Environmental Account.
7. FORCE MAJUERE. Central shall not be liable for any delay or failure to perform its obligations under this Agreement caused by an event or condition beyond the reasonable control of, and without the fault or negligence of Central, including, without limitation, drought, failure of facilities, flood, earthquake, storm, lightning, fire, severe cold or other weather event, epidemic, contamination, war, terrorist act, riot, civil disturbance, labor disturbance, accidents, sabotage, or restraint by court or restrictions by other public authority which delays or prevents performance (including but not limited to the adoption or change in any rule, policy, or regulation or environmental constraints imposed by federal, state or local governments), which Central could not reasonably have avoided by exercise of due diligence and foresight. Upon the occurrence of such an event or condition, the obligations of Central under this Agreement shall be excused and suspended without penalty or damages, provided that Central shall give the Platte Program prompt written notice describing the particulars of the occurrence or condition, the suspension of performance is of no greater scope and of no longer duration than is required by the event

- or condition, and Central proceeds with reasonable diligence to remedy its inability to perform and provides progress reports to the Platte Program describing the actions taken to remedy the consequences of the event or condition.
8. **DEFAULT.** If any Party to this Agreement fails to perform or otherwise breaches any of the terms of this Agreement, then such failure shall constitute a default. In the event of default by any Party, the non-defaulting Party shall give written notice of the default to the defaulting Party. Following such written notice, the defaulting Party may cure the default within sixty (60) days. Upon cure, this Agreement shall remain in full force and effect. If the defaulting Party fails to cure, the non-defaulting Party shall be entitled to pursue in arbitration any and all legal and equitable remedies available under Nebraska law.
 9. **ARBITRATION.** If the Parties are unable to resolve amicably any dispute arising out of or in connection with this Agreement, they expressly agree that any dispute, controversy or claim arising out of or relating to this this contract, or the breach thereof, shall be settled by arbitration administered by the American Arbitration Association (AAA), or its successors, in accordance with the Commercial Arbitration Rules of the AAA, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. In respect to arbitration of disputes under Paragraph 3.b, the number of arbitrators shall be one and the arbitrator shall be selected from a panel of persons having experience and knowledge of hydrology.
 10. **ENTIRE AGREEMENT.** This Agreement contains the entire understanding of the Parties hereto with respect to the water service contemplated hereby and supersedes all prior agreements and understandings between the Parties with respect to such subject matter.
 11. **AMENDMENT.** No amendment to this Agreement shall be valid unless it is in writing and signed by the Parties hereto.
 12. **BINDING EFFECT.** This Agreement shall inure to the benefit of and be binding on the Parties, their successors and assigns.
 13. **GOVERNING LAW.** This Agreement shall be governed by and construed in accordance with the law of the State of Nebraska.
 14. **DURATION OF OFFER.** Unless sooner withdrawn by Central, this offer shall expire and will be automatically revoked unless accepted by the Platte Program on or before December 31, 2013.
 15. **ACCEPTANCE OF OFFER.** The Platte Program is requested to accept this offer by inserting below the quantity of Net Controllable Conserved Water accepted, signing in the space provided below, entering the date of its signature thereon, and returning this signed agreement to Central at the letterhead address.

THE CENTRAL NEBRASKA PUBLIC POWER AND
IRRIGATION DISTRICT,

Date 9/5/13

By Don D. Kraus
Don D. Kraus
General Manager

The foregoing offer of Net Controllable Conserved Water is hereby accepted by the Platte Program in the amount of _____ acre-feet per year.
(not to exceed 10,586)

PLATTE RIVER RECOVERY IMPLEMENTATION
PROGRAM – Office of the Executive Director

Date _____

By _____
Jerry F. Kenny, Ph.D.
Executive Director