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November 18, 2014

Senator Deb Fischer
383 Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Fischer:

I am writing in response to your letter dated November 4, 2014 regarding the J-2 Regulating Reservoirs Project.

Without question one of the most difficult aspects of this Project is the impact on landowners in and adjacent to the Project area. We are sympathetic to the affected landowners and their concerns, and we take seriously our obligation to carefully weigh the impacts on others in deciding whether and how to proceed with a project such as this.

The J-2 Project provides regulating capacity currently lacking below the Johnson No. 2 hydropower plant, which will allow Central to regulate flows to its Phelps irrigation canal or back to the Platte River. This is a very valuable enhancement that will provide many benefits. The regulating capacity provided by the J-2 Project will:

- permit Central to increase hydropower generation without increasing water use, enhancing hydropower revenue that helps pay to maintain and operate the hydro-irrigation system;
- address impacts of fluctuating hydropower operations on river flows for environmental purposes, replacing current restrictions on operations and reducing the risk of additional regulatory restrictions in the future;
- help the Platte River Recovery Implementation Program meets its water goals, thereby continuing to provide regulatory certainty and continued operation of federally permitted water projects in the Platte River basin in Nebraska, Wyoming, and Colorado, including but not limited to hundreds of thousands of irrigated acres in Nebraska and many of Nebraska's most important reservoirs and canal systems;
- help the State of Nebraska, the Central Platte Natural Resources District, the Twin Platte Natural Resources District, and the Tri-Basin Natural Resources District meet their statutory obligations to offset for impacts to Platte River flows of new well depletions, avoiding or reducing the need for more costly or less desirable alternatives such as land retirements or well pumping restrictions; and
- shift some regulating operations from Johnson Lake to the new reservoirs, which will improve water levels in Johnson Lake for recreationists and more than 800 cabin and home owners.

Responses to the questions and information requests that you raise in your letter are provided in an attachment to this letter. While we have attempted to address all of your questions, we recognize the value of face-to-face communications on such important and complex issues, and therefore suggest a meeting between you, your staff and Central senior management to further discuss the J-2 Project and answer any additional questions you might have. To arrange a meeting, or if you have further questions, please do not hesitate to contact our General Manager, Don Kraus, at 308-995-3541.

Sincerely,

Dudley L. Nelson

Dudley L. Nelson
President, Board of Directors

Enclosure

cc: Jerry Kenny, Platte River Recovery Implementation Program
Brian Dunnigan, Director, Nebraska Department of Natural Resources

Responses of The Central Nebraska Public Power District to
Questions Raised in Senator Deb Fischer's Letter of November 4, 2014
Regarding the J-2 Regulating Reservoirs Project

Below are responses to questions and information requests raised in the letter from Senator Deb Fischer to The Central Nebraska Public Power and Irrigation District (Central) dated November 4, 2014, regarding the J-2 Regulating Reservoirs Project (J-2 Project). The questions and requests from Senator Fischer's letter are restated in bold italics, followed by Central's response. Because some of the questions or information requests touch on related matters, there is some overlap or duplication in some of the responses.

Were federal funds transferred from the Platte River Recovery Implementation Program (PRRIP) to Central for this project? If so, when and what amount? By what federal authority and by what federal budgetary means were these funds authorized and appropriated?

Federal funds are not paid directly to Central for this Project. However, federal funds are paid to the Platte River Recovery Implementation Program (Program), and the Program pays Central, through the Nebraska Community Foundation (Foundation), for services received related to the J-2 Project, which Central uses to cover the costs of designing, constructing, operating, and maintaining the J-2 Project.

Federal funding of the Program comes from the U.S. Department of the Interior, and is part of the total cash and in-kind contributions (in the form of land and water) to the Program made by the federal government and the States of Nebraska, Wyoming, and Colorado (or by entities on their behalf). The total cash and in-kind contributions to the Program are as follows:

Program Contributions
(all values shown in millions of dollars, in 2005 dollars)

Contributions	Total	DOI	States	Description
Cash	187.14	157.14	30.0	CO – 24; WY – 6
Cash Equivalents				
Land	10.0		10.0	Cottonwood Ranch Deer Creek
Water			120.19	Three initial projects
Total	317.33	157.14	160.19	

The funding was based on the principle of a 50/50 cost share between the federal government and the states. Nebraska was not required to provide funding for the Program because of credit it received for water and land contributions made by Central and the Nebraska Public Power District. The U.S. Department of the Interior's share of Program funding was authorized as part of the Consolidated

Natural Resources Act of 2008. Annual funding payments are included in the United States Bureau of Reclamation budget.

So far Central has received one service payment of $14,606,250.00 from the Foundation on behalf of the Program, received on September 30, 2013.

Please describe in detail the relationship of the Nebraska Community Foundation to the J-2 Regulating Reservoir Project. Are any federal or state funds being used by the Nebraska Community Foundation for implementation of the J-2 Project?

Central is constructing and operating the J-2 Project pursuant to a Water Service Agreement (Agreement), dated July 9, 2013, to which Central, the Foundation, and the Nebraska Department of Natural Resources (Nebraska) are parties. Central will acquire and own all land and other property interests in the J-2 Project. The Foundation and Nebraska acquire no land or other property interests; they have only a contractual interest in receiving service from Central.

The Foundation serves as a contracting agent for the Governance Committee of the Program. Payments to Central from the Foundation on behalf of the Program come from the Program's cash funds. As mentioned in the previous response, Central has received one service payment of $14,606,250.00 from the Program, through the Foundation, on September 30, 2013.

Although not specified by the Agreement, Nebraska has elected to make its payments for its share of the service through the Foundation. It is Central's understanding that Nebraska's payments for the water service comes from a combination of state appropriations for the Nebraska Department of Natural Resources (Water Resources Cash Fund) and contributions by the Central Platte NRD, Tri-Basin NRD, and the Twin Platte NRD. So far Central has received one service payment of $4,868,750.00 from the Foundation on behalf of Nebraska, received on October 15, 2013. Nebraska has informed Central that the contributions to this payment from Nebraska and the NRDs are as follows:

Tri-Basin Natural Resources District	$ 389,025.00
Central Platte Natural Resources District	$ 389,025.00
Twin Platte Natural Resources District	$ 311,220.00
Nebraska Department of Natural Resources	$3,779,480.00
Total	$4,868,750.00

Which federal agencies are directly involved with the implementation of the J-2 Project? Please describe the federal agencies, their leadership (including contact information) and the nature of their involvement with the J-2 Project.

Central will be seeking a license amendment from the U.S. Federal Energy Regulatory Commission (FERC) to add the J-2 Project to its existing FERC Project No. 1417. Central currently anticipates that it will file the amendment application with FERC in the spring of 2016, though that date is subject to change. The Chairman of the Commission is Cheryl A. LaFleur. Official communication with FERC is directed through the Secretary of the Commission as follows:

Kimberly D. Bose, Secretary
Federal Energy Regulatory Commission
888 First Street, N.W.
Washington, D.C. 20426

Central will also be consulting with, and may need permits from, other federal agencies, including the U.S. Fish and Wildlife Service, the U.S. Army Corps of Engineers, and the U.S. Environmental Protection Agency. These consultations likely will all take place under the umbrella of the FERC license amendment process, with FERC as the "lead agency."

What specific state funds are being utilized to implement the J-2 Project? Please share those funding sources and the source of their appropriated funds.

As mentioned in the response regarding state funds used by the Foundation, it is Central's understanding that Nebraska's payments for the water service come from a combination of state appropriations for the Nebraska Department of Natural Resources and contributions by the Central Platte NRD, Tri-Basin NRD, and the Twin Platte NRD. So far Central has received one service payment of $4,868,750.00 from the Foundation on behalf of Nebraska, received on October 15, 2013

It appears from the description of these hearings that direct interaction with Central leadership or Board Members will be limited in nature. Concerned landowners have expressed their strong reservations regarding this official public format. Will you please apprise me of how and when verbal and written concerns, comments, descriptions and questions regarding the J-2 Regulating Reservoir will be addressed and shared with the public?

Central believes the format used for the hearings held earlier this month was appropriate and worked very well. The station format allowed for one-on-one interaction with those individuals with the expertise and knowledge necessary to provide detailed information and answer questions. We believe there was good interaction and communication between the District and the public as a result of this format – better than what is possible with the more traditional format of a presentation followed by comments and objections, because it allows for more direct and personal two-way interactive communication.

We also believe that the opportunity for direct interaction between the public and Central's leadership was enhanced, not limited, by the format. One of the four information stations was specific to Central and the needs and benefits of the J-2 Project. The station was staffed by senior management tasked with overall responsibility for permitting and implementing the project.

Copies of the written comments and objections, and transcriptions of the written comments and objections, will be distributed to Central's Board of Directors, the General Manager, relevant senior management, and relevant consultants working on the J-2 Project for full and proper consideration. These same copies and transcriptions, along with display materials from the information stations, will also be made available to the public through Central's website. Depending on the comments received, Central may decide that modifications to the proposed Project or other additional work would be appropriate.

Official Central Board Minutes in recent months make numerous references to J-2 Regulating Reservoir discussions; however, these discussions are consistently held in Executive Session and these discussions are out of the public view. I request a copy (or summation, if formal notes are not available) of these Executive Session minutes, in their entirety, for the 2012-2014 Central Board Meetings.

Meetings of Central's Board of Directors are held in accordance with the Open Meetings Act (Act). The Act provides that public bodies may meet in closed session (commonly referred to by Central's Board as "Executive Session") when necessary for the protection of the public interest, including but not limited to strategy sessions with respect to real estate purchases or pending or threatened litigation. These are the reasons for the closed sessions identified in Central's Board minutes. Minutes or other summaries of the closed sessions are not required by the Act and do not exist. The minutes state when and for what reason closed sessions were conducted.