

Responses to Objections, Comments, and Questions Raised at the J-2 Regulating Reservoirs Project Hearings of November 5-6, 2014

Central received written and oral comments and objections at public hearings regarding the J-2 Regulating Reservoirs Project (J-2 Project) held on November 5-6, 2014, in Holdrege, Lexington, and Elwood Nebraska. Below is a summary of Central's responses to several of the more significant or frequent comments, grouped together and paraphrased by topic.

Central should consider moving the J-2 Project to Jeffrey Island

Central had an engineering consultant evaluate the feasibility of moving the Project to Jeffrey Island. Based on results of this analysis, the project will not be moved to Jeffrey Island, but will continue to be developed at its current location. Although it could be technically possible to locate the Project on Jeffrey Island from an engineering standpoint, the analysis shows that the cost of such an alternative would be more than twice as expensive as the current location. The analysis study also identified additional issues with the Jeffrey Island concept, including less operating flexibility, permitting concerns, and the need to replace the required habitat lands that are the current use of the island. Initial results of the engineering study were presented at Central's board meeting on December 2, 2014, and a written report is expected to be released early in 2015. The slides from the December 2, 2014, presentation, and the written report expected in January 2015, will be made available through Central's website.

Central should consider moving the J-2 Project to another location (other than the current location or Jeffrey Island)

Central has considered various sites and alternative project concepts and has selected the current site and concept as the preferred alternative. The site selection for the J-2 Project was based on a screening analysis of multiple sites in the vicinity. Factors influencing selection include proximity to Central's facilities, proximity to the river, available construction materials, the need for gravity operations, anticipated benefits, and overall project cost. The earlier screening analysis is available through Central's website.

Public purpose, need, and benefit

Central is a political subdivision that provides hydropower, irrigation, and other benefits. The J-2 Project will add regulating capacity below Central's J-2 hydropower plant in the vicinity of where Central diverts water into the Phelps irrigation canal or returns water to the Platte River. Without this regulating capacity, Central's hydropower operations are constrained at times by other downstream regulatory or operational needs. With the J-2 Project, Central will be able to regulate water within its system, allowing Central to produce hydropower more efficiently with the same amount of water without harm to

downstream environmental or irrigation needs, and also will allow Central to regulate the return of water to the Platte River to better match flows needed for threatened and endangered species or integrated management. Central also expects some improvement to recreational water levels at Central's Johnson Lake, as certain regulatory operations would be transferred from Johnson Lake to the new regulating reservoirs.

Concerns about the appraisal received from Central

The appraisals were performed by qualified appraiser, and reviewed by a second qualified appraiser. Both appraisers are experienced in appraising similar types of properties, and followed commonly-accepted methods and practices for developing a value for each property. The appraisals serve as the basis for Central's initial offer, but are landowners can hire their own appraisers, raise concerns regarding the appraisals, or provide other information in support of their counter offers as a part of negotiations.

Purchase options, buy-back options, access options, and lease-purchase options

Central is willing to consider any options that are legal and meet the needs of the project. Acceptance of any particular proposal is dependent on the specifics of the proposal. Central will consider the overall cost of any options, and whether the option provides necessary access and eventual ownership in a timely manner.

Format of the public hearings

State statutes require that certain information must be presented at the public hearings, and that there must be an opportunity for objections to be heard and considered, but do not otherwise specify a particular format for the hearings. The open-house format utilized by Central was beneficial in providing a far better opportunity for members of the public to get information most important to them, through more personal and engaging interaction with topic-area experts (in other words, Central and its experts were able to talk with the public, rather than merely talk to the public), as compared to the more traditional speaker-audience format. Comments were recorded and transcribed and made available to Central's staff, consultants, directors, and the public to assure that objections are appropriately considered.

Concerns about seepage and/or breach

The reservoir and embankments are being designed by qualified and experienced engineers. The design firm has selected to design the dams using the well-proven technology of a low-permeability soil liner to avoid damaging adjacent ground from excessive seepage. The dam will be designed high enough and with appropriate facilities to avoid overtopping or otherwise breaching. A drainage monitoring and collection system around the embankments is being contemplated. Although the design is intended

to prevent damages from seepage and/or a breach, Central would be responsible for documented damages to adjacent lands from seepage or breach should they occur.

Payment of property taxes

Under Nebraska law, Central cannot pay property taxes for the land it owns or acquires, but instead makes an “in-lieu-of-tax” payment to the counties. However, this in-lieu-of-tax amount is fixed by law, and would not increase with the additional land acquisitions made for the J-2 Project. The Platte River Program, one of the entities contracting with Central for water retiming service from the J-2 Project, has decided that it will provide some payment to the counties or school districts under its “good neighbor” to partially offset the loss of property tax revenue.

What if the needs for endangered species change or go away?

Central cannot predict the likelihood or consequences of future changes in environmental policy and regulation, including the possibility that the retiming services that are one of the benefits of this project will no longer be needed. The consequences of any such hypothetical future changes on this or any other project or water use would be dependent on the specifics of those changes, should they occur. Central does not anticipate any changes in the near future that would make the project lose its operational value once constructed.

Issues related to animals, plants, fish, cultural resources, aesthetics, economic impacts, mosquitoes, dust, etc.

These issues, including information provided in written or recorded comments at the hearings, will be considered as part of the U.S. Federal Energy Regulatory Commission (FERC) permitting process in accordance with the National Environmental Policy Act (NEPA).

Road relocation design

The road and intersection designs associated with relocating county roads around the J-2 Project will be developed in accordance with commonly-accepted engineering standards. Comments from the Public Hearing regarding roadway and intersection issues will be considered.

Road paving

The current roads that are to be relocated are gravel roads, and so Central intends to replace them with gravel roads. It is up to the counties whether and when to pave any of these roads. Central will check with the counties as to whether they would like to pave the roads at the same time that they are relocated.