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Upper Republican NATURAL RESOURCE DISTRICT

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Republican River Basin NRD Boards:

Although it is preferable that the State of Nebraska move to the forefront in meeting the challenge of maintaining compliance without imposing substantial negative effects on the constituents of the Republican basin, it is imperative action be taken without further delay, while the State ponders which course of action it will pursue. The Upper Republican Natural Resources District has elected to put forth an additional plan for assisting the State of Nebraska in complying with the Republican River Compact and Settlement Agreement, which the State of Nebraska negotiated and entered into with Colorado and Kansas. Notwithstanding the fact that NRDs are not structured nor funded to assume the leadership role in representing the State of Nebraska in interstate matters, compliance is such a critical issue that the Upper Republican Natural Resources District is of the conviction that in order to achieve any meaningful progress towards compliance a plan should be submitted to the basin water users and the legislature to allow immediate action without further delays.

It is the philosophy of the Upper Republican Natural Resources District that a basin plan should meet three primary goals: First, the plan should provide a means for the state to comply with the compact obligations in the most expeditious manner possible. Second, a basin plan should minimize the economic impact on the basin, while maintaining compact compliance. Finally, a plan should provide equitable treatment of water users within the basin. Each of these goals is of equal importance and one should not be sacrificed in order to attain another.

The State and basin must be prepared to deal with varying climatic circumstances and the plan must be flexible enough to allow responses to these variations. The plan must include mechanisms to address, over the long-term, the ability of the State to remain in compliance in times of short-term drought conditions such as the ones the basin is currently experiencing. Insuring the State's uses continue to be within the long-term average allocation will most likely be accomplished by employing regulatory schemes which have long-term impacts. Undoubtedly, we will continue to focus on offsetting the lag effect resulting from past pumping to the extent that it increases over time, as well as depletions from any new uses. Almost without exception, the management tools currently employed by the basin NRDs, such as allocations and irrigation retirement have positive effects which are, and will be, realized over an extended period of time. Additional long-term management issues that need to be dealt with are the control of riparian vegetation and channel maintenance. However, in order to adequately address periods of drought which do occur, it is imperative that a plan also contain methods which achieve results within a relatively short period accounted in terms of the compact. Thus, an effective plan must target reductions in use to an area where the benefits will be recognized immediately and step-up efforts to increase the basins water supply, which should include retiming the benefits of long-term management activities through streamflow augmentation.

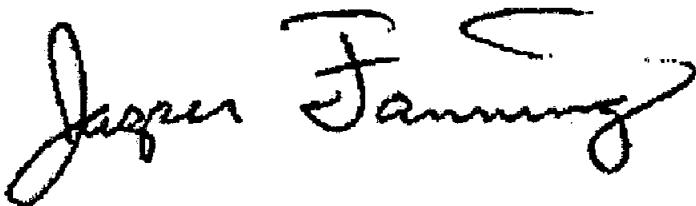
One of the major obstacles which may be encountered in implementing an effective basin plan is funding. Any efficient plan must consider the ability to levy property taxes at the current levels to fund the administrative expenses associated with basin-wide compliance activities. Further, in the event it is necessary that local funding be implemented, the most reasonable alternative appears to be a per acre fee imposed on all irrigated acres located in the basin as a fair means of generating additional local funds. Additionally, it is our position that in order to assure equitable treatment that the per acre fee be limited to a maximum of \$10.00 and the funds generated locally be matched to provide activities for compliance and for reduction of consumptive use.

The Upper Republican Natural Resources District realizes there are differences between the natural resources of the Districts, even within the basin. These differences are what make maintaining local control a paramount for the best management of natural resources within this basin and the state. In our proposed basin plan that we've outlined, we recognize that the differences between upland and alluvial water uses and the timing of their

impact on streamflow will require that different regulations be considered for each type of use. The reductions will necessarily, be targeted at the alluvial areas of the basin. Furthermore, targeting reductions nearer Kansas with the intent of delivering water to Kansas would require reduction disproportional across the basin. These differences we feel will require the use of compensation programs to reach an equitable solution. These funds would largely be derived from upland areas that would not be regulated as severely during drought periods.

This proposed plan is what this District feels is the next step that must be taken in a process that has been stalled for some time. We have discussed the various options without any action being taken for far too long. In light of recent discussions and meetings with the other NRDs and the State, we are of the belief that the NRDs and the State are closer to agreement than most may perceive. However, we still do not anticipate the State formulating and recommending a plan that would maintain compliance, while achieving the goals stated above, which we are convinced a basin plan should strive to accomplish. Thus, we offer this proposal to take the first step in formulating a practical and achievable basin plan. We hope that the other Districts in the basin and the state will continue to cooperate in the development and implementation of a plan that will protect the constituents and the economy of the basin. It is our desire to present a plan that is supported by all of the NRDs in the basin to the legislature in anticipation that they will act in time and manner which would not delay this critical issue for any longer.

Respectfully,

A handwritten signature in black ink that reads "Jasper Fanning". The signature is written in a cursive, flowing style.

Jasper Fanning
General Manager

Outline of Republican River Basin Compliance Plan
offered by the Upper Republican NRD on 2/6/2007

This proposed plan is meant to be a starting point for discussion among basin NRDs and the NDNR in formulating and implementing a compliance plan. In no way is it thought that this initial draft is complete or that the items included are not open for discussion or revision. We intend that this outline can merely be used to stimulate the seemingly stagnant process of formulating a compliance plan for the basin and anticipate that all of the parties involved will offer input to the process, so that the basin can formulate the best compliance plan possible.

1) Goals:

- a) Comply with compact as soon as possible
- b) Comply with means that cause least economic impact
- c) Compensate individuals disproportionately burdened

2) Funding:

- a) Current \$0.03 levy (continued)
 - i) For administration of compliance plan activities

3) Per acre irrigated fee

- a) For funding local share of compensation of alluvial water users during drought periods
- b) For funding local share of augmentation, vegetation removal, etc.
- c) Authorized as maximum fee per acre (\$10)
 - i) Local match(20%) to State funding(80%) of Compliance Activities (\$5)
 - ii) Local programs for local groundwater management activities (\$5)
- d) Paid on every irrigated or allocated acre
 - i) Tax records and Certified acres should match so can be collected by County Treasurer
- e) Industrial water use should pay as well?

4) Compliance Activities (immediate, Intermediate, and Long-term are meant to describe how quickly the benefits of these activities will be realized):

5) Immediate Compliance Activities

- a) Reduce use and storage of surface and alluvial groundwater similarly situated to the extent necessary to comply with compact.
- b) Augment supplies.

6) Intermediate Compliance Activities

- a) Manage vegetation.
- b) Channel management.

7) Long Term Compliance Activities

- a) Regulation (is Already occurring for groundwater)
 - i) Offset lag effect.

(1) The 5% reduction in 2005 was partly to offset recent increases in lag effect.

- ii) Offset new uses.

8) Acknowledgements (or some of the remaining things that the basin must decide how to deal with):

- a) Most reductions in use will occur in alluvial areas where response is quickest or most efficient.
 - i) All NRDs have varying percentages of development in alluvial areas.
- b) Upland areas would contribute majority of local funding from per acre fee.
 - i) Upland areas can offer little in water for immediate compliance activities, thus increased financial contribution would be required to maintain equity.
- c) Allocations will have to continue to be adjusted to maintain consumptive use within Nebraska's normal compact allocation (primarily in the upland).

9) NRDs represent all of the people within the basin.

10) State funding will be necessary.