

January 29, 2010

Transmitted by U.S. Mail

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Re: Water District 63-S Low Temperature Geothermal Water Rights Settlement
Discussions in the Snake River Basin Adjudication

Dear settlement discussion participants:

At the Terteling Company, Inc.'s request, hydrogeologist Ed Squires has run a simple regression analysis using the available water level data from the Edwards well for the period from 2002 to 2008 (the most recent period of available and consistent water level data). The selected data are from a period after the aquifer "settled down" from the wide fluctuations experienced during the 1980's and 1990's when groundwater withdrawals for irrigation lessened significantly and aquifer pressures recovered dramatically for several years. A copy of the resulting plot is enclosed for your information. The regression analysis establishes that water levels in the Stewart Gulch geothermal wells have been (and are) dropping at an average rate of about 0.63 feet per year. These declines are occurring at an overall withdrawal volume that is significantly less than the cumulative diversion rate of the licensed water right holders; they are also occurring even though the overall withdrawal rate from the aquifer is currently decreasing by about 2.8 acre-feet per year. In the event of future colder winters and drier summers necessitating additional withdrawals, or in the event of District 63-S water users otherwise producing a greater percentage of their water rights, further aquifer pressure declines are expected to be significant.

SRBA Geothermal Water Rights Settlement Participants

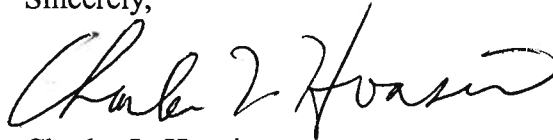
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Accordingly, The Terteling Company, Inc. believes it is premature to set a "trigger water level" that would incur administration of wells and water users in District 63-S, and will not agree to any "trigger levels" in the aquifer that serve to act as markers for purposes of determining when pumping will be curtailed. This is because the data and analysis suggest that any "trigger level" set will certainly be reached - it is only a matter of time until all water users will need to use pumps, rather than artesian (above ground) pressures to obtain their water rights.

Thus, based upon this regression analysis and the Terteling Company Inc.'s position resulting therefrom, settlement in the Snake River Basin Adjudication of the overriding issue raised by Edwards' objections (the protection of aquifer pressures) seems to be impossible. We thank you all for your participation in the settlement discussions. Unfortunately, it appears that the only method of resolving these objections is through litigation.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles L. Honsinger". The signature is fluid and cursive, with the first name "Charles" being the most prominent part.

Charles L. Honsinger

enclosure

cc: Client
Ed Squires

Comparison of State Water District 63-S Total Low-Temperature Geothermal Groundwater
 Production with Aquifer Pressures in the Edwards Greenhouse Well 4N/2E 29ACDB1:
 Linear Regression of IDWR's Most Recent Complete Data Set (WY2003-WY2008)

