

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

RECEIVED

JUN 27 2014

**DEPARTMENT OF
WATER RESOURCES**

This is to certify that: **BIG SKY DAIRY**
PO BOX 407
JEROME ID 83338
(208) 934-9072

filed an application to rent water from the Water Supply Bank ("Bank"). The Idaho Water Resource Board ("Board"), being authorized to operate a Bank and to contract by and through the Director of the Idaho Department of Water Resources ("Director, Department") for rental of water from the Bank, agrees to rent water as follows:

Summary of Water Rights or Portions Rented from the Bank

Water Right	Priority Date	Source	Tributary	Rented Rate	Annual Rented Volume	Acre Limit	Total Rented Acres
45-7355	8/21/1978	Ground water		2.05	434.3 af	NA	NA
45-13549	8/21/1978	Ground water		0.24	58.8 af	NA	NA
Total Annual Combined Limit				2.05	493.1 af	NA	NA
45-7335	9/19/1978	Ground water		1.06	241.7 af	NA	NA

Annual Combined Rental Totals **3.11 cfs 734.8 af NA 183.7 ac***

*This rental provides the irrigation of 182.5 acres based on the headgate requirement of 4 AF/acre as follows:
734.8 acre-feet / 4 af per acre = 183.7 acres; however the rental application was for 182.5 acres.

Rental Fee: **Years 2014-2017 \$1,249.16 annually**
 Year 2018 \$1,469.60

The fee for rental of the above-described water is \$12,491.60 for years 2014-2017 and \$14,696.00 in 2018. Because you own the above referenced water rights you are obligated to pay ten percent (\$1,249.60/\$1,469.60) to the Department for administrative costs only. An annual payment shall be received by the Department prior to February 15 each year for the duration of the rental period. The agreement will be void if payment is not received prior to the due date in a given year. To terminate the agreement prior to the end of the rental period, written notice must be received by the Department at least 30 days prior to the rental fee due date. No rental fees will be refunded once the fee is collected and the start date for a Rental Agreement has passed.

Detailed water right conditions are attached.

SUPPORT DATA

IN FILE # 45-7335

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

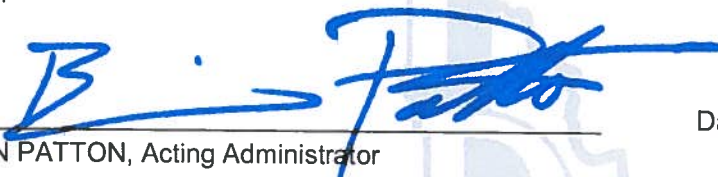
The undersigned renter agrees to use the water rented under this agreement in accordance with the Water Supply Bank rules and in compliance with the limitations and conditions of use described in this agreement:

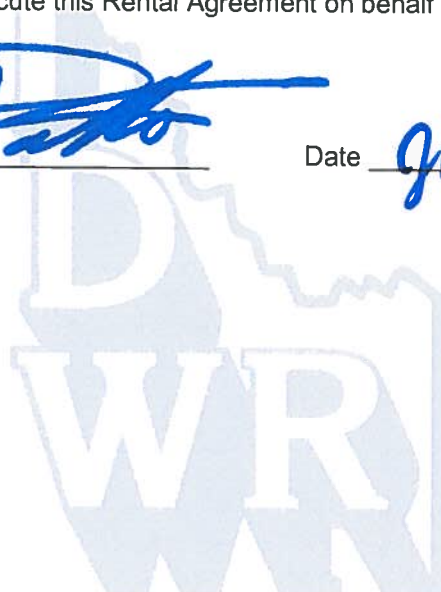
 Michael Bosma, Partner 6-25-14
Signature of Renter Printed Name and Title* Date

Signature of Renter Printed Name and Title* Date

*Please provide title of signatory if signing on behalf of a company or organization or with power of attorney

Having determined that this agreement satisfied the provisions of Idaho Code § 42-1763 and IDAPA 37.02.03.030 (Water Supply Bank Rule 30), for the rental and use of water under the terms and condition herein provided, and none other, I hereby execute this Rental Agreement on behalf of the Idaho Water Resource Board.

By  Date June 27, 2014
BRIAN PATTON, Acting Administrator
Idaho Water Resource Board



STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
WATER SUPPLY BANK RENTAL AGREEMENT

WATER USE DETAILS

LOCATION OF POINT(S) OF DIVERSION

GROUNDWATER SE¼SE¼SW¼ Sec. 23 Twp 12S Rge 21E CASSIA County

BENEFIAL USE

IRRIGATION

SEASON OF USE

03/01 TO 11/15 for water rights 45-7335 and 45-7355
3/15 to 11/15 for water rights 45-13549

RENTER'S PLACE OF USE: IRRIGATION

Twp	Rge	Sec	NE				NW				SW				SE				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
12S	21E	24									30.9	29.1	28.5	29.4		32.4	32.2		182.5

Total Acres: 182.5

CONDITIONS APPLICABLE TO ALL RENTED WATER RIGHTS

1. The use of water under this agreement shall be subject to the provisions of Idaho Code § 42-1766.
2. Rental of the specified right from the bank does not, in itself, confirm the validity of the right or any elements of the water right, or improve the status of the right including the notion of resumption of use. It does not preclude the opportunity for review of the validity of this water right in any other department application process.
3. Use of water under this agreement does not constitute a dedication of the water to renter's place of use, and upon expiration of this agreement, the points of diversion and place of use of the water shall revert to those authorized under the water right and/or again be available to rent from the bank.
4. This rental does not grant any right-of-way or easement to use the diversion works or conveyance works of another party.
5. Use of water under this agreement shall not prejudice any action of the Department in its consideration of an application for transfer or permit filed by the applicant for this same use..
6. Renter agrees to comply with all applicable state and federal laws while using water under this agreement.
7. Renter agrees to hold the Board, the Director and the state of Idaho harmless from all liability on account of negligent acts of the renter while using water.
8. Renter acknowledges and agrees that the Director may terminate diversion of water if the Director determines there is not a sufficient water supply for the priority of the right or portion thereof being rented.
9. Failure of the renter to comply with the conditions of this agreement is cause for the Director to rescind approval of the rental agreement.
10. Prior to diversion and use of water under these rights, the right holder shall install and maintain acceptable measuring device(s) at the authorized point(s) of diversion, in accordance with Department specifications. Water diverted from any authorized well for use at the dairy must be measured independently from the irrigation water also diverted from the well.
11. The water rented under this agreement is appurtenant to irrigation of 183.7 acres.

12. This rental agreement does not authorize the construction of a well.
13. These rights when combined with all other rights shall provide no more than 0.02 cfs per acre nor more than 4.0 afa per acre at the field headgate for irrigation of the lands above.
14. Use of water under this right will be regulated by a watermaster with responsibility for the distribution of water among appropriators within a water district. At the time of this approval, this water right is within State Water District No. 140.
15. The water right(s) referenced above is accepted into the bank and rented in accordance with a private agreement formulated between the lessor and the renter. Administrative fees will be paid based on the current rental rate.

CONDITIONS APPLICABLE TO RIGHT 45-13549

16. This right is based upon an enlargement of Right No. 45-7355 pursuant to Section 42-1426, Idaho Code.
17. This water right is subordinate to all water rights with a priority date earlier than April 12, 1994, that are not decreed as enlargements pursuant to Section 42-1426, Idaho Code. As between water rights decreed as enlargements pursuant to Section 42-1426, Idaho Code, the earlier-priority right is the superior right.



RECEIVED
APR 03 2014
DEPARTMENT OF
WATER RESOURCES

Water Supply Bank No. _____
(For Department Use Only)

STATE OF IDAHO
WATER RESOURCE BOARD

APPLICATION TO RENT WATER
FROM THE WATER SUPPLY BANK

Name of Renter BIG SKY DAIRY Phone (208) 934-9072

Mailing address PO BOX 407 JEROME, ID 83338 Email _____

A. DESCRIPTION OF WATER SOUGHT FOR RENT

1. Maximum Flow Rate (cfs) 3.35 Maximum Volume (ac-ft) 734.8 Nature of Use IRRIGATION Period of Use 03/01 to 11/15

Total: 3.35 734.8

2. Source of water GROUND WATER tributary to _____

3. Point(s) of Diversion:

Twp	Rge	Sec	Lot	¼	¼	¼	County
12S	21E	23		SE	SE	SW	CASSIA

4. Lands to be irrigated or place of use:

Twp	Rge	Sec	NE ¼				NW ¼				SW ¼				SE ¼				Totals
			NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	NE	NW	SW	SE	
12S	21E	24									30.9	29.1	28.5	29.4		32.4	32.2		182.5

If the use is for irrigation, show total number of acres proposed through rental. **Total Acres** 182.5

B. OWNERSHIP

1. Do you own the land at the proposed point of diversion? Yes ☒ No ☐

If no, list owner, contact information, and provide documentation of the authority to use the proposed point of diversion. _____

2. Do you own the land at the proposed place of use? Yes ☒ No ☐

If no, list owner, contact information, and provide documentation of the authority to use the proposed place of use. _____

C. MAP

Attach a map identifying the proposed point(s) of diversion, place(s) of use, and water diversion and distribution system details as described by this application in section A. Include legal description labels.

D. GENERAL INFORMATION

1. Please provide a description of the proposed diversion system. One well, listed above, currently provides water for the lands listed. No change will be made to the current irrigation system to accommodate this rental.
2. Describe any other water rights diverted through the same point(s) of diversion or used for the same purpose(s) as described above.
NONE
3. Will the proposed place of use receive water from any other source? Yes ☐ No ☒
If yes, describe. _____
4. If the proposed use is not for irrigation, please provide a detailed description of the proposed use and how you determined the amount of water required. Attach additional sheets if needed. N/A
5. Are there any other applications pending before the Department, such as an application for permit or transfer, for the same use(s) proposed by this rental? Yes ☐ No ☒
If yes, describe. _____
6. Was this rental application submitted in response to a Notice of Violation or a pending Notice of Violation? Yes ☒ No ☐
If yes, describe. Violation has not been issued, but the lands listed are currently being irrigated without water right and if this application is not approved a Notice of Violation will be issued.

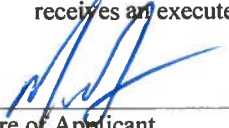
E. RENTAL TERM

1. Do you wish to rent water from the Board's bank for more than one (1) year? Yes ☒ No ☐
If yes, please specify the number of years desired through proposed rental. 5

I hereby assert that the information contained in this application is true to the best of my knowledge. I understand that any willful misrepresentations made in this application may result in rejection of the application or cancellation of an approval.

If this application is approved, the applicant agrees to the following:

1. The use of water under this agreement shall be subject to the provisions of Section 42-1766, Idaho Code.
2. Renter shall comply with all applicable state and federal laws while using water under this agreement.
3. Renter shall hold the Board, the Director, and the state of Idaho harmless from all liability on account of negligent acts of the renter.
4. The Director may terminate diversion of water if the Director determines there is not a sufficient water supply for the priority of the right or portion thereof being rented.
5. Failure of the renter to comply with the conditions of this agreement is cause for the Director to rescind approval of the rental agreement.
6. Renter is not authorized to use water proposed by this application until the rental fees are paid in full and the renter receives an executed copy of the agreement signed by the Director.


Signature of Applicant

Michael Bosma, Partner
Printed Name and Title*

3-24-14
Date

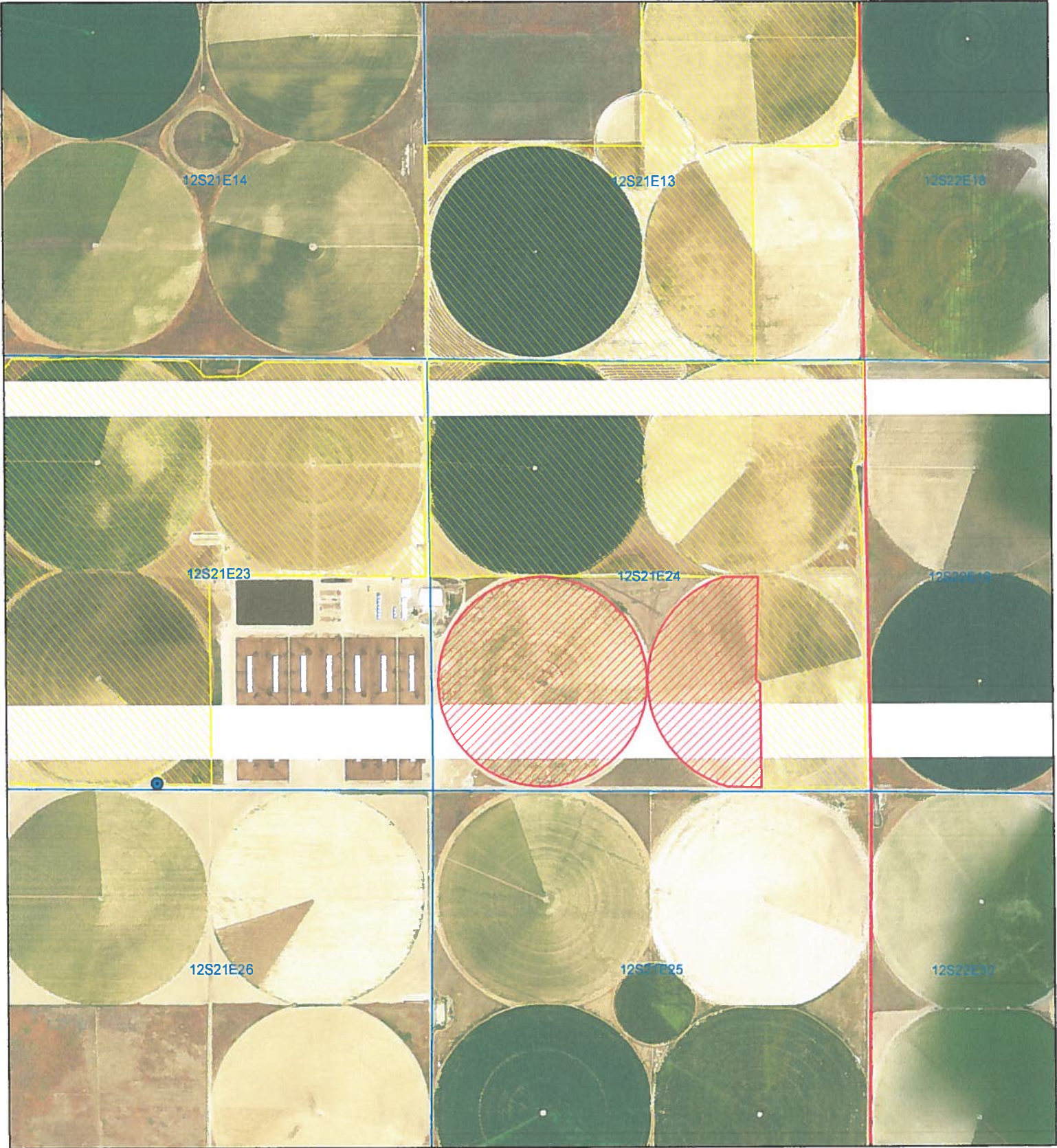
Signature of Applicant

Printed Name and Title*

Date

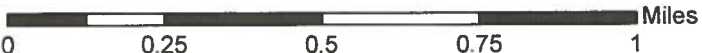
*Please provide title of signatory if signing on behalf of a company or organization or with power of attorney

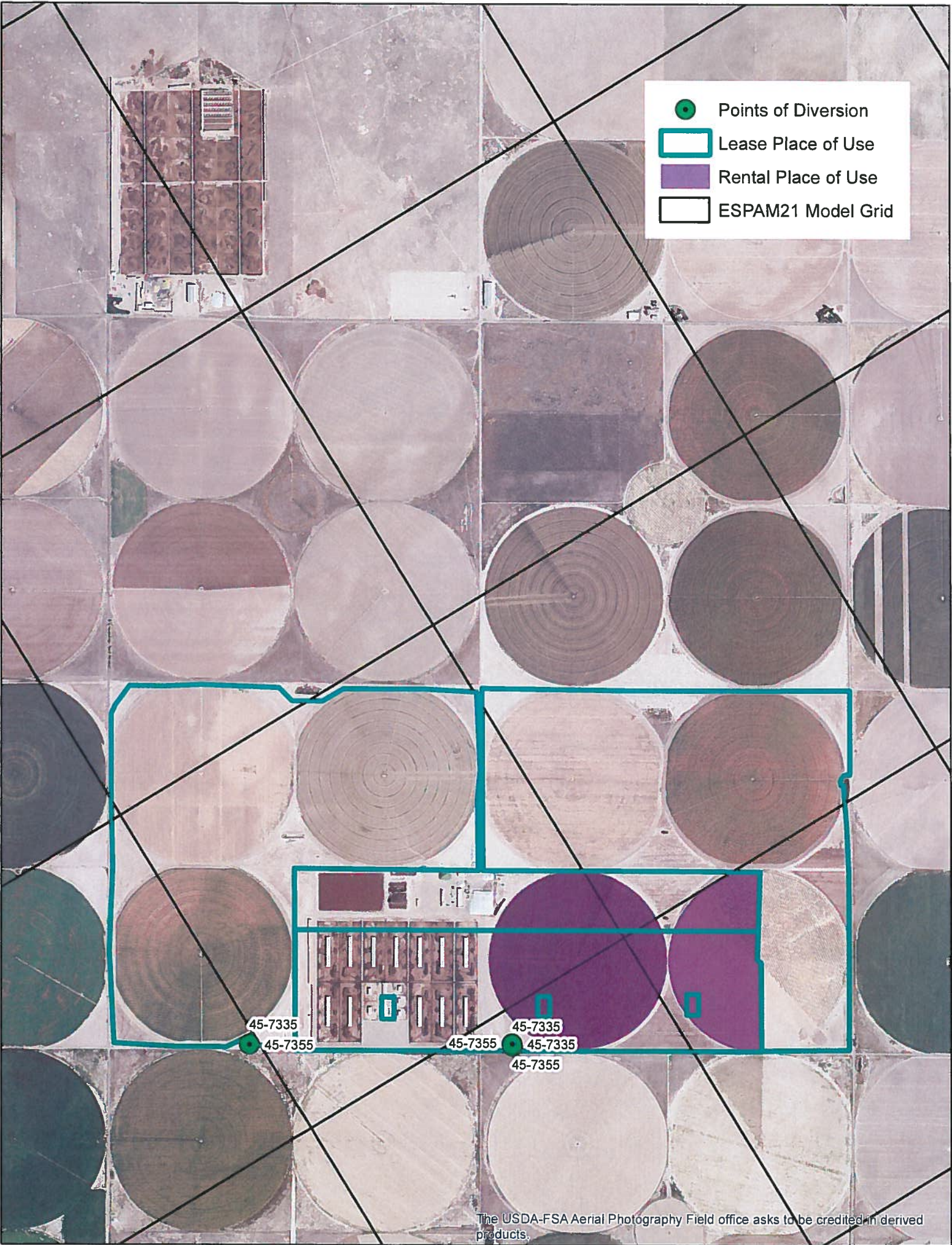
Big Sky Dairy- Water Bank Rental



● Big Sky POD  Rental POU  Current IRR POU  Township/Range  Sections

Created By: Jaxon Higgs, Water Well Consultants Inc.
2011 NAIP Aerial Imagery
IDWR Water Right Shapes downloaded March, 2013









State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098

Phone: (208) 287-4800 • Fax: (208) 287-6700 • Web Site: www.idwr.idaho.gov

GARY SPACKMAN
Director

C.L. "BUTCH" OTTER
Governor

June 30, 2014

BIG SKY DAIRY
PO BOX 407
JEROME ID 83338

**RE: RENTAL OF WATER FROM THE WATER SUPPLY BANK
WATER RIGHT NO(S). 45-07335, 45-07355 AND 45-13549**

Dear Renter:

Please find enclosed a receipt in the amount of **\$1,249.16** and a copy of a fully executed Water Supply Bank Rental Agreement in connection with the rental of 734.8 acre-feet of water for irrigation of 182.5 acres during 2014. Upon receipt of this fully executed agreement, you are authorized to divert water in compliance with the conditions of water use described in the agreement.

Pursuant to the Water Supply Bank Rules, the rental fee will be retained by the Department to offset administrative costs since you are the owner of the right(s).

If you have any questions, please contact me at (208) 287-4944.

Sincerely,

Cherie Palmer
Senior Water Resource Agent
WSB Process Point of Contact

Enclosure(s): Receipt No. C099074
Rental Agreement (copy)

c: Sascha Marston – Fiscal
Allen Merritt – IDWR Southern Regional Manager
Brian Higgs – State Water District No. 140



State of Idaho

DEPARTMENT OF WATER RESOURCES

322 East Front Street • P.O. Box 83720 • Boise, Idaho 83720-0098

Phone: (208) 287-4800 • Fax: (208) 287-6700 • Web Site: www.idwr.idaho.gov

GARY SPACKMAN
Director

C.L. "BUTCH" OTTER
Governor

June 19, 2014

BIG SKY DAIRY
PO BOX 407
JEROME ID 83338

**RE: APPLICATION TO RENT WATER FROM THE WATER SUPPLY BANK
WATER RIGHT NO(S). 45-07355 AND 45-13549**

*****TIME SENSITIVE RESPONSE REQUIRED*****

Dear Applicant:

The Department of Water Resources acknowledges receipt of your application to rent water from the Water Supply Bank. **I have enclosed a Water Supply Bank Rental Agreement for your review and signature.** Upon signature and return of the original agreement, together with the rental fee described below, the Department will also sign the original agreement and return an executed copy to you. Execution of the agreement and compliance with the conditions of approval authorize diversion and use of water as provided in the agreement.

A rental fee of \$12,491.60 was calculated based on the current rental rate of \$17.00 per acre-foot times a diversion volume of 734.8 acre-feet through 2017. The rental rate increases in 2018 to \$20.00 per acre foot. Since you are both the lessor and the renter of the right(s), **you are only obligated to pay the 10% administrative fee or \$1,249.16 annually through 2017 and 1,469.60 in 2018.** An annual payment shall be received by the Department prior to the execution of this agreement and prior to February 15 in all subsequent years for the duration of the rental period. The agreement will be void if payment is not received prior to the due date in a given year. If you would like to terminate the agreement prior to the end of the rental period, you must submit written notice of your intent to the Department at least 30 days prior to the rental fee due date.>

Please send a check for \$1,249.16 made payable to the Idaho Department of Water Resources, **together with the signed rental agreement, within 14 days** so I can complete processing.

If you have any questions, please contact me at (208) 287-4879.

Sincerely,

Sandra Thiel
Water Resource Planner

Enclosure(s)

c: IDWR Front Desk

MEMORANDUM

To: Water Right No(s). 45-7335, 45-7355 and 45-13549
From: Sandy Thiel
Date: June 12, 2014
Re: Review of Applications to Lease Water Rights to the State Water Supply Bank

PURPOSE/NARRATIVE: The Department received a lease/rental application package on April 3, 2014.

In 2006 Shoulder 3 Ranches Inc and Cranney Land Company LLC filed an application for transfer. They intended convert water from irrigated land to a large dairy. They added stockwater and commercial beneficial uses to these water rights. These original owners intended to build 2 milking barns. Only one barn was built. Big Sky Dairy is the current owner. They assumed they could use their commercial and stockwater to irrigate and continued watering the lands where the second facility was to have been built.

Based on the incomplete 2006 transfer of beneficial use to commercial and stockwater the land is currently being irrigated without a water right. The water master suggested that Big Sky Dairy put the unused portions of the commercial and stockwater into the bank and rent it back for irrigation. If this application is not approved a Notice of Violation will be issued. At this time no notice of violation has been issued.

Although the transfer was not fully accomplished the partial development prevents the Department from considering forfeiture for non use. Typically, water rights for dairies are combined into commercial and stockwater uses. The stockwater component of these water rights is considered non-consumptive while the commercial element is fully consumptive. Since the water rights were never fully transferred to commercial and stockwater we can we can recognize that the consumptive use will remain the same as the original irrigation.

Big Sky intends to lease/rent these rights for 5 years. No change will be made to the irrigation system to accommodate the rental. The combined limits for these rights are 3.11 cfs and 734.8 AF. They intend to use this water to irrigate 182.5 acres. No modeling was required for this rental. The water for the irrigation rental water will be delivered through the same points of diversion as the lease.

AUTHORITY TO FILE: The applications were signed by Michael Bosma, partner.

WATER RIGHT VALIDITY: The water rights were decreed in 2006 and have continued to be used.

INJURY TO OTHER WATER RIGHTS: No injury is apparent.

ENLARGEMENT OF USE: No enlargement is evident.

LOCAL PUBLIC INTEREST: Review staff has no information to suggest this application is inconsistent with the local public interest.

BENEFICIAL USE/CONSERVATION OF WATER RESOURCES: The lease appears consistent with the conservation of water resources in Idaho.

DEPARTMENT STAFF OR WATERMASTER COMMENTS: The rented rights are subject to Water District # 140. The water master for 140 encouraged Big Sky Dairy to seek this lease/rental. Comments were solicited from Southern regional office. They had no concerns.