



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

July 16, 2013

THE VALLEY CLUB INC
PO BOX 252
SUN VALLEY ID 83353

Re: Permit 37-21338 and Compliance with Condition #7 of the Permit

Dear Permit Holder(s):

On October 7, 2012, I conducted a field examination for the permit listed above. The next step in the appropriation process is to issue a water right license based on my findings. By issuing a license, the Idaho Department of Water Resources (IDWR) confirms the extent of development that has been established in compliance with the terms of the permits. Condition #7 of the permit states:

Filling of the reservoir(s) established in connection with this right is consumptive to the Big Wood River system. The right holder shall provide the volume of water to fill and/or refill the reservoir(s) from some other authorized source of water, such as the Water Supply Bank operated by the Water resource Board, or the right holder shall mitigate for the volume of water diverted and stored under this right. If the right holder employs the mitigation option for filling the reservoir(s), the right holder's mitigation plan shall be approved by the Department prior to the diversion of water to storage under this right.

Before a license can be issued, the Department must confirm that all of the conditions of the permit have been met. During my review of the conditions, I did not find a proposed mitigation plan or a Water Supply Bank application pursuant to the above condition. At this time a license cannot be issued until the above condition has been satisfied.

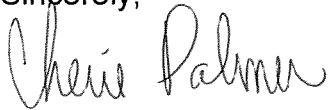
At this point, you may provide documentation that demonstrates how this condition was met. If you did not comply with the condition or cannot provide evidence that the condition was met, you may provide the volume of water to fill the ponds through the Water Supply Bank during the 2013 season. If you must rent water as described in this letter, I have enclosed an application to Rent Water from the Water Supply Bank.

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IDWR will hold further action on this permit for 14 days in order to allow you time to respond. If a response is not received within 14 days, pursuant to Section 42-219(6), Idaho Code, we may issue an order voiding the permit.

If you have any questions regarding this matter you may contact me at (208) 287-4944. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in cursive script that reads "Cherie Palmer".

Cherie Palmer, Sr. Water Resource Agent
Water Allocation Bureau

C: Erick Powell-Brockway Engineering PLLC
Kevin Lakey-Watermaster for District 37, Big Wood River