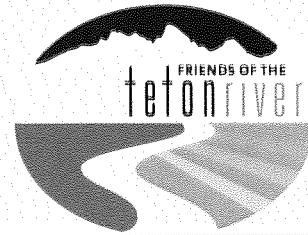


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WATER RESOURCES

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MEMORANDUM

To: Monica Van Bussum, Idaho Water Supply Bank

From: Sarah Rupp, Friends of the Teton River

Date: February 14, 2013

Re: Spring Creek Water Leases - Teton Basin Water Transactions Programs

Spring Creek is a tributary to the upper Teton River, near Teton, Idaho. The tributary offers excellent fish and wildlife habitat and historically supported a robust Yellowstone cutthroat trout population. There are several active diversions on Spring Creek that annually create low flow conditions. Low flow conditions occasionally prevent juvenile Yellowstone cutthroat trout (age class 0-1) from out-migrating to the Teton River in the fall, reduce valuable rearing habitat, and increase stream temperatures. Restoring flows in Spring Creek will have a positive impact on the fishery as a whole and help encourage the recovery of Yellowstone cutthroat trout populations in the upper Teton River.

Friends of the Teton River and the Idaho Water Resource Board (IWRB) have been working with four water right owners who divert water at the Teton Canal point of diversion off of Spring Creek. These four water right owners include the following: The City of Teton (water right nos. 22-11579 and 22-13536), Mitchell Smaellie (water right no. 22-00380B), Richard LaVere Beard (water right no. 22-00380C), and Richard & Ella Beard (water right no. 22-11993). Each is committed to leasing their water rights into the Idaho Water Supply Bank, to be rented by the IWRB for delivery to the Teton River minimum stream flow (water right no. 22-7369), through Idaho's Water Transaction Program. The IWRB voted unanimously on November 28, 2012 to approve each of these transactions and, at that time, passed funding resolutions authorizing the expenditure of funds by the IWRB to fund the lease and rental of these water rights.

Two of the water right owners – the City of Teton and Mitchell Smaellie – have *donated* their rights to the Idaho Water Transaction Program, to be put into the Water Supply Bank for a term of five years. The value of the water rights, and therefore the Board's 10% Administrative Rental Fee, has been calculated utilizing the consumptive use portion of the water rights (at 2.5 AF/acre) and the current base rental rate in the Water Supply Bank (of \$17/AF). Based upon these assumptions, it is anticipated that the rental and lease fees will be as follows:

City of Teton

- Water Right Nos.: 22-11579 and 22-13536 (125 irrigated acres)
 - Duration of Lease: 5 years
 - Anticipated Water Supply Bank Fees:
 - **Lease Application Fee: \$500** (\$250/water right)
 - **10% Administrative Rental Fee: \$2,656.25** (125 irrigated acres * 2.5 AF/acre * 5 years * \$17/AF = \$26,562.50 * 10% = \$2,656.25)

Mitchell Smaellie

- Water Right # 22-00380B (3.5 irrigated acres)
 - Duration of Lease: 5 years
 - Anticipated Water Supply Bank Fees:
 - **Lease Application Fee: \$250**
 - **10% Administrative Rental Fee: \$74.38** (3.5 irrigated acres * 2.5 AF/acre * 5 years * \$17/AF = \$743.75 * 10% = \$74.38)

The other two water right owners – Richard LaVere Beard and Richard & Ella Beard – shall be compensated through the Idaho water Transaction Program for leasing their water rights into the Water Supply Bank for a term of five years. Bob Loucks conducted an agricultural valuation of the water rights, valuing them at \$87.65/acre. The valuation is based upon the historical use of the water rights, which included generating one cutting of hay and then pasturing the aftermath. It is anticipated that the Boards 10% Administrative Rental Fee will be calculated based upon the total rental price of the water right, which includes the 10% rental fee and the landowner payment of \$87.65 per acre per year, as follows:

Richard LaVere Beard

- Water Right # 22-00380C (5.8 irrigated acres)
 - Duration of Lease: 5 years
 - Total Rental Price of the Water Right: \$2,824.28 (5.8 acres * \$87.65/acre * 5 years = \$2,541.85 + 10% fee of \$282.43 = \$2,824.28)
 - Anticipated Water Supply Bank Fees:
 - **Lease Application Fee: \$250**
 - **10% Administrative Rental Fee: \$282.43** (Total rental price of the water right calculated at \$2,824.28 * 10% = \$282.43) of \$2,541.85 * 10% = \$282.43

Richard and Ella Beard

- Water Right #22-11993 (8.5 irrigated acres)
 - Duration of Lease: 5 years
 - Total Rental Price of the Water Right: \$4,139.03 (8.5 acres * \$87.65/acre * 5 years = \$3,725.13 + 10% fee of \$413.90 = \$4,139.03)
 - Anticipated Water Supply Bank Fees:
 - **Lease Application Fee: \$250**
 - **10% Administrative Rental Fee: \$413.90** (Total rental price of the water right calculated at \$4,139.03 * 10% = \$413.90)

Each of the water rights and the proposed lease/rental has been reviewed by Lyle Swank and Tony Olenichak of Water District 1 (WD1). No concerns have been raised with the ability to deliver the water through the reach of concern (located on Spring Creek) to the new point of diversion (located on the Teton River). Nor is any injury to other water users, junior or senior, anticipated. E-mail correspondence from Mr. Swank and Mr. Olenichak regarding this matter has been attached to this briefing memorandum.

Van Bussum, Monica

From: Case, Morgan
Sent: Wednesday, March 06, 2013 2:34 PM
To: Van Bussum, Monica
Subject: RE: Spring Creek Bank transactions

Helen was supposed to make a payment for the leases. Can you check with her? And did the paperwork include the summary memo? We also have an email from Lyle that provides some context that I can send if its not included. The rental payments will work the same as the others. We'll get all 5 years worth of payments and transfer it to the WSB after we verify compliance. Give me a call if you have any questions 407.6862

Thanks!

Morgan

-----Original Message-----

From: Van Bussum, Monica
Sent: Wed 3/6/2013 2:09 PM
To: Case, Morgan
Cc: Pearson, Mandi
Subject: Spring Creek Bank transactions

Hi Morgan,

Mandi just brought the packet of Spring Creek applications by. Have you transferred the lease application fees yet? If not, is that going to be an end-of-the-year thing like the rental payments? Thanks!

Monica

MONICA VAN BUSSUM

Sr. Water Resource Agent

Coordinator, State Water Supply Bank

Idaho Department of Water Resources

322 East Front Street

PO Box 83720

Boise, ID 83720-0098

(208) 287-4907

Fax: (208) 287-6700

Sarah Rupp

From: Swank, Lyle <Lyle.Swank@idwr.idaho.gov>
Sent: Tuesday, October 30, 2012 9:41 AM
To: Olenichak, Tony; Case, Morgan
Cc: Sarah Rupp
Subject: RE: Teton River Basin Transaction

Tony,

My analysis of the proposed change of the 5 water right identified from Tetonia Canal on Spring Creek to the mouth of Spring Creek is the same as yours. Because this particular Creek is a gaining stream, moving to the mouth of Spring Creek should not adversely impact the users between the Tetonia Canal and Spring Creek mouth.

Based on my knowledge of the local hydrology this is a gaining reach. Unless there are diversions between the previous point of diversion and the new location of the water use, and who have benefited either directly or indirectly from the previous localized diversions, we do not anticipate injury. If, during the time period this water is in the Water Bank, there is shown to be an adverse impact or injury to other water users, the water bank transaction could be allowed to expire and would not need to be renewed.

This particular situation does not necessarily apply to other tributaries who may have different hydrological circumstances.

Morgan, please use this email as my response to the requested watermaster remarks.

Lyle Swank, P.E.
Watermaster,
Water District 1

From: Olenichak, Tony
Sent: Thursday, October 25, 2012 11:04 AM
To: Swank, Lyle
Cc: Case, Morgan; Sarah Rupp (sarah@tetonwater.org)
Subject: FW: Teton River Basin Transaction

Lyle,

A request is being made to change the delivery of 5 water rights from the Tetonia Canal on Spring Creek near the Town of Tetonia through the State Water Bank, moving the point-of-diversion for the 5 rights downstream approximately 3 ½ miles from the Tetonia Canal to a measured point on Spring Creek near the Breckenridge diversion where Spring Creek meets the Teton River. The 3 ½ mile section of Spring Creek between the Tetonia Canal and the newly proposed delivery point is perennial and likely never falls under the guise of futile call. Assuming a measurement-section can be established at the newly proposed delivery point at the mouth of Spring Creek and there is no loss of water through the 3 ½ mile section, it appears to me there wouldn't be any impact on other Spring Creek water users if the 5 water rights were delivered to the new measurement point in contrast to delivering the water rights to the Tetonia Canal headgate when the water rights are in priority.

If you agree with this analysis or have any other thoughts, would you please forward your Watermaster response to Morgan Case so she can proceed with processing of the water transaction?

Tony Olenichak

Program Manager
Water District #1
208-525-7171

From: Case, Morgan
Sent: Tuesday, October 23, 2012 12:40 PM
To: Olenichak, Tony
Subject: Teton River Basin Transaction

Tony,

As you are aware, Friends of the Teton River is partnering with the Idaho Water Resource Board to develop a flow restoration project (water transaction) in the Teton River Basin. Sarah Rupp, from FTR, has identified several water users who are willing to lease their Spring Creek water rights into the Water Supply Bank for delivery to the Teton River Minimum Stream Flow.

The Board would like your perspective as the watermaster about these transactions. Specifically, whether it is possible to deliver the water rights in priority.

I have attached the proof reports for the 5 water rights under consideration.

Thank you for your time and consideration of this matter.

Morgan

*Morgan Case
Staff Biologist
Idaho Department of Water Resources
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Coeur d'Alene, ID 83815
Phone 208.762.2803
Fax 208.287.2819*