



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

C.L. "BUTCH" OTTER

Governor

GARY SPACKMAN

Director

April 24, 2012

KNIFE RIVER CORP
4055 PROFESSIONAL WAY
IDAHO FALLS ID 83402

RE: WATER SUPPLY BANK LEASE FOR 25-14351; RELATED RIGHT NO. 25-14344

Dear Lessor:

On October 7, 2008, the Department approved the lease of 35-7310A to the Water Supply Bank for an indefinite period. On October 24, 2011, the Department approved the Transfer 77450, which split Right No. 25-14351 from 35-7310A. Condition No. 1 of Transfer 77450 says, "The approval of Transfer 77450 as described under Right 25-14351 mitigates for the depletion of water caused by the diversion and use of water under Right 25-14344. To prevent injury to other water rights, the right holder shall cease diverting water under Right 25-14351, which shall remain un-diverted."

When water is leased to the Water Supply Bank, that water is made available to other water users. However, water under Right No. 25-14351 must remain un-diverted, as stated in the transfer approval. Right No. 25-14351 is not eligible for lease to the Bank because it provides mitigation for use of water under 25-14344 and because 25-14351 must remain un-diverted. Marketing of Right No. 25-14351 in the Water Supply Bank would potentially cause enlargement in water use and would be impermissible according to the Water Supply Bank Rules (also known as IDAPA 37.02.03).

You were notified of the Water Supply Bank lease by letter in February 2012. We have not received return correspondence. Because of the potential for injury and enlargement by continued lease in the Bank and potential rental of the water right, **we are terminating the lease effective immediately.**

If you have questions regarding this matter, please contact me at 287-4907.

Sincerely,

Monica Van Bussum
Sr. Water Resource Agent

C: Lyle Swank – IDWR Eastern Regional Office
James Cefalo – Watermaster, Water District 120