



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

June 3, 2011

C. L. "BUTCH" OTTER
Governor

GARY SPACKMAN
Interim Director

STIMSON LUMBER CO
PO BOX 7400
COEUR D ALENE ID 83816

RE: APPLICATION TO LEASE ALL OF WATER RIGHTS 95-4597 AND 95-8262 TO THE
WATER SUPPLY BANK

Dear Applicant:

On April 9, 2009, the Department received your applications to lease the rights above to the Water Supply Bank. We recently began reviewing those applications and have some important information. Your original applications for both water rights said, "The Mill Sites, LLC has acquired approximately six percent of the right from Stimson Lumber Company as evidenced by the enclosed Notice of Change in Water Right Ownership and supporting documents." No change of ownership was submitted for either water right in 2008. Unfortunately, without the appropriate documentation, we cannot change the ownership for either water right. However, since the water right was owned by Stimson Lumber, we can process the applications in that name.

Water Supply Bank Rule 25.02.a (also known as IDAPA 37.02.03.025.02.a) requires the applicant to submit "evidence that the water right has been recorded through court decree, permit or license issued by the Department." 95-4597 is considered a statutory claim, meaning it has not been verified by the Department in a previous adjudication, or through the permitting and licensing process. Therefore, 95-4597 does not satisfy the requirements of Rule 25.02.a and we must deny your application.

However, the Department of Water Resources ("Department") has completed its review of your application to lease 95-8262 to the Water Supply Bank ("Bank"). The offered water right is accepted into the Bank in accordance with the attached Water Supply Bank Lease Acceptance. If you do not agree with the conditions of the Lease Acceptance and would like to withdraw your water right from the Bank, you must contact the Department within thirty (30) days of receipt of this notification.

The right will automatically be released from the bank on **December 31, 2014**, unless the right is released earlier by the Board, or upon request by the lessor. To change the term of the lease or to release the right from the Bank, you must submit a request in writing to the Department prior to the release date.

Please review the conditions of acceptance listed on the Lease Acceptance and contact me if you have any questions at (208) 287-4907.

Additionally, you may wish to file Northern Idaho Adjudication (NIA) claims instead of or in addition to these lease applications, as both water rights will be included in the NIA. IDWR will verify the extent of use for 95-4597 and determine the extent of changes, if any, for 95-8262 when it reviews them in the NIA. If, after it goes through the adjudication process, you still wish to lease 95-4597 to the Water Supply Bank, you can apply again at that time. The lease for 95-8262 will be modified by whatever the Department recommends in the NIA. Water rights in a pending adjudication are protected from forfeiture.

Please feel free to contact me at (208) 287-4907 if you have any questions.

Sincerely,

A handwritten signature in black ink, reading "Monica Van Bussum". The signature is fluid and cursive, with the first name "Monica" being more prominent.

Monica Van Bussum
Sr. Water Resource Agent

Enclosures: Bank lease acceptance for 95-8262; Bank lease application for 95-4597

C: Bob Haynes – IDWR Northern Regional Office
Michael P. Lawrence – Givens Pursley LLP
Scott King – SPF Water Engineering
The Mill Sites LLC – PO Box 3070; Coeur d'Alene, ID 83816