

LAW OFFICES OF

**RACINE OLSON NYE BUDGE & BAILEY
CHARTERED**

201 EAST CENTER STREET
POST OFFICE BOX 1391
POCATELLO, IDAHO 83204-1391

TELEPHONE (208) 232-6101
FACSIMILE (208) 232-6109

www.racinelaw.net

SENDER'S E-MAIL ADDRESS: rcb@racinelaw.net

LOUIS F. RACINE (1917-2005)
WILLIAM D. OLSON
W. MARCUS W. NYE
RANDALL C. BUDGE
JOHN A. BAILEY, JR.
JOHN R. GOODELL*
JOHN B. INGELSTROM
DANIEL C. GREEN**
BRENT O. ROCHE
KIRK B. HADLEY
FRED J. LEWIS
MITCHELL W. BROWN
ERIC L. OLSEN
CONRAD J. AIKEN***
RICHARD A. HEARN, M.D.†
DAVID E. ALEXANDER††
LANE V. ERICKSON**
PATRICK N. GEORGE**
SCOTT J. SMITH
STEPHEN J. MUHONEN
BRENT L. WHITING
LISA R. TANNER†††
JUSTIN R. ELLIS
JOSHUA D. JOHNSON‡
JONATHAN S. BYINGTON
DAVE BAGLEY
CAROL TIPPI VOLYN‡‡
THOMAS J. BUDGE

BOISE OFFICE

101 SOUTH CAPITOL
BOULEVARD, SUITE 208
BOISE, IDAHO 83702
TELEPHONE: (208) 395-0011
FACSIMILE: (208) 433-0167

IDAHO FALLS OFFICE

477 SHOLP AVENUE
SUITE 203A
IDAHO FALLS, ID 83402
TELEPHONE: (208) 526-6101
FACSIMILE: (208) 526-6109

*ALSO MEMBER WY & IL BARS
**ALSO MEMBER UT BAR
***ALSO MEMBER CO BAR
†ALSO MEMBER D. C. BAR
††ALSO MEMBER MO BAR
†††ALSO MEMBER CA BAR
‡ALSO MEMBER IL BAR
‡‡ALSO MEMBER WA BAR

October 10, 2006

Lyle Swank, Manager
Water District 01
900 N. Skyline Drive, Suite A
Idaho Falls, Idaho 83402-1718

Hal Anderson, Secretary
Idaho Water Resource Board
P.O. Box 83720
Boise, Idaho 83720-0098

RE: IGWA Leases - ASCC Storage Water Lease Agreement Dated 7/16/2006

Dear Lyle and Hal:

For your convenient reference, I am enclosing copies of my letter of July 21, 2006, to Lyle Swank regarding water that the Idaho Ground Water Appropriators, Inc. ("IGWA") leased on behalf of North Snake, Magic Valley, Aberdeen-American Falls, Bingham and Bonneville-Jefferson Ground Water Districts (the Districts) and placed into the Water District 01 Rental Pool pursuant to private leases with FMC Idaho, Mitigation, Inc., and the Aberdeen-Springfield Canal Company ("ASCC"). At that time the \$.80/AF Water District 01 Rental Pool fee and the 10% State Water Bank administrative fee had been paid on all leases, excepting the lease with ASCC.

IGWA on behalf of the Districts has now paid to ASCC a total of \$120,000 in rent due under the Lease Agreement (Rental Pool rate of \$5 plus \$1 = \$6 per AF total times 20,000 AF = \$120,000). Enclosed please find checks as follows:

1. \$12,000 payable to the IWRB for the 10% State Water Bank fee; and
2. \$16,000 payable to Water District 01 for the \$.80 per AF Rental Pool fee.

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Lyle Swank
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Based on the foregoing, it is IGWA's position that no additional administrative fees are owing. We await the final Water District 01 year-end accounting regarding water leased by IGWA and delivered to Twin Falls Canal Company ("TFCC") (to mitigate alleged injury in 2005 pursuant to the Director's July 17, 2006 Fourth Supplemental Order on Replacement Water Requirements for 2005) and also to Northside Canal Company. The July 17 Order established 25,873 AF as the obligation of IGWA on behalf of the Districts to mitigate alleged injury in 2005 to TFCC. This obligation was met as follows:

5000 AF -	2006 WDO1 Rental Pool Lease
1827 AF -	2005 FMC Lease (Groundwater)
15,000 AF -	Mitigation, Inc.
<u>4,046 AF -</u>	2006 FMC Lease (Palisades Storage) (of 4674 AF available)
25,873 AF -	Total

Water placed by IGWA into the Water District 01 Rental Pool for 2006 pursuant to the Lease Agreements provided with my July 21, 2006 letter is as follows:

5000 AF -	Palisades storage water pursuant to FMC Lease
1827 AF -	Ground water delivered in 2005 pursuant to FMC Lease, pending final water rights accounting for 2006
5000 AF -	2006 Water District 01 Rental Pool Lease
37,000 AF -	Mitigation, Inc.
<u>20,000 AF -</u>	Aberdeen-Springfield Canal Company Lease
68,827 AF	Total

If you have any questions regarding the foregoing, please contact me.

Sincerely,

RANDALL C. BUDGE

RCB:rr
Enclosures
cc: IGWA

Tim Deeg, President
Lynn Tominaga, Executive Director
Mike Creamer
ASCC - Steve Howser, Manager
IDWR - Karl J. Dreher, Director