

IDAHO GROUND WATER APPROPRIATORS, INC.

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Members:

American Falls-Aberdeen GW District
Bingham GW District
Bonneville-Jefferson GW District
Madison GW District
Magic Valley GW District
North Snake GW District
Southwest Irrigation District
Busch Agricultural Resources, Inc.
Jerome Cheese
United Water Idaho, Inc.
City of American Falls
City of Blackfoot
City of Chubbuck
City of Heyburn
City of Jerome
City of Paul
City of Post Falls
City of Rupert

July 21, 2006

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

By U.S. Mail and Fax:
525-7177

RE: IGWA Leases - Rental Fees

Dear Lyle:

On July 10, 2006, the Idaho Ground Water Appropriators, Inc. ("IGWA") on behalf of North Snake, Magic Valley, Madison, Aberdeen-American Falls, Bingham and Bonneville-Jefferson Ground Water Districts ("the Districts") sent a letter to IDWR Director Karl J. Dreher to comply with his June 29, 2006 Third Supplemental Order Amending Replacement Water Requirements ("June 29 Order") to provide 27,006 AF of water to disburse to the benefit of Twin Falls Canal Company ("TFCC") to compensate it for alleged material injury to its natural flow water rights in 2005. This water was provided "under protest" for the reasons stated in the letter. In response the Director issued on July 17, 2006, a Fourth Supplemental Order on Replacement Water Requirements for 2005 ("July 17 Order").

Paragraph 1 of the July 17 Order reduced from 27,006 AF to 25,873 AF the obligation of IGWA on behalf of the Districts to mitigate alleged injury in 2005 to TFCC. The Order further directed IGWA to place into the Water District 01 Rental Pool through its private leases with FMC Idaho, Mitigation, Inc., and the Aberdeen-Springfield Canal Company a minimum of

19,046 AF of storage water and to pay the established administrative fees and surcharges of the Idaho Water Resources. Yesterday, we provided you with copies of the following Leases to comply with the July 17 Order:

1. FMC - covers ground water and 5000 AF Palisades storage. (The July 17 Order indicates that IGWA should be given credit in 2006 for a total of 1827 AF for the ground water delivered in 2005 under this Lease, pending final water rights accounting for 2006.)
2. 2006 WD 01 Rental Pool Lease - 5000 AF.
3. Mitigation, Inc. - 37,000 AF total of which approximately 15,000 AF remains after deliveries this year to North Side Canal Company.
4. Aberdeen-Springfield Canal Company ("ASCC") - 20,000 AF.

The \$.80/AF Water District 01 Rental Pool fee and 10% State Water Bank administrative fee have been previously paid on the 2006 Water District 01 Rental Pool Lease by IGWA check number 650 in the amount of \$31,500 mailed to you by letter dated May 30, 2006.

The administrative fees on the ground water portion of the FMC Lease and the water available under the Mitigation, Inc. exchange were paid in full by IGWA in 2005. The FMC lease credit under the July 17 Order relates to the ground water delivered in 2005 with the amount being credited in 2006. The Mitigation, Inc. water also resulted from exchange of water leased from the High Lift Pumpers group in 2005 on which all administrative fees were previously paid.

The administrative fees on the 4,674 AF of 2006 Palisades storage under the FMC lease and the 20,000 AF of storage available under the 2006 ASCC lease have not been paid. The 25,873 AF to be delivered to TFCC will be met as follows:

5,000 AF - 2006 WD01 Rental Pool Lease
1,827 AF - 2005 FMC Lease Goundwater
15,000 AF - Mitigation, Inc.
4,046 AF - 2006 FMC Lease of Palisades storage (of 4674 AF available)
25,873 AF - TOTAL

The additional administrative fees owing on the FMC storage are calculated as follows:

$(4046 \text{ AF} \times \$0.80 \text{ Rental Pool Fee} = \$3,236.80) + (4046 \text{ AF} \times \$2.41 \times 10\% \text{ Water Bank Fee} = \$975.09)$ for a **Total of \$4,211.89.**

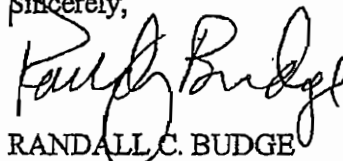
Attached is a copy of IGWA's check in the amount of \$4,211.89 as full payment of the

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administrative fees currently owing. The original has been mailed for signature and forwarding to you. We believe this fully satisfies the July 17 Order.

Accordingly, based on the forgoing it is IGWA's position that no additional administrative fees are owing at this time and that the July 17 Order has been fully complied with.

Sincerely,



RANDALL C. BUDGE
General Counsel/Secretary

Enclosures

cc: Karl J. Dreher, Director
Lynn Tominaga
Randall C. Budge
Mike C. Creamer
Ground Water Districts