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JUN 06 2007

DEPARTMENT OF
WATER RESOURCES

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May 29, 2007

Gary Spackman
Idaho Department of Water Resources
P.O. Box 83720
Boise, Idaho 83720-0098

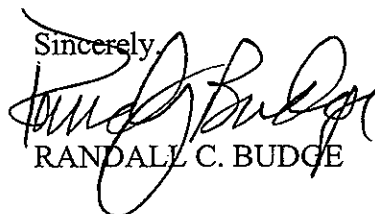
Re: *Sam's Hollow Water Company*
Application for Permit Nos. 11-07481 and 11-07491

Dear Gary:

Regarding the above matter, I have attached for your convenient reference a copy of your letter of June 8, 2006, suggesting that the errata sheet be wrapped into the previous Water Management and Operations Plan for Mitigation. Dr. Brockway did incorporate the errata sheet as suggested. However, it has come to my attention that the revised document was not provided to you due to inadvertence. Accordingly, I am enclosing a revised Water Management and Operations Plan for Mitigation - Revised, dated June 19, 2006, which incorporates the errata sheet and is a final document.

Our apologies for the oversight and delay.

Sincerely,


RANDALL C. BUDGE

RCB:rr

Enclosure

cc: Sam's Hollow Water Co./Doug Johnson
Charles E. Brockway



State of Idaho

DEPARTMENT OF WATER RESOURCES

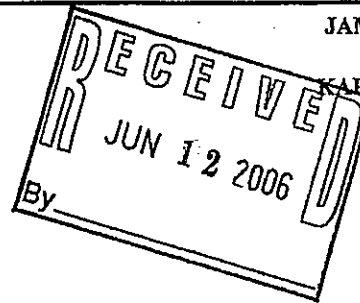
322 East Front Street, P.O. Box 83720, Boise, ID 83720-0098

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June 8, 2006

JAMES E. RISCH
Governor

KARL J. DREHER
Director



RANDALL C BUDGE
ATTORNEY AT LAW
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JUN 06 2007

DEPARTMENT OF
WATER RESOURCES

Re: Sam's Hollow Water Company
Application for Permit Nos. 11-7481 and 11-7491

Dear Randy:

This letter documents final approval of the water management and operation plan for mitigation and an operations manual for Sam's Hollow Water Company. The documents satisfy the requirements of permit to appropriate water nos. 11-7481 and 11-7491.

In my letter dated January 19, 2006, I attempted to make the corrections as easy as possible by only requiring an errata sheet rather than resubmit the entire operations plan. Charles E. Brockway submitted a single sheet which contains the necessary information requested, but does not fit in page numbering or in text placement into the operations plan. As a result, the errata sheet is out of place. It seems to me that replacement of two or three pages in the document could have resulted in a professional looking document that would avoid confusion by future readers. I gingerly request that the information in the errata sheet be wrapped into the previous document text and resubmitted.

Respectfully,

Gary Spackman

Cc: Charles E. Brockway
bcc: Service List

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 9th day of June, 2006, a true and correct copy of the document(s) described below were served by placing a copy of the same in the United States mail, postage prepaid and properly addressed to the following:

Document(s) Served: Letter written by Gary Spackman, dated June 8, 2006, to
Randall C. Budge

RANDALL BUDGE
RACINE OLSON NYE BUDGE & BAILEY
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POCATELLO ID 83204-1391

LEON HOWELL
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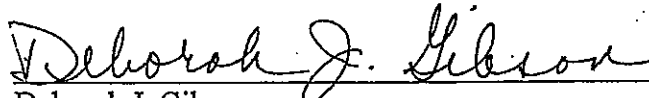
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Deborah J. Gibson

Project No. 370-01-1999

Water Management and Operations Plan for Mitigation - Revised

Prepared for:

Sam's Hollow Water Company
Bear Lake, Idaho

June 19, 2006

For information concerning this report, contact
Charles E. Brockway, Ph.D., P.E.



CHARLES E. BROCKWAY, PH.D., P.E.
CHARLES G. BROCKWAY, PH.D., P.E.

2016 NORTH WASHINGTON, SUITE 4
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Appendices

- A. Sam's Hollow Water Company Articles of Incorporation
- B. Agreement-Fish Haven Water Users Association, Sam's Hollow Water Company and C. Howard Johnson
- C. Agreement-Sam's Hollow Water Company and Pacific Corp
- D. Fish Haven Creek Diversions-2004
- E. Development Operating Agreement – Sam's Hollow Water Company and C. Howard Johnson

Water Management and Operations Plan for Mitigation - Revised

Sam's Hollow Water Company

Prepared for Sam's Hollow Water Company

Prepared by: Charles E. Brockway, P.E., Ph.D. - Brockway Engineering, PLLC
Date: Revised June 19, 2006

Introduction

Sam's Hollow Water Company is an Idaho non-profit corporation formed to provide culinary and irrigation water to Phase 1 and Phase 2 of the Bear Lake Haven subdivision near Fish Haven, Idaho, in Bear Lake County. The Company Articles of Incorporation were approved by the Secretary of State for Idaho and are included in Appendix A and a copy of the Operating Agreement between Sam's Hollow Water Company and C. Howard Johnson, owner of the subdivision property, is in Appendix F of this manual.

The culinary water supply and irrigation water for landscaping for the project is provided from ground water utilizing strategically located wells and a community distribution system. Irrigation water for cropped areas will continue to be supplied from the existing irrigation system from Fish Haven Creek. Water is pumped as needed from the aquifer and distributed using storage tanks and an engineered distribution system.

Under the recently adopted Management Plan for the Bear Lake Ground Water Management Area, any depletion to Bear Lake and/or Bear River resulting from subdivision development or other changes in use of water must be mitigated and an acceptable mitigation plan approved by the Idaho Department of Water Resources. This mitigation plan must incorporate guidelines for mitigation determination contained in the Bear Lake Ground Water Management Plan.

An application for a permit to develop and distribute ground water for the proposed project with a mitigation plan was submitted to IDWR. The plan provided for mitigation of depletions from ground water development by conveying water historically used for irrigation on land within the Sam's Hollow

Water Company service area directly to Bear Lake and drying up of historically irrigated land. The water from Fish Haven Creek, historically used for irrigation, is provided through shares in the Fish Haven Water Users Association to land owned by Bear Lake Haven Subdivision which is served by Sam's Hollow Water Company. Irrigation water is provided through three ditches from Fish Haven Creek to Sam's Hollow lands. An agreement, dated March 14, 2002, between the Fish Haven Water Users Association, Sam's Hollow Water Company and C. Howard Johnson provides for the use of shares for mitigation of depletions caused by ground water pumping. The agreement stipulates that Sam's Hollow Water Company will continue to divert water from Fish Haven Creek as has historically been accomplished and return the necessary water directly to Bear Lake for mitigation purposes. A copy of this Agreement is included in Appendix B.

The application for permit was protested and a hearing held by IDWR. A stipulated agreement between Sam's Hollow Water Company and Pacific Corp was adopted and Pacific Corp withdrew their protest. A copy of that Agreement is included in Appendix C. An order approving the permit and mitigation plan was issued by the Department on May 24, 2004. Pursuant to the Order, Permits were issued for water rights 11- 7481 and 11-7491 on September 7, 2004. Condition #4 of the Order and permits require the submittal and approval by IDWR of an Water Management and Operations Plan for the project to outline the procedures to be used by Sam's Hollow for complying with the mitigation requirements for the project.

The purpose of this plan is therefore to outline specific procedures to be followed by personnel of Sam's Hollow Water Company to assure that proper mitigation of depletions caused by the project are maintained.

Water Supply Available for Mitigation

Distribution System and Flow Measurements

Water supply available to Sam's Hollow Water Company for use on lands of the Bear Lake Haven Subdivision is via shares in the Fish Haven Water Users Association. These shares can be diverted through any of three ditches: the Upper North Ditch, Number 1 Ditch and Number 3 Ditch. These ditches now have been instrumented with water measuring flumes and flow measurements are being obtained on each of these three ditches and the other two ditches diverting to the south from Fish Haven Creek. The flumes were installed by the Fish Haven Water Users Company with assistance from Sam's Hollow Water Company and are being monitored by Sam's Hollow Water Company twice a week. Measurements began on May 22, 2004. The flow in each of these ditches will be measured either by arrangement with Fish Haven Water Users Company staff or by Sam's Hollow Water Company staff by reading the staff gage on each flume at the following times:

- Immediately after water is turned into the ditch in the spring.
- Before and immediately after the discharge is changed or shut off
- Immediately before the discharge is shut off at the end of the irrigation season.
- The staff gage readings and discharge rating tables will be used to calculate the discharge volume between staff gage readings for filing in the Company office.

Data obtained through August 24, 2004 are contained in the Diversion Log sheets in Appendix D.

Compilations of the historical water available for diversion to Sam's Hollow Water Company through each ditch will be made each month based on the shares applicable to the Sam's Hollow service area. Measurements and historical monthly water availability will be made each year for the irrigation season.

Estimation of Sufficiency of Mitigation Water

Build-out of the subdivision will likely occur over at least 10 years and a data base of Fish Haven Creek diversions will be compiled. The seasonal water availability for Sam's Hollow will be compared with selected snow course data and/or Bear River forecast data to determine indicators of expected water availability for pending irrigation seasons. A determination will be made by April 1 of each year as to the estimated water available for mitigation for the pending irrigation season. An estimate of expected depletion from the project ground water based on the number of units on-line for the next season will be made by April 1 of each year using procedures approved in the Bear River Ground Water Management Plan.

Reporting

The President of Sam's Hollow Water Company will be responsible for monitoring and management of the water system and mitigation system. An annual report will be prepared which will include the number and type of units being served by the water system, monthly and annual water use by each of the wells in the system, monthly and annual water received under shares in each ditch from Fish Haven Water Users Company, irrigated acres within the project, estimated annual depletion attributable to the project and monthly and annual measured flow volume returned to Bear Lake through the mitigation pipeline. This report will be submitted to the Idaho Department of Water Resources and made available to members of Sam's Hollow Water Company and Fish Haven Water Users Company.

Mitigation Water Return System

A pipeline to return diverted water from Fish Haven Creek will be designed and installed to convey water directly from the ditch(s) traversing the property to Bear

Lake. In Phase I of the project, a pipeline directly from No 1 ditch and No 3 ditch eastward (downhill) to the culvert under HW 89 and into Bear Lake will be installed. A flow meter will be installed in this pipeline upstream of the entrance to the culvert with a control valve and valve box. This will allow conveyance of water directly from the two ditches to Bear Lake. The pipeline and flow meter sizes will be determined when the system is designed but will likely be six (6) inch diameter. When build-out is sufficient, the pipeline may be modified and extended westward (uphill) to the Upper North ditch if necessary. Alternately, shares from the Upper North ditch may be transferred to the Number 1 and Number 3 ditches.

Monitoring

The President of Sam's Hollow Water Company will be responsible for securing measurements on water diversions from Fish Haven Creek either from the Fish Haven Water Users Company or by continued measurement by Sam's Hollow Water Company of diversion discharge in the event the Fish Haven Water Users Company fails to continue the monitoring program. Sam's Hollow Water Company instituted a flow measurement protocol for the Fish Haven ditches and has been monitoring these flows for the 2004 irrigation season. Sam's Hollow Water Company will continue to monitor these ditch flows if the Fish Haven Water Users Association fails to continue the water measurement program and provide the flow data to Sam's Hollow. In addition the President will be responsible for providing measurement of discharge and volume flows from all wells in the system as well as mitigation return flows to Bear Lake. The Manager will operate the mitigation return system to assure that the required mitigation water is being returned to Bear Lake and that the project is in compliance with all provisions of the Order.

Mitigation Depletion Calculation

The volume of mitigation water required to be returned to Bear Lake will depend on the number and type of units being served by the water system. Procedures outlined in Exhibit #14 of the hearing, Narrative in Support of Application for Permit, Sam's Hollow Water Company Phase I and Phase 2, revised October 7, 2003, will be utilized to determine the required mitigation volumes. These procedures are also included as Exhibit C of the Settlement Agreement between Sam's Hollow Water Company and PacifiCorp.

Flow Measurement Sites

Discharge and flow measurement sites will be instrumented with IDWR approved measuring devices. These meters will be equipped with instantaneous discharge and totalizer capability and will be either in-line propeller type meters (McCrometer or equivalent) or magnetic meters with digital readout (Sparling TigerMac or equivalent.)

Discharge and volume measurements will be made on:

1. All wells in the project
2. Direct flow through the pipeline to Bear Lake
3. All ditches from Fish Haven Creek.

Notification

By May 1 of each year, a determination of the adequacy of available mitigation water will be made and, if the estimated depletion exceeds the estimated available supply, the members will be notified by Sam's Hollow Water Company of the need to implement conservation measures. This notification will be by registered mail to each member outlining the measures to be implemented.

Conservation Measures

In the event conservation measures have to be implemented, Sam's Hollow Water Company will determine the required measures based on estimated depletion calculated using the Ground Water Management Plan guidelines (Exhibit #14) and the estimated available water for mitigation from the canal system. Specific measures will be determined at the time and can include:

1. Curtailment of additional crop irrigation
2. Full or partial curtailment of landscape irrigation
3. Reduction or curtailment of water use for any recreational or aesthetic facilities

Enforcement of any conservation measures will be performed by the Manager as dictated by the Board of Sam's Hollow Water Company.

The Fish Haven Water Users Association water right is a statutory claim (11-4022.) This claim is for a beneficial use for diversion of 29.6 cfs for irrigation of 1212 acres with a priority date of May 18, 1871. This claim has not been adjudicated by the Idaho Department of Water Resources. Mr. Pete Peterson, Watermaster for the Bear River indicates that in the Bear River system, natural flow rights with priority of May 18, 1871 have never been cut off. Sam's Hollow Water Company has 140.5 shares or 11 percent of the reported 1283.02 shares of Fish Haven Water Users Association applicable to approximately 120 acres of irrigated land within the project. It is estimated that Sam's Hollow Water Company would have to provide 110 acre feet annually returned to Bear Lake to mitigate for the full project (Phase 1 and Phase 2) build out.

In the event the water available to Fish Haven Water Users under statutory claim #11-4022 is modified, the appropriate changes in the mitigation plan will be determined and incorporated. Ample time will be available to secure additional water for mitigation either from additional shares in the Fish Haven system or other transfers since full build out may take 20 years. If additional water for

mitigation is necessary but not available in a timely manner, annual ground water use by the project will be curtailed to assure compliance with the mitigation plan. This could entail, at a minimum, ground water extraction only for in-house use.