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WATER RESOURCES
WESTERN REGION

January 21, 2008

IDWR Western Region
Attn: Steve Lester
2735 Airport Way
Boise, ID 83705

Subject: North Lake Water Rights

Dear Steve:

We would like to thank you and Angela for taking time to meet with us to discuss the North Lake Recreational Sewer and Water District (District) water right status and their relationship with developers in the area. We understand that on paper there appears to be some duplication in coverage under current water right permits held by the District and individual applications filed by SPF on behalf of our clients within the District service area.

As discussed during our meeting on January 16, 2008, there are two primary reasons for pursuing individual water right applications for our clients that are located within the District's service area. One relates to economics and the second is schedule.

Given the recent rapid development within the District's service area, they are in the process of expanding their water system infrastructure to supply water to meet their customer's needs. To date, the District has relied on the developers to fund the infrastructure needs for water supply. In some cases, the developers feel that they may be able to provide their own independent water system more economically than they can receive water from the District. Therefore, many developers are considering providing an independent water system versus receiving water supply from the District.

Currently, approval of a water right application submitted to IDWR for the area in question takes approximately 12 to 18 months. If the water right application is protested, which has occurred in the past, this approval schedule may take longer. The long lead-time associated with the water right application approval process significantly affects the development schedule. Therefore, if our clients do not have a firm agreement with the District in place to receive water supply, we have proceeded with submitting a water right application for permit on behalf of our clients to begin the IDWR approval process. Often, the intent of our client's is to ultimately receive water supply from the District and we have noted on the water right applications that the water right may be turned over to the District in the future, or have listed District points of diversion under an individual permit. We have done this in an attempt to cover all

Follow up
from
1/16/08
meeting

OVERVIEW of N. Lake Muni vs. SEPARATE overlap
filings for specific developments in Muni SERVICE AREA

potential water supply avenues for our client and allow their development and construction schedule to not be hindered while negotiations with the District take place.

In summary, water supply negotiations between the District and some developers within the District's service area are ongoing. The potential economic and schedule impacts associated with receiving water supply from the District have caused many developers to evaluate providing their own independent water system. The parallel path approach of receiving water from the District or an independent water system allows flexibility for the developers to negotiate agreements that are mutually beneficial to all parties.

Please contact me at your convenience with any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stuart Hurley', with a stylized flourish extending from the end.

Stuart Hurley, P.E.
Senior Project Engineer

SPF file number: 283.0010