



Kootenai Environmental Alliance

June 1, 2006

Dwight Hamilton
Syringa Water & Sewer Co. Inc.
P.O. Box 168
Coeur d'Alene, ID 83816-0168

Re: PROPOSED SETTLEMENT OFFER TO SYRINGA WATER & SEWER CO. INC. FROM
KOOTENAI ENVIRONMENTAL ALLIANCE

Dear Dwight,

I am sending you this draft settlement offer based upon the information that I gathered during the tour of your development and the surrounding area, and your existing water right. Please correct any misunderstanding or errors expressed in this letter.

My review of your current water right No. 95-8627 indicates that it was permitted for domestic use for 17 homes. It allows for a total diversion of 0.200 CFS and an annual volume of 20.40 AF. When we met and toured the existing and proposed development you indicated that you are currently providing water for 20 homes in you development and you will construct an additional 21 homes.

Your Application for Permit 95-9324 requested 2.00 CFS to be withdrawn from Lake Coeur d'Alene. You told me that request would be for the additional 21 homes to be built on your property, and that you want to provide water for some residents who live in the vicinity, none of who have actually made a commitment to use your system. At our meeting I stated that KEA could only consider your Application for what you actually have planned.

Based upon the above Kootenai Environmental Alliance submits the following offer for your consideration.

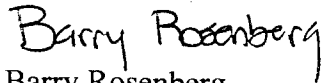
Kootenai Environmental Alliance (KEA) will withdraw the protest of Syringa Water & Sewer Co. Inc. (Syringa) Application for Permit No. 95-9324, if Syringa agrees to undertake the following:

1. *Submit an amended IDWR Application for Permit 95-9324 for 0.20 CFS, not to exceed 18.8 Acre Feet per annum to provide water for 21 homes.
2. Enact covenants, conditions, and restrictions (CCRS) that require the water utility and/or individual property owners in the proposed subdivision to conserve water, by requiring:
 - a. A rate schedule that encourages water conservation.
 - b. Restricting the size of their lawn area to no more than ½ acre and encouraging xeriscape-landscaping principles.
 - c. Not irrigating during the high evaporation times between 10:00 a.m. and 8:00 p.m., and utilize an every other day watering schedule, and
 - d. Encourage property owners to utilize water saving devices that will result in more efficient lawn irrigation such as a rain sensor, moisture sensor or hose bib timers.

3. Agree to meet with KEA within one-year and/or as necessary to ensure compliance with the terms of the agreement.
4. Report on a yearly basis the annual water withdrawal information by October 15 to Idaho Department of Water Resources (IDWR) and KEA for fiscal year ending on October 1.

I am looking forward to your response. Thank you for your consideration of this offer.

Respectfully,



Barry Rosenberg
Executive Director

Cc: KEA Board of Directors

* Derived from a formula, tending towards an even more generous allocation than found in comparable developments: 400 gallons/day/unit for 8 months plus 1500 gallons/day/unit for 4 months.