

STATE OF IDAHO
DEPARTMENT OF WATER RESOURCES
REQUEST FOR EXTENSION OF TIME
TO PROVIDE ADDITIONAL TIME IN WHICH TO SUBMIT PROOF OF
BENEFICIAL USE FOR A WATER RIGHT PERMIT

RECEIVED

FEB 28 2005

DEPARTMENT OF
WATER RESOURCES

The Idaho Department of Water Resources will consider this form as a request that the permit holder(s) be granted an additional period of time under the provisions of Section 42-204, Idaho Code in which to complete development of a water right.

Permit No. 63-9206

Name(s) of Permit Holder: Boise Project Board of Control on behalf of Boise-Kuna
Nampa & Meridian, New York, Wilder, and Big Bend Irrigation Districts
Address: 2465 Overland Road City Boise State ID Zip 83705

Telephone No. (208) 344-1141 Date Proof is Due: March 1, 2005

Describe what work has been completed toward the development of this water right:
(This must be filled out! If no work has been completed, show "none".)

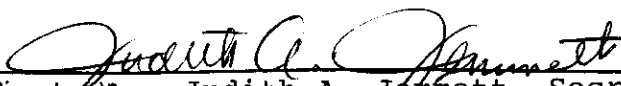
PLEASE SEE ATTACHMENT.

Costing \$ _____

The permit holder(s) has been unable to complete the remainder of the work for the following reasons:

PLEASE SEE ATTACHMENT.

Permit holder(s) request an extension to March 1, 2010


(Signature)*

Judith A. Jannett, Secretary/Treasurer
*If other than permit holder, Power of Attorney must be supplied.
Boise Project Board of Control

ACTION OF THE DEPARTMENT OF WATER RESOURCES

IT IS HEREBY ORDERED that the above request for extension of time be
REINSTATED with no advance in priority. IT IS FURTHER ORDERED that the time within
which to submit proof of beneficial use is extended to March 1, 2010.

Signed this 16th day of March, 2005


GARY SPACKMAN

RECEIVED
FEB 28 2005
DEPARTMENT OF
WATER RESOURCES

ATTACHMENT

ATTACHMENT TO THE BOISE PROJECT
BOARD OF CONTROL'S REQUEST FOR EXTENSION OF TIME
ON PERMIT NO. 63-09206 (MORA DROP)

February 28, 2005

The Boise Project Board of Control requests an extension of time to submit proof of beneficial use for Permit No. 63-9206 (Mora Drop Lowhead Hydroelectric Project).

The project is located on one of the canals in the system operated by the Board of Control. The basis for the Board of Control's request is based on Idaho Code § 42-204(1) in that there was litigation between the United States of America and its various agencies, and the Nez Perce tribe which might have brought the title to the water requested for this Project into question. Also, in order to construct the facility the Boise Project is required to be in compliance with the license issued by the Federal Energy Regulatory Commission (hereinafter "FERC"). Compliance with the FERC exemption for the project requires the Project to obtain assistance from certain state and federal agencies, which has not yet been fully obtained. Despite these barriers, the Project and its member districts have executed an agreement with Riverside, Inc. for the construction of the Project and have expended considerable money toward that end.

The Board of Control applied for permit No. 63-09206 on its behalf and on behalf of its member districts, the Boise-Kuna Irrigation District, the Nampa & Meridian Irrigation District, the New York Irrigation District, the Wilder Irrigation District, and the Big Bend Irrigation District. The Department granted an extension of time until March 1, 2005, to submit proof of beneficial use because of pending litigation, the precedential effects of which could bring title to the water requested for the project into question.

In March 1993, the Nez Perce Tribe filed 1,134 claims in the Snake River Basin Adjudication ("SRBA") seeking instream flow claims, both on and off the reservation, including some claims outside even the aboriginal territory of the Nez Perce Tribe. The United States filed 1,133 identical claims as Trustee on behalf of the Tribe. The Districts, who are applicants here, filed objections to those instream flow claims. On April 1, 1996, the district court entered an Order in the SRBA consolidating all instream flow claims filed by the Nez Perce Tribe, Subcase No. 03-10022. Between 1997 and 1999, extensive pretrial discovery and preparation took place in the consolidated subcase. On November 10, 1999, the district court issued an Order and Judgment granting objectors' motions for partial summary judgment, together with an Idaho Rule of Civil Procedure 54(b) Certification. The judgment was limited to those claims in the consolidated subcases located outside the present boundaries of the Nez Perce Reservation, which include the area where the Mora Drop project is located. The Tribe filed a Notice of Appeal from the ruling on November 17, 1999. The United States filed its Notice of Appeal on December 21, 1999, and Amended Notice of Appeal on February 1, 2000. The Tribe and United States asserted a position that they were entitled to the entire flow of every river in Southern Idaho at the time that the irrigators use the water. Subsequently, the matter was ordered into mediation. After several years of hard work, the parties were able to reach agreement. The Mediator's Term Sheet was substantially completed and submitted to the SRBA Court in April, 2004. Congress approved it in December 2004, and it is slated for approval by the Idaho Legislature and the Nez Perce Tribe in March 2005. The lingering uncertainty concerning the rights claimed by the

Tribe created lingering uncertainty for the Mora Drop project as it was unclear whether the water needed for the project would be available.

NOAA issued a biological opinion in 2001, that was supplemented in 2002. The biological opinion related to the impact of the Bureau of Reclamation's operation of projects in the Snake River Basin above Hells Canyon and Brownlee Dam and reservoir. See NOAA Fisheries, "U.S. Bureau of Reclamation Operations and Maintenance of Its Projects in the Snake River Basin above Brownlee Dam from Date Issued through March, 2002." (May 2, 2001). In 1995 NOAA issued a biological opinion on operations for the Federal Columbia River Hydropower System. The 1995 opinion was followed by a December 2000 biological opinion on the Federal Columbia River Power System. The 2001 opinion is the subject of litigation in the Oregon federal courts. The 2001 opinion includes questions of delivery of flows from the Upper Snake River Basin. *See American Rivers, Inc., et al v. NOAA Fisheries, et al.*, CV-04-0061.

In addition to the litigation with the Nez Perce and the United States, there are numerous administrative and legal proceedings pending before or against the National Oceanic and Atmospheric Administration (hereinafter "NOAA"), previously known as the National Marine Fisheries Service, concerning water use for recovery of listed threatened and endangered species.

NOAA listed Snake River Sockeye as an endangered species on November 20, 1991, 56 Fed. Reg. 58619 (Nov. 20, 1991), and the Snake River spring/summer and fall Chinook as a threatened species on April 22, 1992. 57 Fed. Reg. 14653 (April 22, 1992). On December 28, 1993, NOAA designated critical habitat for the threatened and endangered Snake River Sockeye and Chinook salmon. 58 Fed. Reg. 68543 (December

28, 1993.) The designation for three species includes the Columbia and Snake Rivers' migratory corridor from the salmon's freshwater spawning grounds through the lower Snake and Columbia Rivers to the Pacific Ocean. *Id.* at 68546. In October 1999, NOAA made revisions to the critical habitat designation for Snake River spring and Summer Chinook. 64 Fed. Reg. 573999 (October 25, 1999). On August 18, 1997, NOAA listed Upper Columbia River Steelhead as endangered and Snake River steelhead as threatened species. 62 Fed. Reg. 43937 (August 18, 1997). On March 18, 1998, NOAA listed Lower Columbia River steelhead as threatened. 63 Fed. Reg. 13347 (March 19, 1998). On March 24, 1999, NOAA listed Upper Columbia River spring-run Chinook as threatened. 64 Fed. Reg. 14308 (March 24, 1999). NOAA had proposed a critical habitat designation for these species in March 1998. See 63 Fed. Reg. 11482 (March 9, 1998). On March 24 and 25, 1999, NOAA listed as threatened two additional anadromous fish populations affected by Columbia River Basin flows: the mid-Columbia steelhead and the Columbia chum salmon. 64 Fed. Reg. 14517 (March 25, 1999) (middle Columbia steelhead); 64 Fed. Reg. 14507 (March 25, 1999) (Columbia River chum). Critical habitat for the Columbia chum also had been proposed in March 1998. 63 Fed. Reg. 11482 (March 9, 1998). A critical habitat designation for all of the Columbia and Snake steelhead stocks was proposed on February 5, 1999. See 64 Fed. Reg. 5740 (February 5, 1999). On February 16, 2000, NMFS announced a critical habitat designation for these species. 65 Fed. Reg. 7764 (February 16, 2000). On June 10, 1998, Bull trout were listed as a threatened species by the United States Fish and Wildlife service. 63 Fed. Reg. 31647 (June 10, 1998). The U.S. Fish and Wildlife Service announced a proposed critical habitat rule on November 29, 2002. 76 Fed. Reg. 71235 (November 29, 2002). A

critical habitat designation for the Klamath River and Columbia River populations of Bull Trout was issued October 6, 2004. 50 CFR 17 (October 6, 2004).

The Districts and Boise Project Board of Control have been engaged in negotiation in the SRBA with the Bureau of Reclamation over the ownership of the storage water rights in Arrowrock and Anderson Ranch in consolidated subcase number 63-0091. The water will be used to guarantee electricity production at this project. The court recently held that the Districts held an ownership interest in this water right on behalf of the Districts' landowners. An adverse decision could have detrimentally affected this Project.

Despite the extensive litigation and the administrative agency proceedings described above, the Boise Project Board of Control, along with the voters for Boise-Kuna Irrigation District, the Nampa & Meridian Irrigation District, the New York Irrigation District, the Wilder Irrigation District, as well as the Big Bend Irrigation District, have approved an Agreement for Development of Hydroelectric Projects, Lease and Assignment of Assets with Riverside, Inc. *See attached.* A feasibility study for the development of the hydroelectric project at Mora Drop has been submitted and approved. Construction of the project is currently scheduled to begin in 2005 in the non-irrigation season and be completed by June 1, 2006. Since January 1992, in excess of \$130,000 has been spent on lowhead project development, with the Mora Drop project at the forefront. The Boise Project Board of Control along with its member districts have proceeded to develop this project and have been working diligently and in good faith toward its completion.

Thank you for considering this request for an extension. A \$50 check is enclosed.

If the Department needs additional information on these matters, please communicate with the Board of Control's attorney, Albert P. Barker, Barker, Rosholt & Simpson, LLP, 205 N. 10th Street, Suite, 520, Boise, ID 83702, Tel: (208) 336-0700, FAX: (208) 344-6034.

THIS AGREEMENT FOR DEVELOPMENT OF HYDROELECTRIC PROJECTS, LEASE AND ASSIGNMENT OF ASSETS between Lessor and Lessee (the "Agreement") is made and entered into on this ____ day of June, 2003, by and between BOISE-KUNA IRRIGATION DISTRICT; NAMPA & MERIDIAN IRRIGATION DISTRICT; NEW YORK IRRIGATION DISTRICT; and WILDER IRRIGATION DISTRICT, all irrigation districts organized and existing under the laws of the State of Idaho; BIG BEND IRRIGATION DISTRICT, an irrigation district organized and existing under the laws of the State of Oregon, (the "Districts") and the BOISE PROJECT BOARD OF CONTROL, the operating agent for each of the irrigation districts (hereafter collectively the "Lessor") and RIVERSIDE INC., an Idaho corporation with its principal place of business in Parma, Idaho ("Lessee").

This Agreement is for the study, design, construction and operation of four lowhead hydroelectric projects identified as the Mora Drop Project, Arena Drop Project, Golden Gate Project, and Fargo No. 1 Project. The term "the Projects" applies to all four projects. The term "Project" refers to any one of the projects. When a specific Project is referred to in this Agreement, it is referred to by name. Lessee shall study, design and construct the Projects and transfer all right, title, and interest in the Projects to the Lessor. Lessor in turn will lease the Projects to Lessee for a period of twenty (20) years.

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements stated herein, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, Lessor and Lessee agree as follows:

ARTICLE 1

1.1 The Districts jointly operate and maintain the New York Canal system, through the Boise Project Board of Control, for delivery of irrigation water from the Arrowrock Division of the Boise Reclamation Project pursuant to that certain contract between the Districts and the United States, under which the United States retains ownership of said canal system.

1.2 Lessor is authorized by Title 43 Chapter 23, of the Idaho Code, in the case of the Idaho Districts and applicable provisions of Oregon law in the case of the Oregon District, as amended, to provide for and construct hydroelectric generating facilities, to supply electrical energy and to sell surplus electrical energy and to sell or lease the rights to falling water in such manner as necessary, desirable and in the best interests of the Districts.

1.3 Lessor has obtained exemptions from Federal Energy Regulatory Commission (FERC) for the construction, operation and maintenance of certain lowhead hydroelectric projects (the "Projects") (Mora Drop No. 3403, Arena Drop No. 4858, Golden Gate No. 5039, and Fargo No. 1 No. 5042).

1.4 The primary purpose of Lessor is to provide irrigation water and to operate and maintain irrigation delivery systems and facilities.

1.5 The Districts are required to obtain authorization from their respective landowners for the arrangements for construction of hydroelectric facilities, and are required to disclose to the landowners the estimated costs of construction and method of financing the construction of hydroelectric generating facilities. The District elections authorizing this agreement were held in May 2003.

1.6 Lessor issued a Request for Proposals soliciting proposals from qualified developers of hydroelectric facilities to develop lowhead hydroelectric facilities at Lessor's FERC exemption sites on Lessor's canal system. Lessee's proposal was selected, under the provisions of Idaho Code § 67-2320, as the entity to study, design and build and operate the four Projects.

1.7 Lessee's proposal forms the basis for the design and construction and permitting of the Projects.

1.8 Lessee proposes to finance the study, design and construction of the Projects. Lessee shall obtain private financing for all of its work on the Projects, which financing shall be non-recourse as to the Lessor and the Districts' landowners.

1.9 Lessee is organized and qualified to do business under the laws of the State of Idaho, and qualified to have the right to generate power assigned to Lessee, pursuant to Idaho Code § 42-206 and §42-207.

1.10 Lessee shall negotiate separate power purchase and sale agreements with Idaho Power Company for each Project of twenty (20) years duration, under terms and conditions approved by the Idaho Public Utility Commission (PUC), and acceptable to Lessor, and submit the terms to Lessor with each feasibility study.

1.11 Upon Completion of Construction (which shall be measured as of the first date that each Project generates electricity for sale under the power purchase agreement) of each Project, title to the Project and all of the Project Assets shall pass to Lessor through an assignment in a form acceptable to Lessor. Lessor will Lease each Project to Lessee for a period of twenty (20) years (the "Term"). Lessor shall also be authorized to utilize the real property owned by Lessor at the location of each project and identified in the feasibility study for construction of the project through a lease or license agreement. The commencement of Lease may predate the Completion of Construction so that Lessee has access to the real property for construction of the Project; however, the twenty (20) year Term shall commence upon Completion of Construction. Upon the expiration of the twenty (20) year Term, any assets relating to the operation of each Project not previously assigned to Lessor shall be to Lessor, with no further rights remaining in Lessee.

1.12 During the first fifteen (15) years of the Term for each Project, Lessee shall be responsible for payment of the costs of operation and maintenance, debt service and return on and return of Lessee's equity. Profits remaining shall be distributed equally between Lessor and Lessee. No later than the end of the fifteenth year, all debt

and equity shall be retired. For years sixteen through twenty (16-20), revenues will be distributed equally between Lessor and Lessee after payment of operation and maintenance costs.

ARTICLE II – FEASIBILITY STUDIES AND ELECTION TO PROCEED

2.1 Lessee shall prepare a feasibility study for Mora Drop (No. 3403) and then prepare three other feasibility studies for Arena Drop (No. 4858), Golden Gate (No. 5039), and Fargo Number 1 (No. 5042).

2.2 Lessee shall have no interest in developing the other five FERC exemption sites (MC6, MC10, Waldvogel, Fargo No. 2, and Lowline No. 8 identified in the Request for Proposals). Lessee acknowledges that it has no right to develop those sites or any other potential sites on the Lessor's canal system.

2.3 Lessee shall have an exclusive right to develop the Projects at Mora Drop, Arena Drop, Golden Gate, and Fargo Number 1 under the terms of this Agreement.

2.4 Lessee shall, at its own cost, submit feasibility studies to the Lessor on each of the four Projects on an annual basis beginning with submission of the Mora Drop feasibility study by the end of September, 2003. The other three feasibility studies shall be submitted annually on or before the anniversary of the first submitted feasibility study. Lessee shall identify the order for submittal of all subsequent feasibility studies at the time of submittal of the first feasibility study.

2.5 Lessee waives any right to develop any further projects by failure to submit a feasibility study for the four projects on the annual schedule above in Paragraph 2.4, unless that schedule is changed in writing by both parties. For example, if Lessee submits a feasibility study on Mora Drop, but fails to submit a feasibility study the following year, Lessee waives its right to develop any of the other projects.

2.6 If, any time after completing a feasibility study and submitting it to Lessor, Lessee concludes that a particular project is not feasible, Lessee thereby waives its right to develop that Project, but retains the right to submit feasibility studies on the remaining Projects, subject to this agreement.

2.7 All feasibility studies on the Projects, whether completed or not completed, become the property of the Lessor.

2.8 Each feasibility study shall identify all real property, include an engineering study, show general layout and design of the Project, along with a schedule describing the major components of equipment by manufacturer and nameplate specifications and ratings, and a schedule for completion of construction. Lessee shall submit with each feasibility study terms under which Idaho Power will agree to enter a power sales agreement.

2.9 Each feasibility study shall include a financial pro forma for that Project which shows the cost of construction of the Project, transmission lines, interconnection, projected operating and maintenance costs, taxes and insurance, and the projected annual generation and income. The cost of all design and engineering studies, plans and specifications shall be included as part of the project cost.

2.10 Each feasibility study will establish a firm fixed price for construction of that particular Project, including headgate automation required by paragraph 3.2, and will include detailed generation estimates for that Project. The current cost estimate for Mora Drop is \$1.9 million; Arena Drop is \$0.7 million; Golden Gate is \$0.82 million, and Fargo No. 1 is \$0.72 million. The feasibility studies will establish a firm fixed price for construction of Mora and each Project. The firm fixed price may include a profit margin of not more than 8% to Riverside on the actual cost of construction, engineering and overhead. The estimated capacity of the Projects for purposes of the FERC exemptions are: Mora Drop 1.7MW; Arena Drop 0.54MW; Golden Gate 0.7MW; and Fargo No. 1 0.65MW

2.11 Lessee shall obtain transmission studies, system impact studies, and interconnection cost estimates, as part of the feasibility study for each of the four Projects. The firm, fixed price for each Project shall include all necessary transmission lines, transformers, and electrical devices to allow transmission to and interconnection with the Idaho Power system and lines.

2.12 The proposed materials, equipment and design shall be described in sufficient detail in the feasibility study to allow the Lessor to evaluate the suitability of the proposal. All components are subject to review and approval by the Lessor. The Projects shall be designed and constructed to standard utility practices to meet a minimum forty (40) year useful life of the major components of the equipment.

2.13 Lessee may elect not to proceed with construction if the Project does not appear profitable, in Lessee's sole discretion at any time prior to approval of the feasibility study by Lessor.

2.14 Lessor may elect not to proceed if: (1) the feasibility study and pro forma shows that the cost or generation significantly deviates from the initial estimates set forth herein; (2) the Project income will not provide sufficient cash flow to retire debt and equity in fifteen (15) years; (3) Lessor is not satisfied with the design, equipment or materials, or (4) the terms of a power sales agreement vary significantly from the present standard contract, with a twenty (20) year term and level or increasing payments, all in Lessor's sole discretion.

2.15 Upon approval of each Project by Lessor, following submittal of the feasibility study and other required information, Lessee may proceed with preliminary activities and construction of the Project.

ARTICLE III – DESIGN & CONSTRUCTION & PERMITS

3.1 If the parties elect to proceed with the development of a Project, after review and approval of the final feasibility study, Lessee shall prepare plans and specifications for the construction of the Project. The cost of all engineering studies, plans and specifications shall be included in the firm fixed price for the construction of the Project.

3.2 As part of the firm fixed price for the Mora Drop Project, the Mora Drop headgate and the Waldvogel headgate shall be automated. Similar automation shall be installed at all other Projects, as part of the firm fixed price for the construction of the Project, to ensure adequate flows in the canal system and to avoid interference in the water deliveries and fluctuations in flows.

3.3 Lessee shall obtain all necessary licenses, permits, and bonds and ensure that its design and construction complies with FERC and Bureau of Reclamation requirements as part of the Project costs.

3.4 Lessor will obtain the necessary IDWR water right permits and maintain the existing FERC exemptions. Lessee will provide the information necessary for the Lessor to obtain the IDWR permits and maintain the FERC exemptions as part of the Project cost.

3.5 Lessee shall design and build a fully functioning, stand alone hydroelectric generation facility for each Project as described in the feasibility study for each Project. The design, construction and generation capacity shall not deviate from the Project described in the feasibility study without the express prior written consent of the Lessor.

3.6 Lessee shall complete construction of the Mora Drop Project in the non-irrigation season from November 1, 2004 to April 1, 2005 so that construction will not interfere with flows of water in the canals. Final Completion of Construction of the Project including the powerhouse and other components which do not affect water flow in the canals shall be no later than June 1, 2005. Each of the succeeding Projects shall be completed in the same fashion in the non-irrigation season in each of the three succeeding years, unless the parties agree in writing to change the schedule.

3.7 The Projects shall be completed at the approved firm fixed price shown in the feasibility studies, unless the Lessor, in its sole discretion, authorizes changes to the project and increases in the Project's firm fixed price.

3.8 Lessee's Construction shall be coordinated with the Lessor's operation and maintenance schedule for its canal system and delivery of water to Lake Lowell in the non-irrigation season.

3.9 Prior to Completion of Construction the Projects shall be tested to meet standard utility practices and to the satisfaction of Idaho Power Company. The costs of such tests shall be included in the firm fixed price for each Project.

3.10 Output from the Projects shall be compatible with the requirements of Idaho Power Company for interconnection and transmission over its power lines.

3.11 Lessee shall provide a one-year Warranty from Completion of Construction of all work and materials incorporated into each Project, and shall obtain similar warranties from all significant equipment and material suppliers and subcontractors. Warranty work and repairs shall not be included in the Operation and Maintenance costs of the Projects.

ARTICLE IV – POWER SALES AGREEMENT

4.1 Lessee will obtain separate twenty (20) year power sales contracts with Idaho Power at rates and on terms approved by the Idaho PUC under the Public Utility Regulatory Policies Act of 1978, as amended (PURPA) for each Project. The contracts shall be at levelized or increasing rates. Lessee will immediately contact Idaho Power Company to secure a PURPA contract for Mora Drop, and submit the proposed terms with the feasibility study.

4.2 If a PURPA power sales contract cannot be obtained on terms acceptable to the parties, Lessee and Lessor will evaluate and agree upon other methods of power sales contracting before beginning design and construction on each Project.

4.3 All power sales revenues from the generation of each Project, without exception, shall be revenues of that Project for the financial calculations in Article VI.

4.4 Lessee may maintain the power sales agreements for each Project in its own name and may pledge the revenues as security for payment of the debt service for a period not to exceed fifteen years. Any pledge of security of the power sales revenues shall be subordinated to the Operation and Maintenance costs of each Project.

4.5 Lessee shall cooperate with Lessor in any efforts that Lessor undertakes to renew the Power Sales contract and shall take all steps necessary to ensure that Lessor may, at Lessor's election, renew such power sales agreement.

ARTICLE V – FINANCING

5.1 Lessee shall finance 80% or more of the approved firm fixed price of the construction cost for each Project at the best available rates. All financing shall be for a fifteen (15) year term.

5.2 Financing shall be non-recourse to the Lessor. The Lessor shall not be required to exercise any authority to levy assessments on the Districts' landowners

nor shall any liens be placed on any of the Lessor's property, or the property of any landowner in any of the Districts, for the purpose of financing the Projects, or paying any of the costs of Operation & Maintenance of the Projects.

5.3 Lessors' equity is the amount Lessor contributes to the cost of the Project, not to exceed 20 percent of the approved cost.

ARTICLE VI – REVENUES, COSTS AND NET PROFITS

6.1 In the first fifteen (15) years following Completion of Construction of each Project the distribution shall be calculated by including all the revenue of the Project from the Power Sales Agreement and all other sources, deducting the Operation and Maintenance costs, deducting the debt service and principal repayment, and deducting a 12% return on Lessee's equity. The deductions from revenues shall be paid by priority in the order set forth herein. The remainder will be applied to repayment of Lessee's equity contribution and reduction of Lessee's equity balance.

6.2 At the end of each calendar year, if there is any revenue remaining after payment of the expenses and costs in paragraph 6.1, a Net Profit shall be declared and shall be distributed between the Lessor and Lessee on an equal (fifty/fifty) basis.

6.3 All debt and equity shall be paid down during the first fifteen (15) years from revenue from each individual Project. Any unpaid debt or equity remaining shall be automatically retired at the end of the fifteen (15) year period.

6.4 In the succeeding five years (years 16-20), Operation & Maintenance costs will be deducted from all of the Project revenue and the Net Profit shall be split between the Lessor and Lessee on an equal (fifty/fifty) basis.

6.5 Congress is currently considering tax credits and incentive payments for development of renewable energy sources that would apply to small hydro projects. If Congress approves the tax credits, Lessee shall be entitled to use the tax credits, and shall credit the Project with the benefit of the tax credits. For example, if a tax credit of 1.8¢ / kwh is approved, Lessee would use the tax credits on its tax return. That 1.8¢ / kwh of tax credits shall be credited to the Project as project revenue in addition to the power sales revenue on a dollar for dollar basis. The calculations of distributions after payment of costs and expenses would remain the same. The tax credits would be applied towards Lessee's equity return and Lessee's share of Net Profits and not to the Lessor's share of Net Profits.

6.6 If Congress approves any incentive payment program, the incentive payments shall be credited as part of the revenue of the Project in addition to the payments from the power sales contract and would be available to pay costs and Net Profits as outlined in paragraphs 6.1 and 6.2.

6.7 All other financial benefits of the Project shall be treated as Project revenues.

6.8 Each Project shall be treated as a stand-alone proposition for calculation of revenue, costs, and Net Profits. The revenues, costs and Net Profits shall not be co-mingled. Any shared costs shall be allocated among the Projects in accordance with generally accepted accounting principles.

6.9 The proportionate share of the Net Profits and distributions to a District for each Project shall be:

Boise-Kuna	48,628.72 acres	29.2431%
Wilder	57,900 acres	34.8185%
Big Bend	1,797.84 acres	1.0811%
New York	17,731.51 acres	10.6629%
Nampa & Meridian	40,223.07 acres	24.1883%

ARTICLE VII – ACQUISITION & LEASE OF REAL ESTATE & PROJECT ASSETS

7.1 Lessee shall identify in the feasibility study all real property which is necessary to construct, operate and maintain that Project. If the property is owned by any of the Lessors, that property shall be leased to Lessee under the terms of this Agreement. If the necessary real property includes easements or real property belonging to the United States, Department of Interior, Bureau of Reclamation (“BoR”), Lessee and Lessor shall work together to obtain crossing agreements and other rights to use BoR easements and real property for each Project. Such agreements and other rights to use BoR easements and real property shall be in Lessor’s name.

7.2 If access to, or ownership of, private real property is necessary to construct, operate or maintain the Project, the Lessee shall obtain necessary fee title or perpetual easements to such property. The cost of obtaining such real property interests shall be included in the firm, fixed cost for the construction of the Project. Lessee shall convey all right, title, and interest in such real property interests to Lessor prior to beginning construction on each Project, said property to be leased back to Lessee under the terms of this Agreement.

7.3 For purposes of this Agreement the Assets to be leased to Lessee for each Project, includes any and all permits, licenses, rights and governmental approvals which are necessary or reasonably related to the efficient development, construction and operation of the Project and the transmission of electricity therefrom. Assets include the physical plant necessary to divert water into the Project power plant, all equipment necessary to generate and transmit electricity, and all other physical equipment and assets necessary or reasonably related to the development, construction, and operation of the Project. Assets also include for each Project all technical data, reports, and studies concerning such Project, and any and all other licenses, exemptions, permits, or similar governmental or regulatory approvals as are necessary or reasonably

related to the development, construction and operation of such facility and the transmission of electricity therefrom.

7.4 The parties recognize that certain Assets will be contributed to the Project by Lessor, such as the falling water rights and FERC exemption, while others such as the equipment, technical data and permits will be contributed by Lessee. The purpose of this Agreement is to consolidate all Assets in the Lessor and then Lease all of the real property and Assets to Lessee for the twenty (20) year Term of each Project.

7.5 Prior to the Completion of Construction for each Project, Lessee shall deliver to Lessor executed documents describing, assigning, granting, conveying and transferring the Assets. All of such documents shall be in form and content reasonably satisfactory to Lessor and, where applicable, in form and content satisfactory to the relevant agency, commission, or other relevant issuing authority for recording.

7.6 Lessee, upon Completion of Construction, shall sell, bargain, grant, convey, assign, and transfer to Lessor, free and clear of all liens, encumbrances and claims whatsoever, all of Lessee's right, title and interest in the Assets for each of the Projects whether now owned or hereafter acquired.

7.7 Lessor and Lessee shall enter into a Lease for the real property in the form of Exhibit A attached hereto and incorporated herein by this reference. Lessee shall provide Lessor with a legal description of each Project's real property in a form which will qualify for recordation in the county recorder's office (the "Property Description"). After all real property has been identified, all acquisitions of real property by Lessee and all project Assets have been conveyed to Lessor, Lessor and Lessee shall immediately thereafter execute the respective Lease. The term of each of the Leases shall commence upon its execution and shall continue thereafter for a period of twenty (20) years from the date of Completion of Construction of the Project. The Net Profits distribution to the Lessor described in Article VI shall constitute rent for the Lease.

7.8 Upon termination of each Lease, Lessee shall sell and convey by quitclaim deed all of its right, title and interest in the Project, the Project Assets and real property, if any, to Lessor for a total purchase price of one Dollar (\$1.00).

ARTICLE VIII – OPERATION & MAINTANENCE

8.1 Lessee shall be responsible for all Operation & Maintenance of each Project and is responsible for payment of all Operation & Maintenance costs and other financial obligations related to Operation & Maintenance of the Project during the Term that each Project is covered by this Agreement.

8.2 Lessee shall have the right and authority to make all decisions concerning the operation of the Project and the sale of electrical energy generated by the Project to maximize electrical production and the life of the equipment, including but not limited to the right to temporarily discontinue such operation as Lessee deems necessary

to protect the equipment, subject to the Lessor's reasonable requirements in operating its canal system for irrigation purposes. Lessee shall periodically consult with Lessor concerning Lessor's use of the canal for irrigation purposes.

8.3 Subject to Lessor's first priority use of its canal system for irrigation purposes, Lessor shall use its best efforts to divert normal flows of water through the respective Project for as much of the year as is consistent with good irrigation practices. Lessee shall minimize the Projects' interference with Lessor's use of its canal system for irrigation purposes.

8.4 Operation & Maintenance (O&M) costs shall include all costs of ownership and operation including maintenance, labor, parts and materials, bookkeeping, accounting, legal, outside services, insurance, fees, payments to governmental authorities, and taxes.

8.5 Any and all taxes levied and assessed against the real property, the Project, or the Project Assets accruing after the completion of Project construction shall be borne by Lessee. All such taxes and assessments shall be paid by Lessee as operation and maintenance ("O&M") costs of the Projects, unless and until such property reverts to Lessor, whereupon the Lessor shall be responsible for all such taxes prorated from and after any such reversion.

8.6 Lessee shall report to Lessor the actual O&M costs on a monthly and annual basis for each Project and shall provide audited annual financial statements for each Project as requested by the Lessor. Lessee shall keep separate and apart from its other accounting records, accurate records and accounts of activities relating to the Projects in accordance with the Uniform System of Accounts prescribed by FERC for electric utilities.

8.7 Lessee shall offer each Project a service contract of five years in duration renewable at the option of the Lessor at the end of each five-year period. In the service contract Lessee shall be entitled to receive its discounted shop rate on labor, and its actual costs of parts and materials. All other O&M costs shall be charged to the Projects at actual cost.

8.8 Lessor's option to renew the service contract shall survive the twenty (20) year term of this agreement as applied to each Project.

ARTICLE IX – METERING

9.1 Suitable metering and telemetry equipment as required by Idaho Power Company shall be located at the Project to indicate and record Output. Output shall be determined from the total metering, which shall be read by Lessor and records thereof shall be made available to the Lessor as may be reasonably required.

9.2 Lessee shall plan, schedule, and conduct an annual accuracy validation of all Project metering devices. Meters found to be defective or inaccurate shall be adjusted, repaired, or replaced to provide accurate metering. The expenses of testing the meters shall be included as Operation & Maintenance costs for the Contract Year of the test.

9.3 If any meter fails to register, or if the measurement made by such meter during a test made as provided in this section varies by more than one percent from the measurement made by the standard meter used in such test, an adjustment shall be made correcting all measurements made by such inaccurate meter for the actual period during which such inaccurate measurements were made if such period can be determined. If such a period cannot be determined then for the period immediately preceding the test of such meter which is equal to the Lessor of one-half the time from the date of the last preceding test of such meter or six months. Such corrected measurements shall be used to recompute the amount due from Idaho Power Company for Output made available under this contract during such period. If the total amount due from Idaho Power Company for such period as recomputed varies from the total project revenues as theretofore computed, the amount of the variance shall be paid to the party entitled thereto within thirty days after the recomputation is made.

ARTICLE X – TERM OF THE AGREEMENT

10.1 The Term shall be co-extensive with a twenty-year PURPA-power sales agreement with Idaho Power Company and a twenty (20) year Term on each of the four projects, so that the power sales agreement and lease expires at the same time. The Lease Term shall commence upon Completion of Construction.

10.2 Subject to events of force majeure, if the Lessee fails to meet, for any Project, respective commencement and completion deadlines established pursuant to this Agreement and all extensions thereof, or if Lessee is in default of its obligations under the Terms of this Agreement, the Lessor may at its option, unless good cause of said failure exists to Lessor's satisfaction, declare this Agreement terminated with respect to such Project.

ARTICLE XI – RELATIONSHIP OF PARTIES

11.1 Only the relationship of purchaser and seller and landlord and tenant are intended by this Agreement; no joint venture, partnership, employment or other agency relationship is intended or shall result from this Agreement. The parties hereto act for themselves alone and not for the other in performing any acts called for under this Agreement.

ARTICLE XII– NOTICE

12.1 All notices, submittals, demands, requests, elections, approvals, disapprovals, consents or other communications given under this Agreement shall be in writing and shall be given by personal delivery, mail or telegram. Notice by personal

delivery shall be deemed effective upon the delivery of such notice to the party for whom it is intended at the address set forth below. Notice by mail shall be deemed effective four (4) business days after depositing such notice, first class, certified or registered mail, postage prepaid, properly stamped and sealed, with the United States Postal Service, addressed as set forth below, regardless of whether or when the notice is actually received by the addressee.

LESSOR: Boise Project Board of Control
Attn: Ken Henley
2465 Overland Rd
Boise, ID 83705

LESSEE: Riverside, Inc.
Attn: Dennis Daugherty
P.O. Box 720
Parma, ID 83660

ARTICLE XIII – INDEMNITY AND INSURANCE

13.1 Lessee shall indemnify and hold Lessor harmless from any and all claims, liability, damages, loss, cost and expense of every type whatsoever including, without limitation, attorney's fees and expenses, in connection with Lessee's performance of this Agreement, including, but not limited to, the design, construction, Operation & Maintenance of the Projects.

13.2 Lessee shall purchase from and maintain in full force and effect from a company authorized to do business in the State of Idaho such insurance as will protect Lessee and Lessor from the beginning of construction until Completion of Construction of the following insurance: worker's compensation \$1,000,000; comprehensive general liability \$1,000,000 per current, \$3,000,000 aggregate; builders risk insurance to recover the replacement costs of the Project construction activity. Costs of such insurance shall be included in the firm fixed price for the construction of the Project. Lessor shall be an additional named insured under any such policy.

13.3 Lessee shall obtain such insurance as is required by the Terms of the Lease in Attachment A hereto. Such costs shall be treated as Operation & Maintenance costs of the Project.

ARTICLE XIV – MISCELLANEOUS

14.1 This Agreement, together with all exhibits and attachments and any written modifications or amendments entered into by the parties after the date of this Agreement, constitutes the entire agreement between the parties with respect to the

subject matter of this Agreement and supersedes all prior and contemporaneous agreements and understandings, whether oral or written (including, without limitation, the Bypass Agreement). Each party to this Agreement acknowledges that no representations, inducements, promises or agreements, orally or otherwise, have been made by any party, or anyone acting on behalf of any party, which are not embodied in this Agreement, and that no other agreement, statement or promise not contained in this Agreement shall be valid or binding.

14.2 This Agreement may not be assigned by either party hereto without the written consent of the other, which consent shall not be unreasonably withheld. For purposes of this Section 14.2, the sale of the greater than fifty percent (50%) of the outstanding stock of either party by its current shareholders shall be treated as an assignment of this Agreement.

14.3 If any provision of this Agreement or its application to any party or circumstance shall be determined by any court of competent jurisdiction to be invalid, illegal or unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstance, other than those as to which it is determined invalid, illegal or unenforceable, shall not be affected, and each other provision of this Agreement shall be valid and legal and shall be enforced to the fullest extent permitted by law. It is the intention of the parties that in lieu of each clause or provision of this Agreement that is invalid, illegal or unenforceable there be added as part of this Agreement a clause or provision as similar in terms to such invalid, illegal or unenforceable clause or provision as may be possible and be valid, legal and enforceable.

14.4 Both parties agree to execute any other documents reasonably required to fully perform the intent of this Agreement. This obligation on the part of the Lessor to execute such other documents shall not include any documents whereby the Lessor assumes any liabilities, gives any warranties, makes any claims, or subjects itself to any risks not already agreed to or provided for in this Agreement.

14.5 Any lenders' liens shall be confined by Lessee and the lender to Lessee's interest in the respective Project and Facility only. The Lessor shall be named as co-beneficiary of any performance bonds required of the Lessee by lenders.

14.6 The failure of either party at any time to seek redress for any violation of this Agreement or any applicable law or regulation or to insist upon the strict performance of any term or condition shall not prevent any subsequent act or omission of the same or similar nature which would have originally constituted a breach or default of this Agreement from having all the force and effect of an original breach or default, and such subsequent act or omission may be proceeded against to the fullest extent provided by this Agreement and the law. No provision of this Agreement shall be deemed to have been waived by a party unless the waiver is in writing and signed by such party.

14.7 This Agreement shall inure to and be binding upon the parties hereto and their respective heirs, successors and assigns.

14.8 In any action brought by either party to enforce any of such party's rights or remedies under this Agreement, the prevailing party shall be entitled to all reasonable attorney's fees and all costs, expenses and disbursements in connection with such action.

14.9 This Agreement, including, without limitation, its existence, validity, construction and operation, and the rights of each of the parties shall be determined in accordance with the laws of the State of Idaho and of the United States.

14.10 This Agreement may be executed simultaneously or in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

14.11 Lessee may prepare, and Lessor shall execute, a recordable short form memorandums of lease covering the Projects. Lessee may cause such memorandum to be recorded or filed as may be reasonably necessary to protect its interest in any of the Assets.

14.12 The recitals in this Agreement are deemed to be part of this Agreement.

14.13 The captions of this Agreement are for convenience and reference only and shall in no way define, explain, modify, construe, limit, amplify or aid in the interpretation, construction or meaning of any of the provisions of this Agreement.

14.14 Except as provided herein, no remedy or election under this Agreement shall be deemed exclusive, but shall, whenever possible, be cumulative with all other remedies under the Agreement or at law or in equity.

14.15 Exhibits referred to in this Agreement as attached are incorporated into this Agreement by the respective references to such exhibits as if set forth in full, whether or not such exhibits are actually attached. References to this Agreement shall include all matters incorporated by reference.

14.16 Each of the parties shall cooperate with and provide reasonable assistance to the other in performance of all obligations under this Agreement and the complete satisfaction of the conditions of this Agreement. Upon the request of either party at any time, the other party shall execute or re-execute and file any additional instruments and furnish any additional data as may be reasonably necessary or desirable to carry out the intent and to fulfill the provisions of this Assignment or to evidence or consummate the transactions contemplated by this Agreement.

14.17 Each party certifies to the other of its full familiarity with each of the provisions of this Agreement. Accordingly, this Agreement shall be construed according to its fair language and not for or against either party.

14.18 No variation, modification, change or amendment of this Agreement shall be binding upon either party unless such variation, modification, change or amendment is in writing and duly authorized and executed by both parties. This Agreement shall not be amended or modified by oral agreements or understandings between the parties or by any acts or conduct of the parties.

14.19 All representations and warranties made in this Agreement shall be deemed to have been relied upon by each party, notwithstanding any investigation made at any time by such party or on its behalf.

14.20 The covenants, representations and warranties herein contained shall survive the closing hereof and shall extend for the term of the Ground Leases.

IN WITNESS WHEREOF, the parties by their duly authorized representatives have hereunto executed this Agreement and made it effective as of the day and year first written above.

Riverside Inc.

President

Boise Project Board of Control

Chairman

New York Irrigation District

Chairman

Wilder Irrigation District

Chairman

Boise-Kuna Irrigation District

Chairman

Nampa & Meridian Irrigation District

Chairman

Big Bend Irrigation District

Chairman

ADDENDUM TO AGREEMENT FOR DEVELOPMENT OF HYDROELECTRIC PROJECTS, LEASE AND ASSIGNMENT OF ASSETS

WHEREAS, Boise-Kuna Irrigation District, Nampa & Meridian Irrigation District, New York Irrigation District, Wilder Irrigation District, and Big Bend Irrigation District, and the Boise Project Board of Control approved entering into an Agreement for Development of Hydroelectric Projects, Lease and Assignment of Assets with Riverside, Inc. in June of 2003;

WHEREAS, the Initial Feasibility Study submitted by Riverside, Inc. demonstrated that additional evaluations and modifications to the proposal needed to be made before a firm commitment to proceed with the Project could be made;

WHEREAS, the Idaho Public Utilities Commission has made changes to the contracts it has approved for small hydroelectric projects subject to the PURPA laws since June 2003;

WHEREAS, these changes have made the Project for the Mora Drop more attractive;

NOW, THEREFORE, in consideration of the mutual promises, covenants and agreements stated herein, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, Lessor and Lessee agree as follows:

I.

The terms of and conditions of the Agreement for Lease and Assignment of Assets and the Lease itself shall remain unchanged unless otherwise stated in this Addendum.

II.

The time frames for actions set forth in the Agreement are modified as follows:

- Article II, Section 2.4. The submission of the Mora Drop Feasibility Study shall be due by the end of March 2005. The other three feasibility studies shall be submitted annually thereafter on or before March of each subsequent year.
- Article III, Section 3.6. Lessee shall complete construction of the Mora Drop Project in the non-irrigation season from November 1, 2005 to April 1, 2006, and final completion shall be no later than June 1, 2006. Each of the succeeding projects shall be completed in the same fashion in the non-

irrigation season in each of the three succeeding years, unless the parties agree in writing to change the schedule.

III.

To clarify the parties' ability to control costs associated with the financing on the Project, a new section is added.

- Article VI, New Section 6.10. Either party may step into the shoes of the Lender by paying off debt. In that event, the Project will continue to pay the party stepping into the shoes of the Lender the debt service and principal repayment amounts that otherwise would have been paid to the Lender. However, either party may refinance the debt if, in doing so, the debt service and principal repayment is reduced. Both parties shall cooperate in such a refinancing. Upon refinancing, only actual debt service and principal payments will be made in lieu of the higher payments in the original financing.

In all other respects, the Agreement for the Development of Hydroelectric Projects, Lease and Assignment of Assets dated June of 2003 shall remain in effect.

Riverside Inc.

President

Boise Project Board of Control

Chairman

New York Irrigation District

Chairman

Wilder Irrigation District

Chairman

Boise-Kuna Irrigation District

Chairman

Nampa & Meridian Irrigation District

Chairman

Big Bend Irrigation District

Chairman