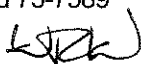


Memo

To: File 75-7052 and 75-7589
From: Roger Warner 
CC: Gary Spackman, Sharla Cox
Date: 5/25/2006
Re: Williams Lake Pre-hearing Conference Held on 4/24/06

BLM/Forest Service Building, Challis Hwy, Salmon Idaho, 2:00 pm

Subject pre-hearing conference was held in the matter of Williams Lake permit amendments referenced above. A roster of attendance was kept for all of those that attended. Representing the Williams Lake Recreation Water and Sewer Board was Jock Slavin. Mr. Slavin opened our discussion by explaining the purpose of making the amendments to the existing permits. The reasons given were: flexibility of use of the water, being able to increase the number of homes from limit of 64-66 to whatever the system is capable of handling, and enjoying a permit/license without a volume limit. To facilitate the explanation of their reasoning, two engineers from Forsgren and Associates from Rexburg also spoke to explain that their firm was hired to perform the first chapter of a 6-chapter study of their system. They reiterated their need for the water under those conditions. However, they were unaware of the amount of water that was found to be beneficially used and recommended for licensure was 0.21 cfs and 38.4 acre-feet per annum. They were under the impression that they would be under the permit amount of 0.5 cfs and would be unlimited on volume based upon the proposed change to municipal status. My explanation to the applicants was that since it was a change or amendment to an existing permit and given the detailed and narrow order that was issued for the permit, that they would likely NOT be allowed to increase the number of homes nor would they be able to increase the volume or go to unlimited volume.

All of the protestants had opportunities to ask questions and all of them were requested to state what it would take to release the protest. Most were very distrustful of the water board and their past track record and felt that they needed to adhere to the original conditions of the Spackman order before they would allow the applications to move forward.

The group was given 90 days to negotiate a settlement or until July 24 whereby an order to compel discovery would be issued. A deadline was given until August 27th to complete discovery. A hearing date was set for September 27th.

Follow-up conversations with Gary Spackman were held today via telephone. We discussed my position on limiting the number of houses and volume. Gary agreed that we treat as if a transfer of nature of use and the pre-existing conditions carry with it. Questions were raised about the downstream hydro and it's standing in the hearing process. Gary indicated that he felt that they should be a part of it at least in considering the public interest and the investment in the hydro facility. We received a release of protest from Ms Smith at the conference.