

MEMORANDUM

To: Debbie Allen

From: Cynthia Bridge Clark

Date: December 15, 2004

Re: INVOICE TO USBOR AND PAYMENT OF LESSORS PARTICIPATING IN THE 2004 SNAKE RIVER PILOT LEASING PROGRAM FOR RENTAL OF WATER FROM THE WATER SUPPLY BANK. WATER RIGHT NOS. 2-10205, 2-2159, 2-2354, 2-7184, 2-7229, 2-7284, 2-2386, 2-2387, 2-2388, 2-7148, 2-2279, 2-7012, 2-2249, 2-2250, 2-2251, 2-2252, 2-2253, 2-2254, 2-2255, 2-2256, 2-2361, 2-7001, 2-2371, 2-2372, 2-2262, 2-2145, 2-7144, 2-2443, 2-7030, 2-7068, 2-7076, 2-7132, 2-2198, 2-2191, 2-2370, 2-2194A, 2-2194B, 2-2186, 2-2204, 2-2206, 2-2214, 2-2215, 2-2217, 2-2218, 2-2210, 2-2269, 2-2367, 2-2379, 2-2298, 2-2376, AND 2-7182

The following information is provided in order to invoice the United States Bureau of Reclamation (Reclamation) for the rental of water rights from the State Water Supply Bank (bank) in accordance with the Contract No. 1425-04-WL-10-0023 between the United States Bureau of Reclamation and the Idaho Department of Water Resources to Implement the Rental of Water Rights Under the Pilot Program for Leasing of Snake River Natural Flow Water Rights for 2004 (Contract).

Under section II.C.1, the Contract specifies that payment to the individual lessors will be issued at a pay rate per acre identified in the individual agreements (Agreements) between Reclamation and the lessors minus ten percent (10%) to be credited to the Water Administration Account as provided in the Water Supply Bank rules (*IDAPA 37.02.035.01*). The individual Agreements provide that one half of the estimated payment will be paid on or around July 30, 2004, and balance shall be issued after the irrigation season has ended and verification of the Program compliance is complete. The Contract specifies that the department shall invoice Reclamation for each payment to the lessors plus the associated 10% for the Water Administration Account.

Reclamation issued an amendment to the Contract to authorize a payment date later than the schedule identified in the individual Agreements. The following are lessors have requested special payment considerations:

1. Farm Development Corp. and Sail Creek Water Co. requested a single payment after the end of the irrigation season. The full payment for these entities should be invoiced with the final payment.
2. Grindstone Butte Mutual Canal Co. requested a single payment on or after January 3, 2005 and before January 7, 2005.

3. The Montierth's (listed below) own the rights leased to the bank jointly, and have requested that fifty percent of the payment be issued to Herbert and the remaining fifty percent to Edward Ray Montierth. The payment is split accordingly in the table below (the first payment was also split).

Please let me know if the state is unable to issue a warrant on the specified dates and I will notify the entities.

The first payment was invoiced in mid-July, 2004, and calculated based on 50% of the estimated final payment in accordance with the Contract. All of the entities were issued this first payment with the exception of the three entities who requested that a single payment be issued after the end of the irrigation season. All of the lessors will be issued the remainder of the total payment in accordance with the amounts listed below.

The attached tables (Table I & II) identify the participating lessors, contract numbers, acres idled, and summarize the total payment amounts.

Summary

The following lessors will be issued warrants for the second and/or final payment in the amounts listed below. The corresponding administrative fees are referenced, as well as the total amount to be requested from Reclamation for Payment 2.

LESSOR	Payment 2 To Lessor (90% Payment 2)	Administrative Fee (10% Payment 2)
Bell Rapids Mutual Irrigation Co.	\$157,119.75	\$17,457.75
Bergh Farms	\$29,981.34	\$3,331.26
Clover Hollow LLC	\$194,955.84	\$21,661.76
Dirks, Robert	\$12,451.19	\$1,383.47
Falcon Butte Farms, Inc.	\$216,246.06	\$24,027.34
Farm Development Corp.	\$16,686.00	\$1,854.00
Grindstone Butte Mutual Canal CO	\$790,600.50	\$87,844.50
Huey Farms, Inc.	\$39,552.80	\$4,394.76
Kitsos, Constantine	\$3,530.25	\$392.25
Little Valley Mutual Irrigation Company	\$54,985.50	\$6,109.50
Mills, James	\$17,435.25	\$1,937.25
Montierth, Herbert	\$24,463.19	\$2,718.13
Montierth, Edward Ray	\$24,463.19	\$2,718.13
Murphy Flats Water Company, Inc.	\$36,308.25	\$4,034.25
Rosti, Martha	\$7,519.50	\$835.50
Sailor Creek Water Company	\$117,558.00	\$13,062.00
South Elmore Irrigation Company	\$307,685.70	\$34,187.30
Terry Ketterling (TLK Farms, Inc.)	\$36,124.20	\$4,013.80
Young, Roger	\$26,352.00	\$2,928.00

TOTALS: \$2,114,018.51 \$234,890.95

Total Invoice to Reclamation for Payment 2: \$2,348,909.45

**2004 SNAKE RIVER PILOT LEASING PROGRAM
RENTAL OF WATER FROM THE WATER SUPPLY BANK**

**INVOICE TO U.S. BUREAU OF RECLAMATION
FOR FINAL LESSOR PAYMENT**

TABLE I: CONTRACT & FINAL ACREAGE SUMMARY

LESSOR	AGREEMENT BETWEEN LESSORS AND USBOR ¹					TOTAL IDLED ACRES ²		RENTED WATER RIGHT(S)
	Agreement No.	Contracted Idled Acres (ac)	Payment Rate (price/ac)	Estimated Total Payment by Reclamation	Idled Acres (End of Irr. Season)	Eligible Idled Acres	Acres Ineligible for Payment	
Bell Rapids Mutual Irrigation Co.	1425-04-WL-10-00012	2405.9	\$150.00	\$360,885.00	2366.8	39.1		2-10205
Bergh Farms	1425-04-WL-10-0004	477.6	\$139.50	\$66,625.20	477.6	0.0		2-2159, 2-2354, 2-7184, 2-7229, 2-7284
Clover Hollow, LLC.	1425-04-WL-10-0002	3122.4	\$139.00	\$434,013.60	3119.6	2.8		2-2386, 2-2387, 2-2388, 2-7148
Dirks, Robert	1425-04-WL-10-0007	185.7	\$149.00	\$27,669.30	185.7	0.0		2-2279, 2-7012
Falcon Butte Farms, Inc.	1425-04-WL-10-0001	4072.2	\$111.50	\$454,050.30	4072.2	0.0		2-2249, 2-2250, 2-2251, 2-2252, 2-2253, 2-2254, 2-2255, 2-2256, 2-2361, 2-7001
Falcon Butte Farms, Inc.	1425-04-WL-10-0001	197.0	\$134.50	\$26,496.50	197.0	0.0		2-2371, 2-2372
Farm Development Corp.	1425-04-WL-10-00013	123.6	\$150.00	\$18,540.00	123.6	0.0		2-2262
Grindstone Butte Mutual Canal CO	1425-04-WL-10-00011	5856.3	\$150.00	\$878,445.00	5856.3	0.0		2-2361, 2-7001
Huey Farms, Inc.	1425-04-WL-10-0006	589.9	\$149.00	\$87,895.10	589.9	0.0		2-2145, 2-7144
Kitsos, Constantine	1425-04-WL-10-00018	52.3	\$150.00	\$7,845.00	52.3	0.0		2-2443, 2-7030, 2-7068
Little Valley Mutual Irrigation Company	1425-04-WL-10-00016	814.6	\$150.00	\$122,190.00	814.6	0.0		2-7076, 2-7132
Mills, James	1425-04-WL-10-00017	258.3	\$150.00	\$38,745.00	258.3	0.0		2-2198, 2-2191
Montierth, Herbert, Edward Ray & Susan	1425-04-WL-10-0008	729.7	\$149.00	\$108,725.30	729.7	0.0		2-2361, 2-2370, 2-7001
Murphy Flats Water Company, Inc.	1425-04-WL-10-00015	537.9	\$150.00	\$80,685.00	537.9	0.0		2-2194A, 2-2194B
Rosti, Martha	1425-04-WL-10-00010	111.4	\$150.00	\$16,710.00	111.4	0.0		2-2186, 2-2204, 2-2206, 2-2214, 2-2215, 2-2217, 2-2218
Sailor Creek Water Company	1425-04-WL-10-0009	870.8	\$150.00	\$130,620.00	870.8	0.0		2-2210, 2-2269, 2-2367
South Elmore Irrigation Company	1425-04-WL-10-0005	4883.9	\$140.00	\$683,746.00	4883.9	0.0		2-2379
TLK Farms, Inc.	1425-04-WL-10-0003	573.4	\$140.00	\$80,276.00	573.4	0.0		2-2298, 2-2376, 2-7182
Young, Roger	1425-04-WL-10-00014	390.4	\$150.00	\$58,560.00	390.4	0.0		
TOTALS:		26253.3		\$3,682,722.30	26211.4		41.9	

¹ The "Agreement" represents the Water Rental and Forbearance Agreement entered into between the United States Bureau of Reclamation ("Reclamation") and the individual Lessors. The Contracted Acres Idled and the Payment Rate represent the number of acres to be idled and the payment per acre agreed upon between the Lessors and Reclamation. The Estimated Total Payment by Reclamation is based on the Contracted Idled acres times the Payment Rate.

² The Eligible Idled Acres represent the total number of acres determined to be eligible for payment at the end of the irrigation season based on the criteria set forth in the Contract between Reclamation and the Department of Water Resources ("IDWR") to implement the rental of water rights from the Snake River ("Contract"). Acres determined to be ineligible for payment were observed to have been irrigated during the 2004 irrigation season, or did not meet the original eligibility criteria defined in the Lessor's Agreements and IDWR's Contract.

TABLE II: PAYMENT SUMMARY¹

	PAYMENT 1 ²		PAYMENT 2 ³		TOTAL PAYMENTS		
	Total Payment 1 by Reclamation (50% of Estimated Total)	Payment 1 To Lessor (90% Payment 1)	Administrative Fee (10% Payment 1)	Total Payment 2 by Reclamation (Remainder of Total)	Payment 2 To Lessor (90% Payment 2)	Administrative Fee (10% Payment 2)	Total Total Payment to Lessor Administrative Fee
LESSOR							
Bell Rapids Mutual Irrigation Co.	\$180,442.50	\$182,386.25	\$18,044.25	\$174,577.50	\$157,119.75	\$17,457.75	\$319,518.00
Bergh Farms	\$33,312.60	\$29,981.34	\$3,331.26	\$33,312.60	\$29,981.34	\$3,331.26	\$59,962.68
Clover Hollow LLC	\$217,006.80	\$195,306.12	\$21,700.68	\$216,617.60	\$194,955.84	\$21,661.76	\$390,261.96
Dirks, Robert	\$13,834.65	\$12,451.19	\$1,383.47	\$13,834.65	\$12,451.19	\$1,383.47	\$24,902.37
Falcon Butte Farms, Inc.	\$240,273.40	\$216,246.06	\$24,027.34	\$240,273.40	\$216,246.06	\$24,027.34	\$432,492.12
Farm Development Corp.	\$0.00	\$0.00	\$0.00	\$18,540.00	\$16,686.00	\$1,854.00	\$16,686.00
Grindstone Butte Mutual Canal CO	\$0.00	\$0.00	\$0.00	\$878,445.00	\$790,600.50	\$87,844.50	\$790,600.50
Huey Farms, Inc.	\$43,947.55	\$39,552.80	\$4,394.76	\$43,947.55	\$39,552.80	\$4,394.76	\$79,105.59
Kilsoo, Constantine	\$3,922.50	\$3,530.25	\$392.25	\$3,922.50	\$3,530.25	\$392.25	\$7,060.50
Little Valley Mutual Irrigation Company	\$61,095.00	\$54,985.50	\$6,109.50	\$61,095.00	\$54,985.50	\$6,109.50	\$109,971.00
Millis, James	\$19,372.50	\$17,435.25	\$1,937.25	\$19,372.50	\$17,435.25	\$1,937.25	\$34,870.50
Montierth, Herbert, Edward & Susan	\$54,362.65	\$48,926.39	\$5,436.27	\$54,362.65	\$48,926.39	\$5,436.27	\$97,852.77
Murphy Flats Water Company, Inc.	\$40,342.50	\$36,308.25	\$4,034.25	\$40,342.50	\$36,308.25	\$4,034.25	\$72,616.50
Rosti, Martha	\$8,355.00	\$7,519.50	\$835.50	\$8,355.00	\$7,519.50	\$835.50	\$15,039.00
Sailor Creek Water Company	\$0.00	\$0.00	\$0.00	\$130,620.00	\$117,558.00	\$13,062.00	\$117,558.00
South Elmore Irrigation Company	\$341,873.00	\$307,685.70	\$34,187.30	\$341,873.00	\$307,685.70	\$34,187.30	\$615,371.40
Terry Ketterling (TLK Farms, Inc.)	\$40,138.00	\$36,124.20	\$4,013.80	\$40,138.00	\$36,124.20	\$4,013.80	\$72,248.40
Young, Roger	\$29,280.00	\$26,352.00	\$2,928.00	\$29,280.00	\$26,352.00	\$2,928.00	\$52,704.00
	\$1,327,558.65	\$1,194,802.79	\$132,755.87	\$2,348,909.45	\$2,114,018.51	\$234,890.95	\$3,308,821.29
							\$367,646.81
							\$3,676,468.10

¹ As stipulated in the Contract between Reclamation and the Department of Water Resources, two payments will be issued to all of the lessors unless otherwise requested by the lessor. The first payment shall include one half of the Total Payment to Lessor on or around July 1, 2003, and the second payment will be issued after the irrigation season has ended for the remainder of the Total Payment to Lessor. Prior to making the payments to the lessors, IDWR will invoice Reclamation for the payment including the associated 10% for state Administrative Fees. Three of the lessors requested in writing that a single payment be issued after the end of the irrigation season. These include Farm Development Corporation, Grindstone Butte Mutual Canal Company, and Sailor Creek Water Company. These entities were not issued a first payment. The Total Payment to Lessor is based on ninety percent (90%) of the Eligible Idled Acres times the Individual Payment Rate. The remaining ten percent (10%) is retained for Administrative Fees.

² Total Payment 1 by Reclamation was calculated based on one half (50%) of the Estimated Total Payment by Reclamation. (For the purposes of the first payment, all of the contracted acres were considered to have been left idle in accordance with criteria set forth in the Lessor Agreements. This was based in part on satellite imagery collected on May 4, 2004.) Payment 1 to Lessor represents ninety percent (90%) of the Total Payment 1, while the Administrative Fee represents remaining ten percent (10%). Total Payment 1 = (Estimated Idled Acres) x (Payment Rate per Acre) x (50%); Payment 1 to Lessor = (Total Payment 1) x (90%)

³ Total Payment 2 by Reclamation was calculated based on the remainder of the total payment due from Reclamation: Eligible Idled Acres times the Payment Rate minus Total Payment 1. Total Payment 2 = (Eligible Idled Acres) x (Payment Rate) - (Total Payment 1); Payment 2 to Lessor = (Total Payment 2) x (90%)