

 MEMORANDUM

To: Glen Saxton, Hal Anderson, Jeff Peppersack

From: Cynthia Bridge Clark

Date: July 15, 2004

Re: INVOICE TO USBOR FOR FIRST PAYMENT TO 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 is a summary of the estimated number of acres eligible for the first payment from the Water Supply Bank (bank) under the Snake River Pilot Leasing Program for 2004. Payments will be issued in accordance with the Contract number 1425-04-WL-10-0023 (Contract) between the United States Bureau of Reclamation (Reclamation) and the Idaho Department of Water Resources (IDWR) to Implement the Rental of Water Rights Under the Pilot Program for Leasing of Snake River Natural Flow Water Rights for 2004 (Program).

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 one half shall be issued after the irrigation season has ended and verification of the Program compliance is complete. The Contract specifies that IDWR shall invoice Reclamation for each payment to the lessors plus the associated 10% for the Water Administration Account.

Three of the lessors provided a written request to receive a single payment after the end of the irrigation season. As per a telephone conversation on July 15, 2004, Gail McGarry agreed that a single payment could be issued after the end of the irrigation season, and plans to document this option in a letter to the department.

Section II.D.2 of the Contract indicates that monitoring compliance with the Agreements, will include review of satellite data and field visits to confirm the leased lands are not being irrigated. The department has visited all of the fields identified on the contracts, and has ordered two satellite images flown May 4 and June 21, 2004. A large percentage of the lands have a cover crop but do not appear to have been irrigated, though rain in the early part of the irrigation season supplemented crop growth. A number of other fields were

covered heavily by weeds, or were cut recently to control weed growth. A bean crop was observed on a 39 1-acre field in the Bell Rapids Irrigation Company. Though the field appeared to be dry during the site visit, detached hand lines were positioned across the field. Information has been requested from the company. They have been informed that the first payment will be issued for all of the contracted acres. However, the full payment for the field will be withheld from the final payment if the lands are determined to be ineligible.

Based on the data available and the review completed to date, all of the lands leased to the bank will be considered for payment. Withholding 50% of the estimated final payment as specified in the Contract, should be sufficient to cover payment reductions needed for unauthorized use of water during the irrigation season.

The attached table identifies the participating lessors, the contract amounts, the total estimated payments as specified in the individual Agreements, the amounts to be issued for the first payment to the lessors and the corresponding administrative fee. Reclamation should be invoiced for the total amount of the first payment, and state warrants should be issued to each lessor for amounts identified.

**2004 PILOT LEASING PROGRAM FOR LEASING OF SNAKE RIVER
NATURAL FLOW WATER RIGHTS
RENTAL OF WATER FROM THE WATER SUPPLY BANK
INVOICE TO U.S. BUREAU OF RECLAMATION
FOR LESSOR PAYMENT NO. 1**

LESSOR	AGREEMENT BETWEEN LESSORS AND USBOR ¹			PAYMENT ^{1,2}			Estimated Total Program Payment by Reclamation	RENTED WATER RIGHT(S)
	Agreement No.	Contracted Idled Acres (ac)	Payment Rate (price/ac)	Total Payment 1 by Reclamation (50% of Estimated Total)	Payment 1 To Lessor (90% Payment 1)	Administrative Fee (10% Payment 1)		
Bell Rapids Mutual Irrigation Co.	1425-04-WL-10-00012	2405.9	\$150.00	\$180,442.50	\$162,398.25	\$18,044.25	\$360,885.00	2-10205
Bergh Farms	1425-04-WL-10-00004	477.6	\$139.50	\$33,312.60	\$29,981.34	\$3,331.26	\$66,625.20	2-2159, 2-2354, 2-7184, 2-7229, 2-7284
Clover Hollow, LLC.	1425-04-WL-10-00002	3122.4	\$139.00	\$217,006.80	\$195,306.12	\$21,700.68	\$434,013.60	2-2386, 2-2387, 2-2388, 2-7148
Dirks, Robert	1425-04-WL-10-00007	185.7	\$149.00	\$13,834.65	\$12,451.19	\$1,383.47	\$27,669.30	2-2279, 2-7012
Falcon Butte Farms, Inc.	1425-04-WL-10-00004	4072.2 197.0	\$111.50 \$134.50	\$240,273.40	\$216,246.06	\$24,027.34	\$480,546.80	2-2249, 2-2250, 2-2251, 2-2252, 2-2253, 2-2254, 2-2255, 2-2256, 2-2361, 2-7001
Farm Development Corp.	1425-04-WL-10-00013	123.6	\$150.00	\$0.00	\$0.00	\$0.00	\$18,540.00	2-2371, 2-2372
Grindstone Butte Mutual Canal CO	1425-04-WL-10-00011	5856.3	\$150.00	\$0.00	\$0.00	\$0.00	\$878,445.00	2-2262
Huey Farms, Inc.	1425-04-WL-10-00006	589.9	\$149.00	\$43,947.55	\$39,552.80	\$4,394.76	\$87,895.10	2-2361, 2-7001
Kitsos, Constantine	1425-04-WL-10-00018	52.3	\$150.00	\$3,922.50	\$3,530.25	\$392.25	\$7,845.00	2-2145, 2-7144
Little Valley Mutual Irrigation Company	1425-04-WL-10-00016	814.6	\$150.00	\$61,095.00	\$54,985.50	\$6,109.50	\$122,190.00	2-2443, 2-7030, 2-7068
Millis, James	1425-04-WL-10-00017	258.3	\$150.00	\$19,372.50	\$17,435.25	\$1,937.25	\$38,745.00	2-7076, 2-7132
Monterth, Herbert, Edward Ray & Susan	1425-04-WL-10-00018	729.7	\$149.00	\$54,362.65	\$48,926.39	\$5,436.27	\$108,725.30	2-2198, 2-2191
Murphy Flats Water Company, Inc.	1425-04-WL-10-00018	537.9	\$150.00	\$40,342.50	\$36,308.25	\$4,034.25	\$80,685.00	2-2361, 2-2370, 2-7001
Martha Rosli	1425-04-WL-10-00010	111.4	\$150.00	\$8,355.00	\$7,519.50	\$835.50	\$16,710.00	2-2194A, 2-2194B
Sailor Creek Water Company	1425-04-WL-10-00009	870.8	\$150.00	\$0.00	\$0.00	\$0.00	\$130,620.00	2-2186, 2-2204, 2-2206, 2-2214, 2-2215, 2-2217, 2-2218
South Elmore Irrigation Company	1425-04-WL-10-00005	4883.9	\$140.00	\$341,873.00	\$307,685.70	\$34,187.30	\$683,746.00	2-2210, 2-2269, 2-2367
TLK Farms, Inc.	1425-04-WL-10-00003	573.4	\$140.00	\$40,138.00	\$36,124.20	\$4,013.80	\$80,276.00	2-2379
Young, Roger	1425-04-WL-10-00014	390.4	\$150.00	\$29,280.00	\$26,352.00	\$2,928.00	\$58,560.00	2-2298, 2-2376, 2-7182
TOTALS:				\$1,327,558.65	\$1,194,802.79	\$132,755.87	\$3,682,722.30	

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 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 site visits made to the leased lands by department staff prior to issuance of the first payment. Compliance with the Agreement will be monitored further throughout the irrigation season. 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 = (Contracted Acres Idled) x (Payment Rate per Acre) x (50%); Payment 1 to Lessor = (Total Payment 1) x (90%)