

MEMORANDUM

To: File 63-148C

From: Cynthia Bridge Clark

Date: May 9, 2005

Re: Lease and Rental of Water Rights from the State Water Supply Bank

South Boise Water Company ("South Boise") filed four applications to lease portions of water right 63-148C to the water supply bank. Each offered 1.0 cfs for irrigation of 50 acres within the place of use digital boundary created for the Snake River Basin Adjudication preliminary recommendation. The applications identified different lease terms varying from one year to four years, such that a total of 4 cubic feet per second (cfs) associated with 200 acres were offered to the bank during the 2005 irrigation. The total quantity of water leased to the bank will be reduced by 1 cfs each subsequent year (see tables below).

United Water Idaho ("United Water") submitted a rental application with the lease applications to rent all of the water available under the water right. Their attorney, John Marshall, indicated that United Water was also interested in renting the entire volume of water typically diverted by South Boise, including the non-consumptive portion. South Boise submitted a letter indicating that the company typically diverts 360 acre-feet per 1 cfs (see letter from Barry Eschen, dated April 13, 2005). United Water suggested that diversion through their treatment plant and municipal use of the water would result in significant non-consumptive use of the water (see letters from John Marshall, dated April 15 and April 21, 2005). Through these discussions, the original use of irrigation specified on the application for rent was changed to municipal use. The point of diversion was also modified from that identified on the application as per telephone conversations with John Marshall.

Given the short term of the leases and rental, the diversion volume authorized for rent by United Water was based on the volume reported by South Boise. As specified on the rental agreement, this volume is subject to change based on historical diversion under the right. Additionally, should the rental agreement be voided, the volume authorized for diversion under rental of the right is limited to the standard field headgate requirement recognized by the department unless another renter can demonstrate that diversion of additional volume is necessary and will be put to a non-consumptive beneficial use. The right is also subject to reductions under the Stewart Decree (See additional conditions of approval on the lease acceptances and rental agreement.)

The rental agreement provides for rental of water during the authorized irrigation season from 2005 through 2008. The rental fee for each year varies in accordance with the maximum estimated diversion volume available for rent at the current rental rate of \$11.00 per acre-foot (see tables below). A fee of \$15,840.00 is required for rental of water during the 2005 irrigation season. Annual payments for rental of water during all subsequent irrigation seasons must be received by the Department prior to April 1, the start of the

authorized irrigation season, each year for the duration of the rental period. The agreement will be void if the payment is not received in a given year. The rental fee for a given season will not be refunded if the full extent of water is not available or is not authorized for diversion.

Lee Sisco was informed of the details of the lease and rental, and did not have any concerns about the change.

Quantity of water offered for lease:

Lease No.	Diversion Rate	Estimated Diversion Volume	Associated Acres
1	1 cfs	360 af	50 ac
2	1cfs	360 af	50 ac
3	1cfs	360 af	50 ac
4	1 cfs	360 af	50 ac

Total quantity of water per year:

Irrigation Season	Diversion Period	Diversion Rate (cfs)	Maximum Diversion Volume (acre-feet) *	Irrigated Acres	Annual Rental Fee
2005	April 1 to Nov. 15	4 cfs	1,440 af	200 ac	\$15,840 00
2006	April 1 to Nov 15	3 cfs	1,080 af	150 ac	\$11,880 00
2007	April 1 to Nov 15	2 cfs	640 af	100 ac	\$7,040 00
2008	April 1 to Nov. 15	1 cfs	320 af	50 ac	\$3,520.00