



State of Idaho

DEPARTMENT OF WATER RESOURCES

1301 North Orchard Street, Boise, ID 83706 - P.O. Box 83720, Boise, ID 83720-0098
Phone: (208) 327-7900 Fax: (208) 327-7866 Web Site: www.idwr.state.id.us

DIRK KEMPTHORNE
Governor

KARL J. DREHER
Director

July 29, 2004

TWIN FALLS CANAL COMPANY
PO BOX 326
TWIN FALLS ID 83303

NORTH SIDE CANAL COMPANY
921 NORTH LINCOLN
JEROME ID 83338

*sent by e-mail to
Barker Rosholt + Simpson LLP
7/29/04 JR*

**RE: ACCEPTANCE OF WATER RIGHT INTO THE WATER SUPPLY BANK AND
RENTAL AGREEMENT TO RENT WATER FROM THE WATER SUPPLY BANK
FOR WATER RIGHT 2-10205**

Dear Applicants:

The Department of Water Resources ("department") acknowledges receipt of the Water Lease Agreement ("lease") between Bell Rapids Mutual Irrigation Company and Twin Falls Canal Company/North Side Canal Company dated July 20, 2004. The purpose of this letter is to document the lease in accordance with the Idaho Water Resource Board's Water Supply Bank ("bank") procedures to effectuate the change in use for the Temporary Water Exchange Agreement ("exchange") between Twin Falls Canal Company/North Side Canal Company and the U.S. Bureau of Reclamation dated July 22, 2004.

Acceptance of Water Right 2-10205 (part) into the Water Supply Bank

Water right 2-10205 is accepted into the bank with the following conditions.

1. While a right is in the bank, the owner of the right may not use the right even if the right is not rented from the bank.
2. The right will remain in the bank until November 15, 2005 unless the right is released earlier by the Board.
3. While a water right is in the bank, forfeiture provisions are stayed.
4. Acceptance of a right into the bank does not preclude the opportunity for review of the validity of the right in the ongoing Snake River Basin Adjudication or any other department application process.
5. The above referenced water right is leased to the bank, in part, as follows:

Right No.	Acres	Diversion Rate (cubic ft per sec.)	Diversion Volume (acre-feet)
2-10205	8201.9	138.81	26458.9

6. Failure of the right holder to comply with the conditions of acceptance is cause for the Director to rescind acceptance of the lease.

Agreement to Rent Water from the Water Supply Bank

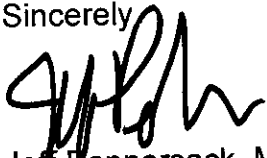
Rental of water right 2-10205 from the bank for purposes of the exchange will require execution of the enclosed Water Supply Bank Rental Agreement. Please note that the amount of water shown in the rental agreement (26458.9 af) is based on the total lease amount of water right 2-10205 and reduced to 80.65% for diversion of water between April 10 and August 31. This amount differs from previous calculations that were based on the entire month of April. Execution of the rental agreement will confirm your agreement to the revised amount.

Upon signature and return of the agreement, together with the rental administration fee described below, the department will sign the agreement and will return an executed copy to you. Execution of the agreement and compliance with the conditions of approval authorize diversion and use of water as provided in the agreement.

The rental fee is **\$21167.12**. This amount is 10% of the cost per acre-foot indicated in the lease (\$8 per acre-foot) times the total volume of water rented (26458.9 af). Please send a check made payable to the Idaho Department of Water Resources together with the signed rental agreement.

If you have questions, please feel free to contact the department.

Sincerely,



Jeff Peppersack, Manager
Water Right Permits Section

Enclosure

c: John Westra – IDWR Western Regional Office
Bell Rapids Mutual Irrigation Company
John Simpson – Barker Rosholt & Simpson LLP