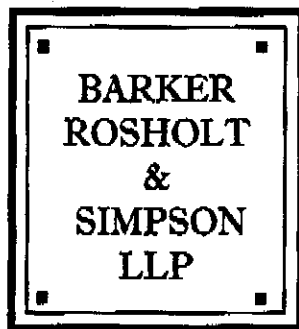


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July 23, 2004

Director Karl J. Dreher  
Idaho Department of Water Resources  
1301 N. Orchard St.  
Boise, Idaho 83706

***Re: Amended Application for Natural Flow Lease***

Dear Karl:

On July 22, 2004 Twin Falls Canal Company (TFCC) and North Side Canal Company (NSCC)(collectively the "Canal Companies") submitted a Temporary Exchange Application and accompanying documents for your review and approval. Subsequent to the submittal it was determined that in order to comply with the Bureau of Reclamation's conditions for said exchange, the Canal Companies would need to supplement their original water bank lease request. Specifically, the Canal Companies initial request was for a total of 17, 303.4 acre-ft. Reclamation limited the natural flow considered for the exchange to water in the Snake River between April 10 and August 31, 2004. In order to comply with this condition the Canal Companies must amend their application to lease 22,880.7 acre-ft of natural flow Snake River water rights below Milner Dam with the condition that said water leased be in the Snake River between April 10 and August 31. This revised figure was the result of calculations performed by the Department consistent with previous Reclamation natural flow leases for flow augmentation for 2004. As a result of the revised calculation the Canal Companies understand that compliance with Reclamation's exchange conditions dictate that their private lease with Bell Rapids be limited to 27,230.3 acre-ft of natural flow. The Canal Companies do not anticipate that the total acre-ft exchanged between the Canal Companies and Reclamation will change.

Karl Dreher  
July 23, 2004  
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Please accept this amended application for immediate consideration by the Department. As previously discussed, action by the Department is crucial in finalizing the exchange between the Canal Companies and Reclamation.

Sincerely,

*John K. Simpson/bk*

John K. Simpson

cc: Ted Diehl  
Vince Alberdi