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DEPARTMENT OF
WATER RESOURCES

Burgess Canal Company
Parks and Lewisville Canal Company
Rudy Canal Company
Clark & Edwards Canal Company

Idaho Dept. Of Water Resources
Water District No. 1
900 N. Skyline Drive
Idaho Falls, Id 83402

To: Lyle Swank - Water Master
Larry Kerbs - Chairman; Committee of Nine (9 copies of members)

We hereby Notify the Water District No.1 Watermaster (also O&M Budget Manager) and The Committee of Nine that the Burgess Canal and Irrigation Company, Inc., Parks & Lewisville Canal Company, Inc., Rudy Canal and Irrigation Company Inc., and the Clark & Edwards Canal Company, Inc. will not and legally cannot (vote of the stockholders) continue to pay the Upper Valley Legal portion of the annual O&M. As you are aware the Aberdeen-Springfield Canal does not pay these bills but their Committee of Nine member helps decide how to spend our money.

We believe the firm(s) which actually represent all of the Committee of Nine - (Rocholt, J. Simpson, and R. Ling; et. Al) are more than adequate and qualified. Any affairs now served by the Upper Valley legal should already be overseen by the real counsel of all the District No. 1. Many times we have up to seven lawyers at a session. This forces the lawyers and firms to duplicate many, if not most, of our legal affairs. We clearly believe there is no function for Upper Valley Legal not now chartered to the Regular District No. 1 law firm(s). Further there is no legal or accepted uniqueness for "Upper" and "Lower" Valley. If any purpose existed for the "Upper Valley Legal" at the time it was added to the program it has long since lost its purpose and direction.

Water District No. 1 bills the O&M by acre feet which also means lawyers of the district and the "Upper Valley Legal" is billed by acre feet. As a result our canals pay 2 ½ times the average of all canals and seven times as much as some of the lower valley canals as related to acres and crops grown. This is simply unfair for all O&M, but how could anyone suggest that a lawyer's time and service would be seven times higher for one canal than another. If this billing system is not changed we will be forced to promote more sprinklers and line the canals. We will not be cheated into the future years. We now find that lining canals is cost effective in most cases at the current water values.

We have brought this problem to your attention and made 3 separate formal pleas to the Committee of Nine. Our next action will be at a higher level if some satisfaction is not given.

We encourage the Water District No. 1 to look at advisory people chosen from the canals and Committee of Nine members assignments to review and "monitor" meetings to reduce legal costs. We also believe adding an engineer to your staff by reducing legal personnel will help the district manage "real" problems. To many lawyers with not enough needs has led to meddling in matters outside the Water District No.1 (surface water only) Charter.

Counsel suggests to us that hiring a lawyer or firm is a "selective" event based on confidence and results just like a doctor or engineer. It is not uncommon to terminate a retainer service or a specific legal representation. On this basis we request the Upper Valley Legal part of the District No. 1 O&M not be included in billings effective from March 9, 2007, when you were formally notified of our intent. If, as you say the April 2007 bill was actually for 2006 we will pay that invoice under protest.

Your action is requested to ensure the requested change is effective immediately for the current 2007 year, O&M.

Burgess Canal & Irrigating Co., Inc.

By Lloyd Hicks
Lloyd Hicks

cc: 1) Scott Campbell
Moffat and Thomas; et al
Chartered

Parks & Lewisville Canal Co.

By John Ellsworth
John Ellsworth

2) Dave Tuthill; Director
Idaho Dept. Of Water Resources

Rudy Canal & Irrigating Co., Inc.

By Bruce K. Grover
Bruce K. Grover

Clark & Edwards Canal Co.

By Dale Mortimer
Dale Mortimer