IDAHO WATER RESOURCE BOARD

MINUTES OF TELEPHONIC
MEETING NO. 12-05
OF THE IDAHO WATER RESOURCE BOARD
JUNE 17, 2005, 8:36 a.m.
Idaho Department of Water Resources at the Idaho Water Center – 6th Floor
Conference Room A, 322 East Front Street, Boise, Idaho

Dirk Kempthorne
Governor

Jerry R. Rigby
Chairman
Rexburg
At Large

Terry T. Uhling
Vice Chairman
Boise
District 2

Dick Wyatt
Secretary
Lewiston
District 1

Leonard Beck
Burley
District 3

Bob Graham
Bonners Ferry
At Large

L. Claude Storer
Idaho Falls
District 4

Gary M. Chamberlain
Challis
At Large

Lawrence 'Vic' Armacost
New Meadows
At Large

Meeting No.12-05 of the Idaho Water Resource Board was called to order via telephone by Chairman Rigby At the Idaho Water Center in Boise (Two Recording Tapes)

Agenda Item No. 1, Roll Call

Board Members Attending

Jerry Rigby, Chairman
Leonard Beck
Dick Wyatt – Secretary
Gary Chamberlain
Claude Storer
Bob Graham
Vic Armacost

Board Members Absent

Terry Uhling
Leonard Beck

Department of Water Resources Staff

Hal Anderson, Administrator
Crystal Calais, Admin. Asst. II
Brian Patton
Director Karl Dreher

Guests Present and on the Phone

Dave Wilkins, Capitol Press
Jim Wrigley, Wells Fargo

Agenda Item No. 2, Public Comment

There was no public comment.

Agenda Item No. 3, Director's Report

Mr. Anderson introduced Director Dreher who spoke about the water supply. The Director explained the graphs and materials provided showing 30-year averages and the cumulative precipitation for 2004 and 2005 at various locations around the state.

Board members asked the Director to give a status report on delivery call orders. The Director stated he had issued several orders in the Surface Water Coalition matter. The amount of water available in the coming season would have some effect on the situation. He stated he was issuing several other orders in the Rangen and Clear Lakes matters. Other calls are remaining for Billingsley Creek Ranch and the Jones Fish Hatchery. Water supplies for fish producers continues to be less than their water rights.

Board members asked questions and there was discussion regarding test wells and data that would be coming.

Another issue in the Blue Lakes and Rangen calls is whether an aggrieved party will call for a hearing. Most of the petitions for hearing from surface water users have asked for an independent hearing officer. This issue is being evaluated.

The Director addressed the Bureau of Reclamation exchange agreement that would be discussed later. He outlined the history of this issue and the status of it now. Chairman Rigby asked the Director if he would like to address the Bell Rapids water purchase involving the bureau leasing some of that water. The Director discussed the details of these changes that are occurring and stated the department is assessing the situation and will monitor it for a while. There was further discussion of expenditures of the legislative appropriations and the lease agreement with the bureau. The Director stated that he would be meeting with legislators to discuss alternatives for repaying the General Fund.

The Director also answered Board members questions regarding the Swan Falls Agreement and the Bell Rapids Purchase.

Agenda Item No. 4, Natural Resources Interim Committee

Mr. Anderson apologized for not sending the agenda for the committee meeting. Copies of the PowerPoint presentation have been provided. The committee was concerned about the Bell Rapids Purchase and the managed recharge and its implementation. Mr. Anderson had met with Deputy Attorney General Kip Clark who is representing the Board and the state on the Bell Rapids transaction. The purchase was to be closed this week, but there are outstanding issues including minor title issues. Hopefully, the closing will be next week.

Mr. Anderson told the Board that Brian had made a presentation to the committee that outlined the methods to facilitate the recharge of water into the aquifer. Costs are expected to increase because it's going to be more difficult than originally thought. The main problems are 1) water rights injury that involve Idaho Power and canal companies; 2) water supply; 3) environmental compliance issues at recharge sites on federal and state lands with DEQ; and 4) there needs to be an entity to conduct and manage recharge across the state. The Board has been identified as the agency to do this. Chairman Rigby thanked Mr. Anderson for his attendance at the committee meeting.

Mr. Anderson pointed out that there was another major item that came out of the committee meeting. The committee formulated a work group to be specifically focused on managed recharge. Representative Stevenson requested an IDWR staff person to be on the committee. The Board needs to decide whom they want on the new sub-committee.

Chairman Rigby asked for discussion on this matter. He asked if any other members would like to be on this sub-committee to let him know. Jerry, Claude and Leonard are the current members of the Board's recharge committee.

Agenda Item No. 5, Lemhi Water Rental Agreement

Mr. Anderson stated that a copy of the agreement was provided to Board members. A resolution to approve the agreement is up for consideration. Mr. Anderson stated that to satisfy the minimum stream flow needed on the Lemhi River, the Bureau of Reclamation has been renting water through Water District 74 at the L6 diversion on the river. The bureau no longer has the funding to provide that water to satisfy the minimum stream flow at the L6 diversion. A proposal was submitted to the Idaho Office of Species Conservation requesting money from the Pacific Coast Salmon Recovery funds for projects in the Salmon including the rental of water for minimum stream flow. Funds are available to rent water for the Lemhi rental pool of $184,600 during the 2005 irrigation season. The resolution for consideration will transfer monies to Water District 74.

Chairman Rigby asked if everyone had a copy. He confirmed with Mr. Anderson that the resolution was necessary to authorize the agreement and a copy had been provided to the Director.

Mr. Chamberlain moved to approve the resolution. Mr. Wyatt seconded. Discussion ensured as to the details of the agreement and the Board's responsibility for setting rental rates.

Mr. Anderson pointed out that this transaction is just for this year. The long-term objective is for purchase and retiring some acres.

Roll Call Vote: Mr. Wyatt, Aye; Mr. Armacost, Aye; Mr. Storer, Aye; Mr. Beck, absent; Mr. Chamberlain, Aye; Mr. Graham, Aye; Mr. Uhling, Absent; Chairman Rigby, Aye. 6 Ayes, two absent. **Motion passed.**

Agenda Item No. 6., Bureau of Reclamation

Mr. Anderson introduced Ms. Gail McGarry who was present representing the bureau. He noted that the department was hoping to brief the Board on agreements that staff are working on to familiarize the Board before the regular meeting. Staff is working on the Bell Rapids purchase and the IGUA Water Lease for 2005. The Temporary Water Exchange Agreement provided to members is between the United States and IGUA. The Board loaned $2.6 million to IGUA to rent water for 2005. An exchange agreement is needed to be in place between IGUA and the Bureau of Reclamation in the Upper Snake. No action is needed by the Board on this agreement that has been presented to the Interim Legislative Committee. Chairman Rigby asked for questions.

The next topic presented by Mr. Anderson was the Water Right Lease Agreement. This is a draft agreement in the early stages that has provisions that need to be worked out. This agreement with the Bureau of Reclamation will provide a long-term lease of the Bell Rapids water. Some sort of bridge financing will be needed to come up with the money to repay the General Fund the $21.3 million in July of 2006. The Board would use the revenue generated from the 30-year lease by the Bureau of Reclamation to implement a financing mechanism. Jim Wrigley was present to go over details on the financing.

Mr. Wrigley explained the contract to the Board. He said the critical portion was item 6 in the payment terms. The theory is that the bureau will pay the principal amount of the lease that is $21 million and whatever the out-of-pocket costs are for the Board so there is no cost to the Board.

Also, the bureau needs to have the provision to come in at any time and pay the whole amount without penalty. It is very similar to the United Water Lease that was done about one month ago. The bureau is subject to its annual appropriation from Congress. As soon as the language is hammered out, the rating agency, Moody's, will be contacted for an investment rating. They will notify the Board of any suggested changes and a rating.

Chairman Rigby asked how soon these instruments would need to be in place. Mr. Wrigley said the July 1 deadline would be a short time to get this done. Mr. Anderson stated there was a lot of homework that needed to be done to meet the Legislature's needs. He introduced Gail McGarry to give the Bureau of Reclamation's perspective on the Lease Agreement. Ms. McGarry said that the bureau's attorney has been reviewing the contract with department attorneys. A meeting is set within the week with Director Dreher, all the attorneys and Mr. Wrigley to iron out details. There was no action for the Board to take today. Discussion followed among members about the Lease Agreement terms.

Agenda Item No. 7, IGWA Loan Agreement

Mr. Anderson asked Mr. Patton to give an update on the progress with this agreement. Mr. Patton stated no Board action was required. At the Lewiston meeting the Board authorized $2.6 and change in loan funds to be used for the pilot lease of water rights below Milner that would be exchanged by the bureau for Palisades Reservoir water for Salmon flow. The exchanged water would then be delivered by the districts on the Eastern Snake River Plain to mitigate the injury on senior surface and spring water right holders in Basins 120 and 130 caused by their pumping. All participating ground water districts have signed. The districts have requested that half the funds be released; however, there are still some questions as to how much of leased water will be accepted as well as finalizing the exchange agreement. Monies are being held until these problems are resolved probably next week. Also, the loan agreement between the Board and the five districts requires them to lease the 4600 acre-feet that the Board wanted leased out and placed in the water bank.

Chairman Rigby called for questions from the Board and discussion followed. Mr. Anderson reiterated that staff members are just keeping the Board informed of the progress on pending agreements.

Agenda Item No. 8, Water 2025 Proposal for the W-Canal Project

Mr. Anderson explained to the Board that the Bureau of Reclamation annually issues a request for grants for the Water 2025 Initiative to improve water delivery, environmental compliance, etc. Two years ago the department submitted an unsuccessful proposal. Since then the 2025 program has been changed from targeting water districts to public agencies and the bureau asked the department to submit a proposal. The proposal is for a recharge project on the north side system to facilitate managed recharge. Because of a time crunch the grant request was submitted without the Board's knowledge. If it were successful, it would require a fifty-fifty match of monies.

Mr. Patton detailed the grant application that was a full proposal and a one-page summary. The project would be located 3 miles east of Wendell on state ground on the North Side Canal System adjacent to the W Canal Lateral. At ultimate development it would have 30,000 acre-feet annually of recharge capacity. Initial development would be 10,000 acre-feet annually at a cost of $520,000 for the initial development. The full eligible amount of the grant is $250,000. The Lower Snake River Aquifer Recharge District has also committed $15,000 to the project. The remaining $81,000 from last year's Department of Commerce ESPA grants fund can also be used towards this project. This amount was dedicated for the joint test well at Clear Lakes and Clear Springs that fell

apart because parties could not reach agreement. Assuming all funding pieces come into place, the remainder that would be required would be $174,000 more or less depending on actual costs. This amount would come from the Board's $7.2 million appropriation from the liquor fund. Since that fund is a revolving fund, one concept would be to charge the ground water districts for the use of that project in order to recover the Board's development and operations costs on the project. The ground-water districts are running into a struggle in Basin 130 delivering their mitigation water because the department is not giving them credit for their "opportunistic recharge." The Director wants the water delivered to approved recharge cites and monitored and measured, etc. This grant project would help the water districts to do that.

Chairman Rigby acknowledged that if the grant comes through, the Board could still accept or reject it. He asked Board members what they thought of the proposed project. Discussion followed.

Agenda Item No. 9, Other items Board Members May Wish to Present

Mr. Storer asked about room accommodations in Sun Valley. Mr. Anderson informed the group that the Director would not be able to make the new Board meeting dates in August. The Director suggested the 11th and 12th of August. The Board decided not to change the dates again. The July meeting may not be held. Dates were not set.

Mr. Anderson also brought up a clear title problem with the Bell Rapids Purchase that might reduce the number of acres.

Mr. Chamberlain moved to adjourn the meeting.
Mr. Wyatt seconded.

Meeting adjourned.

Dated this 19th day of May 2006.

D. Richard Wyatt, Secretary

Patsy McGourty, Administrative Assistant II

Board Actions

1.The Board approved the Lemhi Rental Agreement Resolution.
Roll Call Vote: Mr. Wyatt, Aye; Mr. Armacost, Aye; Mr. Storer, Aye; Mr. Beck, absent; Mr. Chamberlain, Aye; Mr. Graham, Aye; Mr. Uhling, Absent; Chairman Rigby, Aye. 6 Ayes, two absent. **Motion passed.**