SCANNED
MAY 14 2008

IDAHO WATER RESOURCE BOARD

L. "Butch" Otter
Governor

Jerry R. Rigby
Chairman
Rexburg
At Large

Terry T. Uhling
Vice Chairman
Boise
District 2

Bob Graham
Secretary
Bonners Ferry
At Large

Charles "Chuck" Cuddy
Orofino
District 1

Leonard Beck
Burley
District 3

L. Claude Storer
Idaho Falls
District 4

Gary M. Chamberlain
Challis
At Large

Lawrence "Vic" Armacost
New Meadows
At Large

MINUTES OF MEETING NO. 03-08

Idaho Department of Water Resources
Idaho Water Center, Boise Idaho
March 14, 2008

Chairman Rigby called meeting 03-08 to order at 8:30 a.m. and requested roll call.

Agenda Item No. 1, Roll Call

Board Members

Jerry Rigby, Chairman
Vic Armacost
Claude Storer
Bob Graham
Leonard Beck
Gary Chamberlain
Chuck Cuddy
Terry Uhling

Staff Members Attending

Hal Anderson, Administrator
Patsy McGourty, Admin. Asst. II
Bill Quinn, Staff Engineer
Dave Tuthill, Director
Neeley Miller, Planner
Brian Patton, Bureau Chief
Bob McLaughlin, PIO
Helen Harrington, Section Mgr.
Phil Rassier, Deputy Att. General

Guests

Rich McIntyre, Legacy Project
Michel Ybarrondo, Geo Engineers
Bruce Smith, Moore Smith
Linda Lemmon, TSWUA/IAA
Jim DeSmet, Quantum Eng.
Scott Magnuson, Barker Rosholt
Clair Bosen, Twin Lakes Canal Co.
Eric Fransen, Fransen Noble Eng.
Jeff Frank, Pinehurst Water Dist.
Galan McInelly, Geo Engineers
Kevin Lewis, Idaho Rivers United
Peter Anderson, Trout Unlimited
Mathew Yost, SRFA
Shelly Davis, Barker Rosholt
Rick G. Hel, Dalton Water Assn.
Joe McKee, Cub River Irrigation
Rick Gittel, Dalton Water Assoc.
Sean Walters, Canyon Creek Canal

322 East Front Street, Boise, Idaho 83720 Tel: (208) 287-4800 Fax: (208) 287-6700

Agenda Item No. 2, Agenda and Approval of Minutes

Mr. Anderson stated that agenda item 5e Pristine Springs should be added under the Financial Program. Mr. Anderson noted that a copy of the minutes from meeting 01-08 were in the Board folders for their approval.

Mr. Chamberlain moved that the minutes for meeting 01-08 be approved. Mr. Storer seconded. The Chairman called for a voice vote and all were in favor. Motion passed.

Agenda Item No. 3, Public Comment

Mr. Clair Bosen representing Twin Lakes Canal Company from Preston addressed the Board. His company has applied for a permit with the Federal Energy Regulatory Commission to build a dam on the Bear River. The process has taken seven years so far and is in EIS study phase. The permit will either be granted or denied in the next three years. The PacifiCorp objection has been dismissed. If an issue comes up in the EIS studies, the project could be stopped. Mr. Bosen noted that the bids to do the EIS studies are at about $1.5 million. $600,000 plus the $90,000 loaned by the Board has been spent. Twin Lakes Canal Company will have a difficult time coming up with the $1.5 million even though 97% of the stockholders are in favor of it. They would like the Board to consider a loan for this phase of the project and they will make formal application for that.

Mr. Graham pointed out that Board loan funds are very low and he asked Mr. Patton when the Board might have that much to loan. Mr. Patton acknowledged that he had discussed this with Mr. Bosen. Chairman Rigby asked Mr. Bosen if this was just an interim loan. Mr. Bosen responded that it was and all the funds would not be needed right away. Mr. Cuddy asked if the $1.5 million was to complete the license application with FERC and Mr. Bosen responded that it was. After the project is finished revenue would be generated from the power plant to pay for loans and piping the rest of the canal system. Mr. Uhling asked if Mr. Bosen had investigated private financing and he responded that he had and the interest rate is higher. Chairman Rigby stated there are other methods of creative financing and that the Board would have a problem committing today on their request. Mr. Bosen responded that his company is looking for the best interest rate and terms for repayment. Chairman Rigby noted that if a bank were involved in some of the financing that the Board would not have the secure position. He encouraged Mr. Bosen to make application so that staff could investigate financing opportunities for the project.

Mr. Uhling asked about the public sentiment for this project. Mr. Bosen said about two years ago 49% of the county voted for it and 51% voted against it in a non-binding vote. Now the county has two new commissioners. He felt that more people are in favor of it now than before because they have learned more about it. Mr. Uhling stated that the Board would need to know about local support of the project. Mr. Cuddy asked for a pro forma to be included in their application. Mr. Beck asked if local government officials were in favor of the project. Mr. Bosen responded that two years ago they had supportive letters from former commissioners and that they will need to get that from the new commissioners.

Chairman Rigby asked why the action by Rocky Mountain Power had been dismissed and Mr. Bosen responded that it was because the temporary permit had expired. Mr. Chamberlain congratulated Mr. Bosen on his company's efforts to gain more storage water for the state and encouraged his continued efforts.

Mr. Matt Yost of the Snake River Farmers Association in Southeastern Idaho addressed the Board. He introduced Galan McInelly, a principal geologist from Redmond, Washington, and Michel Ybarrondo from Geo Engineers. He provided preliminary engineering studies and support letters for his proposed project of raising Swan Falls Dam by 36 feet. Mr. Yost discussed water needs in southern Idaho and supporting legislation. He noted that he was here to present his group's ideas and to request financial support from the Board. He outlined the project, the benefits of additional storage at Swan Falls and the history of his idea.

Chairman Rigby noted that there was limited time for their presentation because only 30 minutes is allowed per person in order to get the agenda accomplished for the meeting today. A representative of Geo Engineers, Galan McInelly, stated that the engineering studies offered are preliminary. Mr. Yost stated this was his first time requesting a grant from the government. Chairman Rigby outlined the process of contacting Brian Patton to prepare an application for the Board to consider at a future meeting. Chairman Rigby stated that although the Board has made grants in the past, lately it has only made loans. He encouraged Mr. Yost to make application and come back before the Board.

Mr. Kevin Lewis from Idaho Rivers United commented on the Twin Lakes Canal Company proposed dam on the Bear River. He noted that PacifiCorp will refile their protest in the coming months. He stated that he believed that FERC would ultimately deny this project. He also noted that Swan Falls is in the relicensing process and Idaho Power will file in June.

Agenda Item No. 4, Dworshak Status Report

Mr. Patton presented the Dworshak status report. He noted that as of March 1 the hydropower project had provided 154 million kWh of power sold to the Bonneville Power Administration. In January an electrical problem affected the power generation numbers. To date during this fiscal year the power plant produced $140,000 income over and above expenses deposited into the Revolving Development Account with $66,000 deposited into the Repair/Replacement Account. Mr. Patton offered a monthly breakout of income and expenses and a chart of monthly power generation in graph form. Mr. Uhling asked if all the electrical problems were solved and Mr. Patton responded that they were.

Agenda Item No. 5, IWRB Financial Program

a. Status Report

Mr. Patton presented the financial report. As of March 1, 2008 $2.1 million of Board funds are available for projects. About $16.6 million are committed to loans approved and there is just

under $10.4 million in loan principle outstanding. There is enough money to cover about $1.3 million in loan requests for today. The Country Club Subdivision well project has been completed and is operational. $56,000 has been received from Water District 65 for the 10% rental pool surcharge for 2007. A total of $235,000 has been received from the Upper Snake River Rental Pool.

b. Loan Requests

Cub River Irrigation

Mr. Patton stated that Cub River Irrigation Company has requested a loan of $500,000 for a pipeline project. The Utah Board of Water Resources is expected to loan Cub River $1,633.500 for this project. The total cost is $2.5 million. The canal starts in Idaho serving 7000 acres and travels into Utah. The storage contract is in Bear Lake. This project is for piping only in the State of Utah, but it will reduce pumping costs and result in savings for all Idaho shareholders. Cub River has a good credit history dating back to 1983 with the Board and staff recommends this loan. Mr. Patton introduced representatives from the company to address the Board.

Mr. Joe McKee, a shareholder, and Mr. Eric Fransen from Fransen Noble Engineering thanked the Board for their past support. Mr. Armacost stated there was an Attorney General's Opinion in the Board book supporting this project. Mr. Fransen stated that water comes from Idaho and flows into Utah and will result in more water availability to Idaho users. Any water savings will result in lower pumping costs from Bear Lake. Calculations in the application were for a twenty-year term, but a fifteen-year term would be acceptable.

Mr. Uhling noted that $1 million in loans are outstanding with Cub River from 2004-06. There was discussion about repayment timeframes. Mr. Beck asked about incidental recharge affecting aquifer levels and domestic wells. Mr. Fransen could not speak to domestic wells, but he estimated that the water that would get to the end of the conveyance would have some incidental recharge affect. Mr. Beck asked what the seepage loss in the canal was. Mr. Fransen responded that there was some seepage loss. He stated most of the users will take the water from the ditch and put the water into small ponds in order to pump their irrigation systems. Due to tail water losses at the end of the ditches a lot of water is lost. The new more efficient system will save that water.

Mr. Chamberlain moved that a loan to Cub River Irrigation Company for $500,000 paid in two payments of $400,000 and $100,000 for a term of 15 years at 5.5% interest be approved. Mr. Beck seconded. Chairman Rigby called for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, aye. Motion passed. 8 ayes.

DaltonWater Association

Mr. Patton presented the request from Dalton Water Association for a loan of $894,639 to upgrade two of their water supply mainlines. Dalton Water Association is a non-profit corporation in

existence since 1945 for the City of Dalton Gardens. It is composed of 1,001 connections for ground water from the Rathdrum Aquifer. The project is broken into two phases: Deerhaven Ave and 15th Street.

The Deerhaven project will cost $419,950 and the 15th Street project will cost $474,689. Dalton Water is only requesting the Phase I loan now. They will re-apply for Phase II. Mr. Patton introduced a Dalton Garden representative to address the Board.

Mr. Rick Gittel, President of Dalton Water Association, stated that Phase I was going to occur first since the city is replacing a road this summer that covers the old water line. Mr. Uhling asked how soon the second application would come in and Mr. Gittel responded that it would probably be next year.

Mr. Graham moved that a loan of $419,950 to Dalton Water Association for a ten year term at 6% be approved. Mr. Chamberlain seconded. Chairman Rigby asked for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, aye. Motion passed. 8 ayes.

Pinehurst Water District

Mr. Patton presented the Pinehurst Water District loan request for $160,000 to replace a deteriorating wooden water storage tank with a metal water storage tank. The Pinehurst Water District delivers water to 840 hookups including residential and commercial users in Shoshone County. Representatives were present to address the Board.

Mr. Jeff Frank, Manager of Pinehurst Water District, and Mr. Jim DeSmet from Quantum Engineering addressed the Board. Mr. Frank stated that bids had been submitted for $228,600 for the tank. Design and construction has been approved by the Department of Environmental Quality and the Board loan would cover design, construction and field engineering costs.

Mr. Graham moved that the $160,000 loan to Pinehurst Water District for a ten year term at 6% be approved. Mr. Beck seconded. Chairman Rigby called for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, aye. Motion passed. 8 ayes.

Chairman Rigby recused himself from the next two loan requests since he had a conflict of interest. Vice-Chairman Uhling presided over the next loan requests.

Canyon Creek Canal Company

Mr. Patton presented the loan request from Canyon Creek Canal Company in the amount of $133,599 to pipe the lower end of their canal. The NRCS has approved cost-share grants totaling $161,585 for this project. The Canyon Creek Canal Company delivers irrigation water to 9 shareholders on approximately 10,615 acres east of Newdale in Fremont and Madison counties. Mr. Patton noted that loss of incidental recharge will be made up by increased canal water delivered to the ground. Staff recommends the project. Representatives from Canyon Creek addressed the Board.

Mr. Sean Walters from Canyon Creek Canal Company stated that this project is for the bottom end of the canal to make it more efficient. Mr. Beck asked what the pumping depth was for users and Mr. Walters responded about 450 feet. There was discussion about electrical costs and how many wells might be shut off. Mr. Walters said use of wells would be reduced but wells would not be shut off.

Mr. Chamberlain moved that a $133,599 loan be made to Canyon Creek Canal Company for a ten year term at 5.5%. Mr. Storer seconded.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, abstain. Motion passed. 7 ayes 1 abstention.

Enterprise Irrigation District

Mr. Patton outlined the loan request from Enterprise Irrigation District for $105,420 to pipe four lateral pipelines. The total cost of the project is $433,400. NRCS has approved cost-share grants for this project totaling $248,580. The Enterprise Irrigation District provides irrigation water to 60 members on 6,000 acres in the Newdale and Teton area in Fremont and Madison counties. Hydrology staff have investigated loss to incidental recharge to the Eastern Snake Plain Aquifer and have determined that although a small amount of seepage loss will occur, additional surface water would increase natural flow and water in Enterprise's storage accounts. Staff recommends this loan. Representatives from Enterprise Irrigation District addressed the Board.

Mr. Sean Walters representing the Enterprise Irrigation District discussed the history of this ongoing project. The first system was built last year with a Board loan to irrigate 2500 acres. Over nine miles of lateral ditches and small ponds will be eliminated with the new project. Board members asked questions about pressurization and electrical demands. Mr. Beck was concerned about domestic wells in the area and the loss of seepage water when canals are piped. Mr. Walters stated that he only knew of two or three shallow domestic wells. Most wells are down to 300 feet. Mr. Beck stated that there will be a loss to the domestic well users after these canals are piped.

Mr. Chamberlain moved to approve the resolution with two typographical changes for a loan to Enterprise Irrigation District in the amount of $105,420 with a ten year term at 5.5%. Mr. Beck seconded.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, abstain. Motion passed. 7 ayes 1 abstention.

Vice Chairman Uhling called for a short break.

After the break, Mr. Anderson suggested that Agenda item 5e. Pristine Springs be taken up since many visitors had arrived for that discussion.

e. Pristine Springs

Mr. Anderson stated that the proposal for the purchase of the Pristine Springs Aquaculture was before the Board. He introduced Mr. John Homan, Deputy Attorney General, who outlined this transaction. Mr. Homan stated that Wendell Starck had offered to sell Pristine Springs Aquaculture and Hydropower Facility to the Board for $26 million dollars. A resolution was given to Board members for their consideration. Mr. Uhling asked for some changes in the resolution.

Mr. Uhling moved that the resolution as revised to purchase the Pristine Springs Aquaculture and Hydropower Facility for $26 million dollars be approved. Mr. Storer seconded.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, aye. Motion passed. 8 ayes.

c. CREP Update

Mr. Neeley Miller presented the CREP update to the Board. As of March 3, 2008, 20707 acres have been finally approved by FSA. IDWR staff have approved 373 offers for 45,670 acres. Some contract offers were returned and some were judged ineligible. The current deadline of March 15, 2008 will be extended according to FSA. Staff have developed a working relationship with the A & B Irrigation District to allow their members to participate. So far they have submitted 19 offers consisting of 575 acres. There was discussion about the numbers of applicants that have pulled out of the program. Mr. Miller stated that 1000 more acres have pulled out of the program probably because of a good water year and high commodity prices. Mr. Uhling asked what the April 1 figure would look like and Mr. Miller thought the figure would not go up much from 35,000 acres. Mr. Uhling expressed disappointment that the figures were far below the 100,000 expected at the beginning of the program and this would have an affect on the ESPA Comprehensive Aquifer Management Plan process.

Mr. Miller stated there are some applicants who have come to the end of the CRP program that may now be eligible for the CREP program. Mr. Uhling thought the change in water usage would be nil because they are just going from one set aside program to another. There was discussion

about the process of approving acres with FSA. Acres approved by FSA have been signed by farmers themselves.

d. Recharge Activities

Mr. Bill Quinn addressed the Board with a status report on recharge activities. First, the Board's request for recharge proposals went out and seven responses were received. Staff and attorneys are working on agreements with these companies and they will soon be mailed. Staff will continue to facilitate a recharge effort with IGWA and the North Side Canal Company for next fall.

The consultant's conceptual design and cost estimate submitted for the W-Canal Project far exceeded the project budget. Staff are now working on a much more simplistic design and are negotiating with North Side Canal Company to act as contractor. Site preparation should begin in early May. The utmost goal is to safeguard the water quality of the aquifer. Chairman Rigby asked if the project would still test the different methodologies to be used elsewhere. Mr. Quinn responded in the affirmative. He answered Board member's questions and there was discussion about the injection well process. Mr. Quinn further explained the engineering proposals. There will be comprehensive water quality monitoring for this project. Mr. Uhling noted that the project was going from a sand filtration system to a more natural method of treatment for water quality. Mr. Quinn complimented the consultant on the job they had done. There was further discussion on different methodologies.

Mr. Quinn noted that Big Wood Canal Company had submitted two proposals for two different sites at Devil's Headgate and Dietrich Conversion for recharge.

Agenda Item No. 6, Planning Activities

a. ESPA CAMP Draft Update

Mr. Anderson presented the ESPA Comprehensive Aquifer Management Plan Update from Jonathan Bartsch, CDR Associates. At the last CAMP meeting, members discussed an updated phased in proposed water budget change on the ESPA. Staff analyzed the effects on the reach gains in the river. About two-thirds of the projects could be completed in ten years and would fully affect the aquifer in a 20 to 30 year period. An evaluation was completed on less water consumptive crops and how much water would be saved on certain crop rotations with fairly large water saving numbers. Soft conversions were also looked at by IWRRI to increase the opportunity for surface water acres. About 53,000 acres could be converted at a cost of $15 million excluding the A and B Irrigation Company project. This would include ditch pumps and power lines. Chairman Rigby noted that Mr. Bartsch recently gave a report at the Water District 01 meeting.

b. State Water Plan Update

Mr. Anderson noted that a State Water Plan Sub-Committee meeting would be held at 1:00 p.m. today. Ms. Harrington updated the Board on meetings of the sub-committee. She noted that all policies had been reviewed except the Snake River policies. This summer the sub-committee will only meet in conjunction with Board meetings and staff will continue to rewrite policies according to

the new format. Ms. Harrington provided a sample. She stated that state water plans are revised every few years and the next plan will contain some new policies to address events that have occurred since 1996. Mr. Chamberlain encouraged participants to be punctual today to listen to Clive Strong's presentation regarding Milner Dam.

Agenda Item No. 7, Water Transactions Program

Ms. Harrington stated that there were resolutions for each agreement.

a. Agreements

Pahsimeroi P-9

This transaction includes a briefing memo and a map along with a resolution outlining moving the points of diversion to allow a reconnect for fish passage and rearing. The Dowton Agreement is for $348,687.10 and the Elzinga Agreement is for $431,297.43. Both agreements are included in one resolution since it is considered one project.

Mr. Uhling moved to adopt the resolution for the Pahsimeroi P-9 Ditch. Mr. Aramcost seconded. Chairman Rigby called for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, aye. Motion passed. 8 ayes.

Morgan Creek

This agreement is for 2 cfs at a cost of $1860 for Thornock's and $8865 for the Hughes' contracts. The map shows two diversions moved to reconnect streams for rearing of juvenile Chinook salmon.

Mr. Chamberlain moved that the resolution for Morgan Creek be approved. Mr. Storer seconded.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, absent; Chairman Rigby, aye. Motion passed. 7 ayes, 1 absent.

Annual Lemhi L-6

Ms. Harrington presented the L-6 diversion on the Lemhi River involving 13 irrigators with annual agreements not to divert during specific times. The total amount is not to exceed $210,173.90 and a contract with Water District 74 in the amount of $12,000.00

Mr. Chamberlain moved that the resolution as amended for the Lemhi L-6 annual leases be approved. Mr. Armacost seconded. Chairman Rigby called for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, absent; Chairman Rigby, aye. Motion passed. 7 ayes, 1 absent.

b. Big Hat Creek

Ms. Harrington outlined the Big Hat Creek transaction project for $1850 for 0.52 cfs to provide thermal refuge and rearing for juvenile bull trout. This is an annual lease. Mr. Chamberlain noted a problem with the map and asked Ms. Harrington to have the map updated by staff.

Mr. Chamberlain moved that the resolution for Big Hat Creek be approved. Mr. Armacost seconded. Chairman Rigby called for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, absent; Chairman Rigby, aye. Motion passed. 7 ayes, 1 absent.

Agenda Item No. 8, Wood River Legacy Project

Ms. Harrington presented two topics for the Board to review from the Wood River Legacy Project legislation passed last year. Last year the Board appointed the Advisory Committee and five ex-officio members. The Advisory Committee has adopted local operating procedures for the rental pool that need Board approval.

The Board also needs to approve two minimum stream flows as part of the legislation. The first is on the Big Wood River of 60 cfs below the Bellevue diversion downstream to the USGS gaging station located below Stanton Crossing and above Magic Reservoir. The second is on the Little Wood River for 74 cfs from the confluence of Silver Creek downstream to the United States Bureau of Land Management diversion located near the city of Richfield.

a. Minimum Stream Flow Applications

Chairman Rigby noted to the Board that these minimum stream flows are required by legislation and that is not the normal procedure.

Mr. Chamberlain moved that the resolution for minimum stream flows on the Big Wood River and Little Wood River be approved. Mr. Beck Seconded. Chairman Rigby called for a voice vote. All were in favor.

b. Wood River Basin Enhancement Water Supply Bank Procedures Approval

Ms. Harrington introduced Rich McIntyre, Project Director of the Wood River Legacy Project, who addressed the Board about the local support for the project. He pointed out that ex-officio members and Advisory Committee members provide a good representation of the Wood River Basin for this project. Kevin Lakey, Watermaster from Water District 37/37M, noted to the Board that the operating procedures represent a consensus of all parties.

Mr. Chamberlain moved that the Wood River Basin Enhancement Water Supply Bank Procedures resolution be approved. Mr. Beck seconded. Chairman Rigby called for a voice vote. All were in favor.

Ms. Harrington noted that Mr. McIntyre had scheduled a public meeting next Tuesday evening in Hailey to advertise and educate the public on the project.

Agenda Item No. 9, Blue Lakes Country Club Water Bank Lease

Mr. Anderson introduced Aaron Marshall from the Department of Water Resources to present the Blue Lakes Country Club Water Bank Lease Application. Blue Lakes is requesting to use part of their water right to support two lakes on their golf course and need the Board's approval. He introduced Mr. Phil Rassier, Deputy Attorney General, to answer Board member's questions on this application. Chairman Rigby stated that he wanted the legal opinion on a water right transfer versus a continuation of a five-year lease that requires Board approval. The Watermaster, Cindy Yenter, suggested in a letter that Blue Lakes should pursue a transfer; however, this would be a permanent change of their water right limiting their water right use. Blue Lakes has been putting a portion of their water right into the water bank and renting the water back to itself to support an aesthetic use (water for the lakes).

Mr. Rassier stated that a transaction through the water bank is a method of changing a use of a water right for a short period of time. The statute is clear that this is a substitute for a transfer. Mr. Rassier stated the issue is the same - change of use from an instream flow right or a lake flow level right. The lakes are natural bodies of water rather than ponds. Mr. Rassier stated the big issue for the Board is this is a precedential matter – the issue of whether a diversionary water right can be transferred to an instream use. Not to satisfy a water right as a minimum flow right is new territory for Board policy. Even though this is occurring on a small scale, the issue is still there. Chairman Rigby agreed that this is a new issue.

Mr. Rassier stated that if the diversion to the lakes was part of their irrigation conveyance system, the issue would be easier. There was discussion about the issue. Director Dave Tuthill requested that the Board delay action on this issue until the next meeting. Chairman Rigby agreed that the issue needs to be studied because of the principle involved. He directed staff and council to review the matter for the Board's consideration at the next meeting.

Mr. Armacost stated that the rental pool is a way to escape the five-year limitation on non-use of water. He requested a legal opinion on using the rental pool as a way to get around water right rules. Chairman Rigby stated the rental pool is a very useful tool. He questioned if the Board wanted to take on this issue, too. Mr. Rassier stated that the Legislature has addressed the issue of forfeiture of water rights; however, the Board could address the issue of using the water bank for a series of transactions past five years. The Board could give direction to Blue Lakes about their future course of action.

Agenda Item No. 10, Director's Report

Director Tuthill addressed the Board on several topics. He stated the water supply as of today throughout the state shows water supplies are good with a good forecast. All reservoirs except Palisades will fill this year. Curtailment should not be needed this year. Regarding the status of the calls, the Surface Water Coalition call hearing was conducted in January and the hearing officer will release their decision within weeks. For delivery this year, the department will use the 2005 Order. The Director will issue an order in mid-April based on the final forecast of runoff. Mitigation agreements have been approved.

The A and B Irrigation Order was issued January 29, 2008 denying a request for a call. A request for hearing was received and the hearing has been postponed from May to December 8, 2008. There is no likelihood of curtailment this summer. The hearing officer has issued the Order for the Thousand Springs Call. There is an issue in question that is still being reviewed. This summer the department will administer based on the 2005 Order.

The Director gave a legislative update on the North Idaho Adjudication. Three bills came out of committee. The first reduces the fee structure back to 1997 levels for claim fees. The second bill would allow domestic wells to be exempt from the adjudication. The third bill eliminates Basin 98 that is not hydraulically connected to the Rathdrum Aquifer.

House Joint Memorial 8 says that Idaho wants to move forward with storage projects. $1.8 million dollars has been appropriated for this effort.

The Director stated that the Governor recommended a 5% raise for state employees; the Legislature reduced that to 3%. In the future if the State has money, state employees will get better raises. Turnover in the department has been less in the last year. Progress has been made on salaries. The Governor recommended a reduction in positions for the department; however, the outcome is not decided in the Legislature.

The $20 million for aquifer studies has been appropriated by the Legislature and the Governor supports this effort and will sign the legislation. The Director discussed storage opportunities. He recently made a trip to Washington, D.C. with Norm Semanko of the Idaho Water Users Association to meet with water officials. The Director expects to spend a lot of time this year on infrastructure including storage issues.

The department continues its strategic planning process that includes Board member Vic Armacost. Zero-based budgeting is an issue that will be included. The department is one of the agencies to lead this effort in state government. The Director answered Board members' questions.

Chairman Rigby thanked the Director for his support of the department and the Board.

Agenda Item No. 11, Other Items Board Members May Wish to Present

Mr. Cuddy stated that he was approached by a county official with the proposal that the counties should control local water. Mr. Beck asked that staff draft a letter to the Legislature thanking them for the support of Board programs. He also noted that the original estimates of the cost of the repair of Minidoka Dam have risen from $130 to $210 an acre for members of Burley Irrigation District. Mr. Beck wanted the Director and the Board to know that the district will be protesting the costs. Some of the building materials are being billed at astronomical costs by the Bureau of Reclamation. Chairman Rigby stated that projects in his area have experienced the same problem.

Agenda Item No. 12, Next Meeting and Adjournment

Mr. Anderson noted that the next meeting location in May has changed from Boise to Twin Falls in order to tour Pristine Springs and meet with Twin Falls city officials. Mr. Beck suggested a tour of Minidoka Dam be included. He offered to plan a dinner for the Board after the tour. Everyone agreed to this plan.

Mr. Armacost suggested that the loans with the North Lake Sewer District for the Tamarack project be discussed at the next meeting since Tamarack has filed bankruptcy. Mr. Anderson agreed to have a trustee report. Mr. Uhling asked for an allocation of funds by region or county so the Board can see where the funds are going in the state. Mr. Patton said in going forward it would be easy. To go back and update would take longer. A report was done in 1996.

Mr. Chamberlain moved that the meeting be adjourned. Mr. Storer seconded. All were in favor.

Dated this 14th day of March, 2008.

Secretary

Patsy McGourty, Administrative Assistant II

Board Actions:

1. Mr. Chamberlain moved that the **minutes for meeting 01-08** be approved. Mr. Storer seconded. The Chairman called for a voice vote and all were in favor. Motion passed.

2. Mr. Chamberlain moved that a loan to **Cub River Irrigation Company** for $500,000 paid in two payments of $400,000 and $100,000 for a term of 15 years at 5.5% interest be approved. Mr. Beck seconded. Chairman Rigby called for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, aye. Motion passed. 8 ayes.

3. Mr. Graham moved that a loan of $419,950 to **Dalton Water Association** for a ten year term at 6% be approved. Mr. Chamberlain seconded. Chairman Rigby asked for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, aye. Motion passed. 8 ayes.

4. Mr. Graham moved that the $160,000 loan to **Pinehurst Water District** for a ten year term at 6% be approved. Mr. Beck seconded.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, aye. Motion passed. 8 ayes.

5. Mr. Chamberlain moved that a $133,599 loan be made to **Canyon Creek Canal Company** for a ten year term at 5.5%. Mr. Storer seconded.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, abstain. Motion passed. 7 ayes 1 abstention.

6. Mr. Chamberlain moved to approve the resolution with two typographical changes for a loan to **Enterprise Irrigation District** in the amount of $105,420 with a ten year term at 5.5%. Mr. Beck seconded.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, abstain. Motion passed. 7 ayes 1 abstention.

7. Mr. Uhling moved that the resolution as revised to purchase the **Pristine Springs Aquaculture and Hydropower Facility** for $26 million dollars be approved. Mr. Storer seconded.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, aye. Motion passed. 8 ayes.

8. Mr. Uhling moved to adopt the resolution for the **Pahsimeroi P-9 Ditch**. Mr. Aramcost seconded. Chairman Rigby called for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, aye; Chairman Rigby, aye. Motion passed. 8 ayes.

9. Mr. Chamberlain moved that the resolution for **Morgan Creek** be approved. Mr. Storer seconded. Chairman Rigby called for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, absent; Chairman Rigby, aye. Motion passed. 7 ayes, 1 absent.

10. Mr. Chamberlain moved that the resolution as amended for the **Lemhi L-6** annual leases be approved. Mr. Armacost seconded. Chairman Rigby called for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, absent; Chairman Rigby, aye. Motion passed. 7 ayes, 1 absent.

11. Mr. Chamberlain moved that the resolution for **Big Hat Creek** be approved. Mr. Armacost seconded. Chairman Rigby called for a roll call vote.

Roll call vote:

Mr. Cuddy, aye; Mr. Armacost, aye; Mr. Storer, aye; Mr. Beck; aye; Mr. Chamberlain, aye; Mr. Graham, aye; Mr. Uhling, absent; Chairman Rigby, aye. Motion passed. 7 ayes, 1 absent.

12. Mr. Chamberlain moved that the resolution for minimum stream flows on the Big Wood River and Little Wood River be approved. Mr. Beck Seconded. Chairman Rigby called for a voice vote. All were in favor.

13. Mr. Chamberlain moved that the Wood River Basin Enhancement Water Supply Bank Procedures resolution be approved. Mr. Beck seconded. Chairman Rigby called for a voice vote. All were in favor.