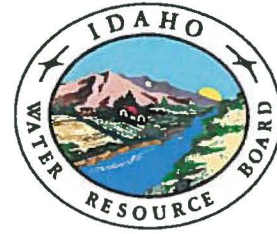


Memorandum



To: Idaho Water Resource Board
From: Helen Harrington
Date: December 20, 2011
Re: Water District No. 65 Rental Pool Procedures
Request for Temporary Addendum to Rental Pool Procedures for 2011

Action Item

Consider attached resolution to amend the 2011 Water District No. 65 Rental Pool Procedures to accommodate winter water rental from the Payette Basin Rental Pool by Idaho Power.

Background

Water District 65 Local Committee, appointed by the IWRB to operate the Payette River Rental Pool, has submitted a request for a temporary addendum to their procedures to apply to 2011. The above average water supply conditions of 2011 have provided the storage space holders in the Payette Basin with higher than normal carryover storage volumes. This, combined with a reduced demand for rented water, has provided the space holders with the ability to rent stored water for downstream hydropower generation. Idaho Power is willing to rent the water, however, only at a per acre-foot rate that is below the usual out-of-basin rate specified in the Rental Pool Procedures. The current Rental Pool Procedures were adopted in 2005. The current rental fees and payments contained in Para. 8 are as follows:

In Basin:	\$ 3.20 per acre foot
	2.00 per acre foot paid to Lessor
	1.00 per acre foot administrative fee paid to WD 65
	0.20 per acre foot surcharge paid to IWRB
Out of Basin:	\$ 14.00 per acre foot
	11.80 per acre foot paid to Lessor
	(3.89 per acre foot intended for Lessor improvements to system)
	1.00 per acre foot administrative fee paid to WD 65
	1.20 per acre surcharge paid to IWRB

The special rental rate adopted by the Advisory Committee of Water District 65 for 2011 for rental to downstream hydropower generation described in proposed Addendum 1-1 is as follows:

Rental Rate	\$ 8.50 per acre foot
	6.75 per acre foot paid to Lessor
	1.00 per acre foot administrative fee paid to WD 65
	.75 per acre foot surcharge paid to IWRB

In addition to the proposed reduced rental rate, the local committee is proposing an additional refill category be enacted for the volume of water rented for this purpose of power generation. The category is to refill after the last-to-fill flow augmentation water/space has reached a complete fill. This category removes the risk to the refill probability of the Bureau of Reclamation's flow augmentation commitment. Potential volume to be rented for downstream hydropower generation under this temporary rule change is 35,000 acre feet. The proposed changes were approved by the Water District 65 Advisory Committee.

The proposed changes were also reviewed by the US Bureau of Reclamation staff. Additionally, the proposed procedures were reviewed by staff of the Attorney General's Office for legal consistency.

Recommendation:

Staff recommends approval of this proposed rule change on a one-time basis. Further investigation should be undertaken to evaluate the impacts of long-term use of this concept. Attached resolution includes a condition which requires Water District 65 Local Committee to undertake a more thorough review of the concept if Water District 65 would anticipate the implementation of the concept in the future.

Attachment:

"Request for Temporary Rental Pool Procedure Change" Package from WD No. 65

**Payette River Basin
Water District No. 65**

Local Rental Pool

Request for Temporary Rental Pool Procedure Change

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○ Current WD 65 Rental Pool Procedures	5

**Payette River Basin, State of Idaho
State Water District No. 65**

Watermaster
Ron Shurtleff

102 North Main Street
Payette, Idaho 83661

Phone 208-642-4465
Fax 208-642-1042
E-mail, waterdist65@srvinet.com

December 6, 2011

Idaho Water Resource Board
322 East Front Street
P.O. Box 83720
Boise, ID 83720-0098

Re: Temporary Rental Pool Procedure change to accommodate winter water rental from the Payette Basin Rental Pool, to the Idaho Power Company

Dear Idaho Water Resource Board,

The Rental Pool Committee of Water District No. 65 is requesting a temporary rule change to their Rental Pool Procedures

The good water year of 2011 has provided the irrigation entities in the Payette Basin with higher than normal carryover storage volumes. This combined with a reduced demand for rented water prompted the district to investigate the possibility of renting stored water to the Idaho Power Company.

The power company is willing to rent water, however only at a rate per acre-foot that is below the usual out-of-basin rate specified in the rental pool procedures of Water District No. 65.

Three entities within the District wish to rent water to the Power Company at the reduced rate. To accommodate the transaction the Rental Pool Committee has instructed me to submit a request for a temporary procedure change that will allow the one time reduced rental rate.

In addition to the allowance for a special rate, the Rental Pool Committee is requesting an additional refill category be enacted for the volume of water rented for this purpose of power generation. The category is to refill after the last to fill, flow augmentation water/space has reached a complete fill. Thus removing risk to the refill probability of the Bureau of Reclamation's flow augmentation commitment.

I respectfully submit the following documents and request their approval in order to accommodate the rental of water to the Idaho Power Company for the purpose of power generation.

Thank you for your consideration of this request.

Sincerely,


Ron Shurtleff

**Excerpt from the Water District No. 65 Regular Monthly Meeting
November 14, 2011**

**Rental Pool
Committee:**

Chairman Standley called for a recess of the Advisory Board meeting and called to order a meeting of the Water District No. 65 Local Rental Pool Committee.

The purpose of the meeting was to discuss a proposal from the Idaho Power Company to rent stored water for hydropower generation during the winter of 2011- 2012.

Ron Shurtleff referred the committee to a message from Mr. Bowling, Idaho Power Company, proposing to rent stored water from the rental pool during the winter season. Mr. Bowling explained the utility is willing to rent water if it can be obtained for \$8.50 per acre-foot.

Watermaster, Ron Shurtleff explained the current Rental Pool Procedures of the water district set a price of \$14.00 per acre-foot for out-of-basin water and do not contain any provision to deviate from the prescribed rental pricing. Ron also explained the Bureau of Reclamation will object to the renting of water for power generation, if the action reduces the probability of refill to next seasons flow augmentation water, which currently is holding a last to fill priority in the refill process. Ron further explained the only method to avoid jeopardizing the refill of the flow augmentation water/space, is to instigate a rule that will place the water rented for power production in a category that will refill only after the current last to fill space had been refilled.

Ron went on to say that to accommodate the Idaho Power with their proposal to rent winter water, the Rental Pool Committee will need to submit a request to the Idaho Water Recourse Board for temporary rule changes to the district's Rental Pool Procedures, where as, a rental rate different than the prescribed \$14.00 could be allowed, and to include a category for water rented out-of-basin for the purpose hydropower generation that will refill only after all other out-of-basin water has refilled.


Ron presented to the committee a draft proposed addition to the current rental pool procedures to demonstrate to the committee how these changes might appear. Ron then stated that if the Rental Pool Committee is planning to allow water to be rented for power production this season, they need to take action at this meeting if they wish to apply to the Resource Board for the special rule changes. Ron then stressed that the draft wordage was only to demonstrate the stipulations that are to be included in the rule changes and that undoubtedly the submission to the resource board will include more specific language.

Chairman Standley then asked the Rental Pool Committee if they had a desire to submit a request to the Idaho Water Resource Board for changes to the Rental Pool Procedures that will allow the rental of water to the Idaho Power Company.

After much discussion, **Chuck Pollock moved to instruct Watermaster Shurtleff to submit to the Idaho Water Resource Board application for the appropriate temporary changes to the rental pool procedures allowing a one time special rental rate and creation of a refill category that will refill only after the present last to fill category has refilled. The motion was seconded by Moody Goss, and the motion carried.**

Chairman Standley then asked if there was any further business to come before the Rental Pool Committee, hearing none, he declared the meeting adjourned.

Respectfully Submitted,


Watermaster, Ron Shurtleff


Chairman, Jim Standley

WATER DISTRICT NO. 65

RENTAL POOL PROCEDURES

Addendum 1-1 Special Rental Pool Rate for Water Year 2011 Out-of-basin Water Rented for Power Generation

Because of the above average natural flow in the Payette River during the 2011 season and reduced demand for stored water, carryover storage volumes provide the Rental Pool of Water District 65 the ability to investigate rental of water for downstream hydropower generation. To accommodate the transaction the Rental Pool Committee is authorizing Water District No. 65 the ability to negotiate special rental rates with the Idaho Power Company that will remain in effect for a single transaction during this 2011 season. The Administration Fee paid to the district is to remain at \$1.00 per acre-foot and the surcharge due the Idaho Resource Board is to be 10% of rental rate remaining after the Administration Fee. Water leased for this purpose of power generation below the mouth of the Payette River shall become the most last to fill water, filling behind all other water rented for down stream usage. This transaction conducted for power production below the mouth of the Payette River shall have its terms reviewed and approved by the Idaho Water Resource Board and its terms and rates attached to the rental pool rules for 2011 to document the special and specific nature of the transaction.

Attachment A

Idaho Power has offered a rate for Winter Rental Water of \$8.50 per acre foot.
Water District No. 65 will retain \$1.00 as an administrative fee.
Idaho Water Resource Board is due \$0.75 as a surcharge.
Lessors will realize a return of \$6.75 per acre foot.

\$8.50 Rental Rate
\$1.00 WD 65 Administration Fee
\$0.75 IWRB Surcharge
\$6.75 Available to leasing entity

Potential volume to be rented to Idaho Power this winter season of 2011-2012
35,000 acre-feet.

WATER DISTRICT NO. 65

RENTAL POOL PROCEDURES

PARA 1. AUTHORITY AND STATEMENT OF PURPOSE:

1.1 These procedures have been adopted pursuant to Idaho Code, Section 42- 1765 and Rule 6 of the Water Supply Bank Rules and Regulations of the Idaho Water Resource Board to assure orderly operation of the Payette River Rental Pool. Under no circumstances shall these procedures be construed to limit or restrict the authority of the Director of the Department of Water Resources, the Water Resource Board, Water District No. 65 Advisory Board, or the Payette River Watermaster in discharging their duties as set forth in the statutes of the State of Idaho. Anyone leasing water to, or renting water from, such space shall be subject to all applicable water laws of the State of Idaho and the Bureau of Reclamation.

1.2 IT IS THE PURPOSE OF THESE PROCEDURES TO:

- a. Provide a process, consistent with applicable statutes and administrative rules, by which stored water supplies may be made available for a specified period of time to water users who need additional water.
- b. Provide incentives for those owning reservoir space and having stored water, which is surplus to their needs, to lease such space/water to the Rental Pool to be made available to other users, and which will serve to protect the local public interest.
- c. Establish a recognized system through which water supplies can be located, identified and subsequently rented to a water user.
- d. Provide a source of revenue for Water District No. 65 to make improvements in distribution of water and aid in increasing the conservation of water in the Payette River Drainage Basin.
- e. Provide that available water supplies may be leased to the Rental Pool by the Lessor and rented from the Rental Pool for any beneficial purpose recognized by the laws of the State of Idaho, provided that other water rights are not injured, irrigators are not deprived of supplemental storage by renting water for uses other than irrigation, and the use is consistent with the conservation of water resources within the State of Idaho.

PARA 2. DEFINITIONS:

- 2.1 ACRE-FOOT is a volume of water sufficient to cover on acre one foot deep.
- 2.2 YEAR refers to a normal calendar year.
- 2.3 BOARD means the Idaho Water Resource Board
- 2.4 BUREAU means the U.S. Bureau of Reclamation or USBR.
- 2.5 COMMITTEE or LOCAL COMMITTEE means the Advisory Board of Water District No. 65.
- 2.6 DEPARTMENT means the Idaho Department of Water Resources or IDWR.
- 2.7 DIRECTOR means the Director of the Idaho Department of Water Resources.
- 2.8 DISTRICT means Payette River Water District No. 65.
- 2.9 LEASE is the agreement through which a specific amount of storage space or stored water is obtained by the Rental Pool for use during a year.
- 2.10 RENTER is the person renting water from the Rental Pool.
- 2.11 LESSOR is the person leasing space/water to the Rental Pool.
- 2.12 PERSON means any company, corporation, association, firm, agency, individual, partnership, government agency or other entity.
- 2.13 RENTAL AGREEMENT is the agreement through which a Renter obtains the right to a specific amount of storage space or stored water from the Rental Pool.
- 2.14 RENTAL POOL refers to the water leasing and renting activities administered by the Local Committee appointed by the Water Resource Board.
- 2.15 SPACE means all or any portion of the active capacity of a reservoir measured in acre-feet.
- 2.16 STORED WATER is the water that accrues to reservoir space and is available for use.
- 2.17 WATERMASTER means the Watermaster of Water District No. 65.

PARA 3. GENERAL:

- 3.1 It is the policy of the Local Committee of Water District No. 65 to operate the Rental Pool for the maximum beneficial use of available stored water.
- 3.2 Operation of the Rental Pool will be by and for the irrigators within the District through the Committee. These procedures are designed to assure that Stored Water is maintained and first made available primarily for irrigation use.
- 3.3 The operation of the Rental Pool shall be consistent with the statutes creating the Water Supply Bank and the Rules and Regulations of the Board and the provisions of the contracts with the United States.
- 3.4 Space will be accepted by the Committee on a contingency basis.
- 3.5 Payments to the Lessor will be made only if Stored Water is subsequently rented from the Rental Pool.
- 3.6 The Space of storage water leased to the Rental Pool that is rented for uses below the mouth of the Payette River shall be the last space to fill in the ensuing year.
- 3.7 No storage water leased to the Rental Pool shall be rented for uses below the mouth of the Payette River without the express written consent of the Lessor.
- 3.8 It is the policy of the Committee to facilitate annual leases and rentals, and to base all transactions on water stored (storage) rather than reservoir space.

PARA 4. MANAGEMENT:

- 4.1 The Committee shall have the following responsibilities:
 - a. To provide direction to the Watermaster in the operation of the Rental Pool within the overall framework of these adopted procedures.
 - b. To notify the Department and the Watermaster of any rentals where water will be moved from the place of use authorized by the permit, license or decree authorizing the stored water right.
 - c. To set policies for the investment and disbursement of funds generated by the Rental Pool in conformity with Public Depository Law, Chapter 1, Title 57, Idaho Code.
- 4.2 The Watermaster shall act as the manager of the Rental Pool. This authority shall include accepting Space into the Rental Pool, executing Rental Agreements on behalf of the Committee, accepting and disbursing funds generated through the rental of Stored Water, and distribution of rental water.

4.3 The Committee shall decide all issues by a majority vote.

PARA 5. LEASES:

5.1 All leases of space to the Rental Pool and all rental of Stored Water from the Rental Pool shall be for a term of one year.

5.2 Any contracting entity which owns Space in a reservoir located in the District may lease any portion of its Space to the Rental Pool.

5.3 When a Lessor has Space in more than one reservoir the lease shall designate: Cascade Space, Deadwood Space, or Payette Lakes Space.

5.4 Leases accepted by the Watermaster are subject to the review and approval of the Committee. Space submitted for lease may be rejected in whole or part by the Committee or it may place special conditions on uses, allocation, and price if, in the judgement of the Committee, accepting said Space will not be in the best interest of the Rental Pool and Water District #65.

5.5 Any Lessor, or Renter, or applicant aggrieved by a decision of the Rental Pool Committee on matters related to the operations of the Rental Pool may request a hearing before the Committee within 15 days after receiving notice in writing of the decision. After hearing the grievance and after review by the Committee, a decision will be made by the Committee, in writing, setting forth the reasons for its decision, and said review decision must be signed by a majority of the Committee. The decision of the Committee may be appealed to the Board.

5.6 Leases of Space to the Rental Pool shall be on a priority basis as set forth in paragraph 6 of these procedures.

5.7 All Space leased to the Rental Pool shall be under the control of the Watermaster and the Committee for the duration of the lease.

PARA 6. PRIORITIES AMONG LESSORS:

6.1 When a Lessor leases Space to the Rental Pool, the Stored Water attributable to such Space shall be determined by the Watermaster according to the percentage the reservoir fills.

6.2 All Stored Water attributable to Space leased to the Rental Pool before July 1 will be rented before any Stored Water from Space leased after July 1.

6.3 Lessors who lease Space to the Rental Pool by July 1, shall share proportionally in the proceeds from the rental of Stored water attributable to such Space.

6.4 Lessors who lease Space to the Rental Pool after July 1, shall receive proceeds from the rental of Stored Water attributable to such Space on a "first come" basis, whereby the first Lessor to Lease Space will be the first paid.

6.5 All space/water that has not been rented by the end of the year, shall revert back to the Lessor, unless extended by the Lessor.

PARA 7. PRIORITIES AMONG RENTERS:

7.1 Any Stored Water available through the Rental Pool for use shall be provided on a priority basis. The first priority for each time category is defined below. The second priority for each time category consists of all water users not defined in that time category. Water shall be rented to second priority Renters only upon specific findings of the Committee, in cases when all first priority uses are anticipated to be satisfied.

7.2 Priority until July 1 of each year in acquiring Stored Water from the Rental Pool shall be given to renters for irrigation within the active portion of Water District #65.

7.3 After July 1 of each year all remaining unrented Stored Water in the Rental Pool shall be available to any water user who desires to rent the water for any beneficial use.

7.4 Sub-priority among water users of each priority listed above shall be determined by the date on which the water user's signed Rental Agreement and payment is received at the office of the Watermaster. During periods of drought or special conditions, with consideration to local public interest and with the Director's approval, the Committee may develop additional or alternative procedures.

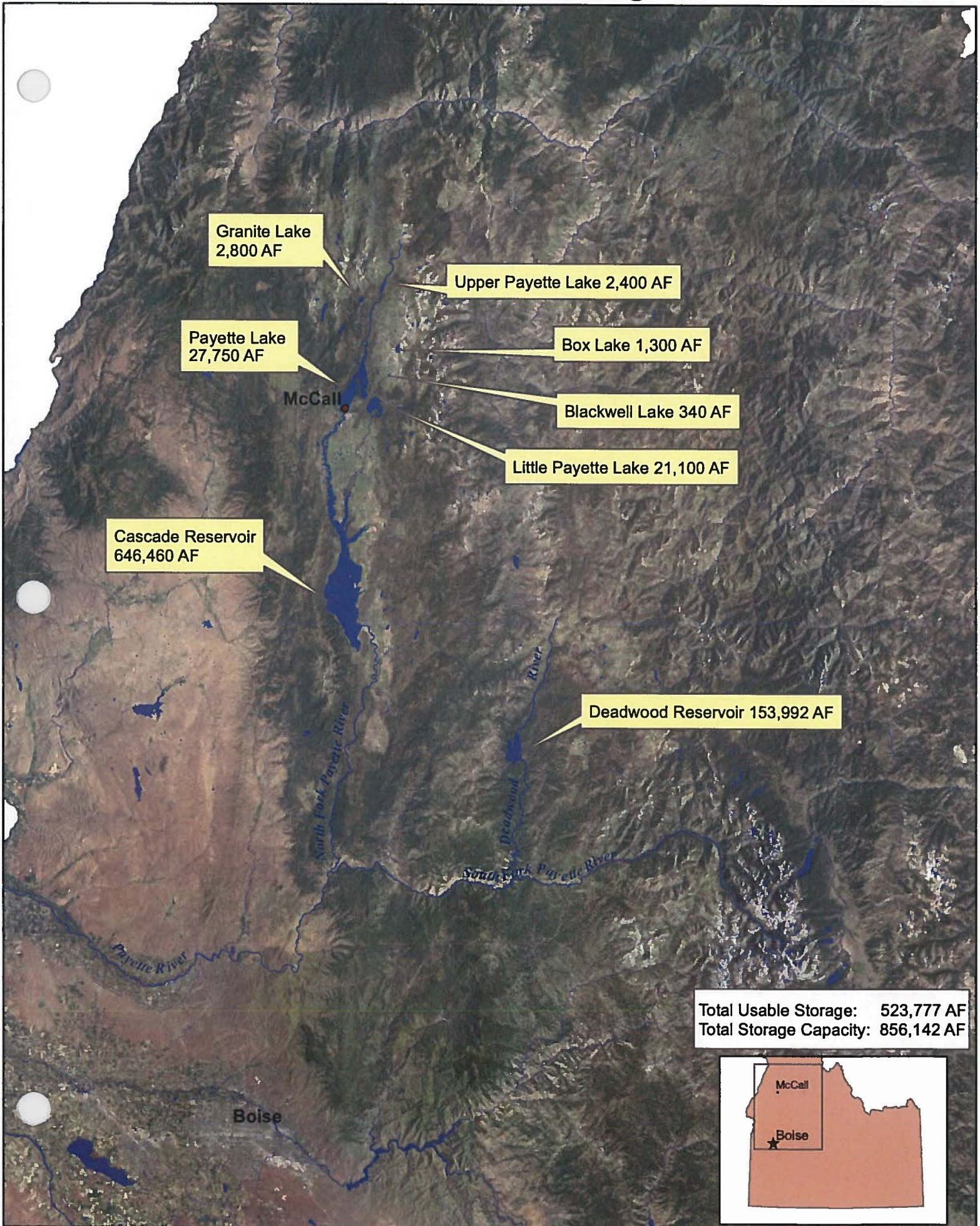
7.5 Any water user having once entered into a Rental Agreement for Stored Water may request Stored Water in subsequent years by confirming, in writing, that all the information on the original agreement is true and correct, and by identifying the amount of water he wishes to purchase. The priority in this case will be the date on which payment is received by the Watermaster.

7.6 Water must be used by the Renter no later than March 1 of the year following the calendar year in which storage occurs, unless an extension is granted by the Committee.

PARA 8. RENTAL FEES AND PAYMENTS TO LESSORS:

- 8.1 The price of stored water rented from the Rental Pool for use upstream from the mouth of the Payette River is \$3.20 per acre foot, with \$2.00 per acre foot being paid to the Lessors, a \$1.00 per acre foot administrative fee paid to the District and the \$0.20 surcharge due the Board under the Idaho Water Bank rules. The price of stored water rented from the Rental Pool for use downstream from the mouth of the Payette River is \$14.00 per acre foot, with \$11.80 per acre foot being paid to the Lessors, \$3.89 of which is intended to be used by the Lessor for improvements within the Lessor's delivery system, with emphasis given to improvements which would result in better water management, water quality and water use efficiencies, a \$1.00 per acre foot administrative fee paid to the District and the \$1.20 surcharge due the Board. In the case that another rental pool or space holder should lease water for the purpose of arbitrage and consequently seek to secure replacement water from the Rental Pool, the price shall be the amount charged by that rental pool or space holder plus an additional \$1.00 per acre foot administrative fee paid to the District.
- 8.2 Payments to the Lessors shall be made in accordance with paragraph 6 and shall be based upon the data published in the annual report of the Watermaster. Payments to the Lessors shall be considered due and payable once the Watermaster has calculated the actual water used within the District for the annual Watermaster's Report. Payments to the Lessors for water delivered after submittal of the annual Watermaster's Report shall be made when delivery of the water is completed.
- 8.3 Any administrative revenue in excess of actual costs shall be held in a contingency fund, and may be used for other purposes that the Committee deems to be of benefit to Water District #65, provided, however, that such uses do not conflict with Idaho Public Depository Law, Chapter 1, Title 57, Idaho Code.
- 8.4 All rental monies shall be maintained in a separate interest-bearing account with accrued interest being distributed on a pro-rata basis at the time payments to Lessors are made.

Payette Basin Storage



Ball, Diana

From: Harrington, Helen
Sent: Tuesday, December 20, 2011 10:56 AM
To: Ball, Diana
Subject: WD65 Rental Pool Procedures Briefing Materials

Hello, Diana.

Here you go. I would like to include the following items:

Briefing memo, with WD65 page of letter, addendum, current procedures, etc. as an attachment

Resolution (currently part of the Briefing Memo document)

Map (will come later, so don't wait for it).

You may want to proofread the memo and reformat the resolution, at your discretion.



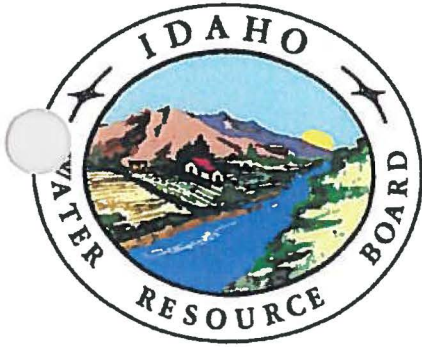
Briefing Memo WD
65 Rental Poo...

This is the WD65 package:



WD65 Rule Change
Request.pdf

Thanks,
Helen



Mission statement

"The water resource board shall have the duty of operating a water supply bank. The water supply bank shall make use of and obtain the highest duty for beneficial use from water, provide a source of adequate water supplies to benefit new and supplemental water uses, and provide a source of funding for improving water user facilities and efficiencies."

(Idaho Code, §42-1761)

Letter to the Stakeholders

2010 was a year of growth and change for the Water Supply Bank. After years of mounting backlogs, more staff effort and focus on process improvement greatly changed the landscape of Bank processing.

Idaho water users have relied on water banking since the 1930s but the Idaho Legislature did not formalize the Bank until enacting Idaho Code, §42-1761, in 1979. The Idaho Water Resource Board (IWRB) appointed the Idaho Department of Water Resources (IDWR) to operate the Bank in 1979. Bank activity remained low through the 1980s and 1990s, but began to increase around 2001 with the issuance of the first partial decrees in the Snake River Basin Adjudication (SRBA).

Bank activity has grown considerably over the past few years. Rental activity increased more than 2,500% and lease activity increased more than 1,600% between 1998 and 2010. The Bank is clearly an increasingly popular option for water users. This unanticipated popularity resulted in significant backlogs in Bank processing. In 2010, despite limited revenue to fund bank activities, IDWR Interim Director Gary Spackman responded to the backlogs by temporarily assigning additional staff to Bank processing.

Water Supply Bank Staff 2010

Aaron Marshall, Former Coordinator
Monica Van Bussum, New Coordinator
Christine Field, Administrative Assistant

I was designated coordinator of the Bank on August 10, 2010. Temporary assignment of additional IDWR staff members to Bank activities enabled the addition of data cleanup efforts and process improvements. The data cleanup effort helped clarify and reduce backlogs for leases and rentals and provided more accurate data for this report.

It is important to note this is an annual report for the calendar year 2010, not the fiscal year. Bank operations run by calendar year because many leases run from January 1 to December 31 or through the irrigation season. A fiscal year report for the Bank would bifurcate not only the year-round leases and rentals, but the irrigation season ones as well.

This report summarizes 2010 Bank activity and discusses goals for 2011.

- Monica Van Bussum

