LAWRENCE G. WASDEN
Attorney General

CLIVE J. STRONG
Deputy Attorney General
Chief, Natural Resources Division

GARRICK L. BAXTER, ISB #6301
EMMI L. BLADES, ISB #8682
ANDREA L. COURTNEY, ISB #7705
Deputy Attorneys General
Idaho Department of Water Resources
P.O. Box 83720
Boise, ID 83720-0098
Telephone: (208) 287-4800
Facsimile: (208) 287-6700
garrick.baxter@idwr.idaho.gov
emmi.blades@idwr.idaho.gov
andrea.courtney@idwr.idaho.gov

Attorneys for Respondents

IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

BALLENTYNE DITCH COMPANY; BOISE VALLEY IRRIGATION DITCH COMPANY; CANYON COUNTY WATER COMPANY; EUREKA WATER COMPANY; FARMERS' CO-OPERATIVE DITCH COMPANY; MIDDLETON MILL DITCH COMPANY; MIDDLETON IRRIGATION ASSOCIATION, INC.; NAMPA & MERIDIAN IRRIGATION DISTRICT; NEW DRY CREEK DITCH COMPANY; PIONEER DITCH COMPANY; PIONEER IRRIGATION DISTRICT; SETTLERS IRRIGATION DISTRICT; SOUTH BOISE WATER COMPANY; and THURMAN MILL DITCH COMPANY,

Petitioners/Respondents,

vs.

Case No. CV-WA-2015-21376
(Consolidated Ada County Case No. CV-WA-2015-21391)

NOTICE OF APPEAL

(Filing Fee: Exempt)

BOISE PROJECT BOARD OF CONTROL, and NEW YORK IRRIGATION DISTRICT,

Petitioners/Respondents,

vs.

THE IDAHO DEPARTMENT OF WATER RESOURCES and GARY SPACKMAN, in his capacity as the Director of the Idaho Department of Water Resources,

Respondents/Appellants,

and

SUEZ WATER IDAHO, INC.,

Intervenor/Respondent.

IN THE MATTER OF ACCOUNTING FOR DISTRIBUTION OF WATER TO THE FEDERAL ON-STREAM RESERVOIRS IN WATER DISTRICT 63

TO: THE ABOVE-NAMED PETITIONERS/RESPONDENTS, BALLENTYNE DITCH COMPANY, BOISE VALLEY IRRIGATION DITCH COMPANY, CANYON COUNTY WATER COMPANY, EUREKA WATER COMPANY, FARMERS' CO-OPERATIVE DITCH COMPANY, MIDDLETON MILL DITCH COMPANY, MIDDLETON IRRIGATION ASSOCIATION, INC., NAMPA & MERIDIAN IRRIGATION DISTRICT, NEW DRY CREEK DITCH COMPANY, PIONEER DITCH COMPANY, PIONEER IRRIGATION DISTRICT, SETTLERS IRRIGATION DISTRICT, SOUTH BOISE WATER COMPANY, AND THURMAN MILL DITCH COMPANY AND THEIR ATTORNEYS OF RECORD:

DANIEL V. STEENSON
S. BRYCE FARRIS
ANDREW J. WALDERA
SAWTOOTH LAW OFFICES, PLLC
1101 W. RIVER STREET, SUITE 110
P.O. BOX 7985
BOISE, IDAHO 83707

PH: (208) 629-7447
dan@sawtoothlaw.com
bryce@sawtoothlaw.com
andy@sawtoothlaw.com

THE ABOVE-NAMED PETITIONER/RESPONDENT BOISE PROJECT BOARD OF CONTROL AND ITS ATTORNEYS OF RECORD:

ALBERT P. BARKER
SHELLEY DAVIS
BARKER ROSHOLT & SIMPSON LLP
1010 W. JEFFERSON STREET, SUITE 102
P.O. BOX 2139
BOISE, IDAHO 83701-2139
PH: (208) 336-0700
apb@idahowaters.com
smd@idahowaters.com

THE ABOVE-NAMED PETITONER/RESPONDENT NEW YORK IRRIGATION DISTRICT AND ITS ATTORNEY OF RECORD:

CHARLES F. MCDEVITT
MCDEVITT & MILLER, PLLC
420 W. BANNOCK
P.O. BOX 1543
BOISE, IDAHO 83701
PH: (208) 412-5250
chas@mcdevitt-miller.com

THE ABOVE-NAMED INTERVENOR/RESPONDENT SUEZ WATER IDAHO, INC. AND ITS ATTORNEYS OF RECORD:

CHRISTOPHER H. MEYER
MICHAEL P. LAWRENCE
GIVENS PURSLEY LLP
601 W. BANNOCK STREET
P.O. BOX 2720
BOISE, IDAHO 83701-2720
PH: (208) 388-1200
chrismeyer@givenspursley.com
mpl@givenspursley.com

AND TO THE CLERK OF THE COURT IN THE ABOVE-ENTITLED ACTION.

NOTICE IS HEREBY GIVEN THAT:

1. The above-named Appellants, the IDAHO DEPARTMENT OF WATER RESOURCES and GARY SPACKMAN, in his capacity as the Director of the Idaho Department of Water Resources ("Appellants"), appeal against the above-named Respondents to the Idaho Supreme Court from the district court's MEMORANDUM DECISION AND ORDER entered in the above-entitled action on the 1st day of September, 2016, and the district court's ORDER DENYING REHEARING, entered in the above-entitled action on the 14th day of November, 2016, the Honorable Judge Eric J. Wildman presiding. Judge Wildman issued a JUDGMENT in the above-entitled action on September 1, 2016. Copies of the Orders and Judgment are attached to this notice.

2. Appellants have a right to appeal to the Idaho Supreme Court, and the orders described in paragraph 1 are appealable orders pursuant to Rule 11(f), Idaho Appellate Rules.

3. Appellants' preliminary statement of the issues it intends to assert on appeal, which under Rule 17, Idaho Appellate Rules, does not prevent Appellants from asserting other issues as Appellants deem necessary, is as follows:

    a. Whether the district court erred in its findings and conclusions related to "unaccounted for storage" water, including but not limited to:

        i. Whether the district court erred by adopting a definition and quantification of "unaccounted for storage" water that is contrary to the Director's findings and substantial evidence in the record;

        ii. Whether the district court erred in determining that by computing the amount of "unaccounted for storage" water in the reservoir system, the Director is "distributing" water to the Boise River reservoirs pursuant to Chapter 6 of Title 42, Idaho Code;

        iii. Whether the district court erred by concluding the Director's method of computing the amount of "unaccounted for storage" water in the reservoir system is contrary to law;

        iv. Whether the district court erred in construing Idaho Code § 42-201 as precluding a "general provision" in the Snake River Basin Adjudication that acknowledges and authorizes a long-standing system of allowing a reservoir operator to store, and irrigators to use, excess/high flow/flood water provided there is no interference with existing or future diversions under valid state water rights;

    b. Whether the district court erred in setting the Director's orders aside in part and remanding in part, including but not limited to:

        i. Whether the district court erred in determining the Petitioners' disputed water right claims pending in the Snake River Basin Adjudication were prejudiced by the Director's accounting methodology;

ii. Whether the district court's remand exceeds the Director's authority because it would require the Director to resolve disputed questions of the nature and extent of beneficial use-based water rights that have been claimed but not yet decreed in the Snake River Basin Adjudication; and

iii. Whether the district court erred in concluding the Director has the authority to determine the nature and extent of a beneficial use-based water right claimed but not yet decreed in the Snake River Basin Adjudication.

4. No order has been entered sealing all or any part of the record in the above entitled action.

5. The following transcripts have already been requested by Petitioners/Respondents Ballentyne Ditch Co. *et al.*, and Appellants request that they be included in the record on appeal:

a. The hearing of April 5, 2016, on the DITCH COMPANIES' MOTION TO STAY; and
b. The hearing of July 11, 2016, on the DITCH COMPANIES' PETITION FOR JUDICIAL REVIEW.

6. The Appellants also request copies of all transcripts from the underlying administrative contested case proceedings, which were previously included in the record before this Court as identified in the NOTICE OF LODGING AGENCY RECORD AND TRANSCRIPT WITH THE AGENCY of December 24, 2015, the NOTICE OF LODGING THE SETTLED AGENCY RECORD AND TRANSCRIPT WITH THE DISTRICT COURT of January 19, 2016, and the ORDER SETTLING THE AGENCY RECORD AND TRANSCRIPT of January, 19, 2016.

7. The Appellants request the following documents in the above entitled action be included in the clerk's record in addition to those automatically included under Idaho Appellate Rule 28. All documents listed were included in record request made by Petitioners/Respondents Ballentyne Ditch Co. *et al* in their appeal *except* those marked with an asterisk after the date. Appellants request that the documents marked with an asterisk after the date also be included in the record:

Filing/Lodging Date	**Document**
Dec. 17, 2015	Ditch Companies' Petition for Judicial Review
Dec. 17, 2015	Notice of Appeal and Petition for Judicial Review of Final Agency Action (*filed by Boise Project Board of Control and New York Irrigation District, Case No. CV-WA-2015-21391 and consolidated on 12/30/2015*)
Dec. 22, 2015	Notice of Reassignment
Dec. 23, 2015	Procedural Order Governing Judicial Review of Final Order of

	Director of Idaho Department of Water Resources
Dec. 24, 2015	Notice of Lodging of Agency Record and Transcript with the Agency
Dec. 28, 2015 *	Notice of Appearance: Suez Water Idaho
Dec. 28, 2015	Motion to Consolidate
Dec. 30, 2015	Order Consolidating Proceedings
Jan. 7, 2016	Objection to Agency Record and Motion to Augment
Jan. 7, 2016	Ditch Companies' Objection to Agency Record Lodged by IDWR
Jan. 11, 2016	Supplemental Objection to Agency Record and Motion to Augment (filed by Boise Project Board of Control)
Jan. 19, 2016 *	Notice of Lodging the Settled Agency Record and Transcript with the District Court
Jan. 19, 2016	Order Settling the Agency Record and Transcript
Jan. 19, 2016	Agency's Certificate of Record
Feb. 4, 2016	Order Treating Appearance as Motion to Intervene and Granting Same
Mar. 8, 2016	Boise Project Board of Control's Petitioners' Brief
Mar. 8, 2016	Ditch Companies' Motion to Stay
Mar. 8, 2016	Ditch Companies' Memorandum in Support of Motion to Stay
Mar. 8, 2016	Ditch Companies' Opening Brief
Mar. 9, 2016	Request for Reasonable Attorney Fees and Costs on Judicial Review
Mar. 15, 2016 *	Notice of Hearing
Mar. 18, 2016	Suez's Brief in Opposition to Ditch Companies' Motion to Stay
Mar. 21, 2016	Respondents' Response to Ditch Companies' Motion to Stay
Mar. 29, 2016	Reply Memorandum in Support of Ditch Companies' Motion to Stay
Mar. 31, 2016	Ditch Companies' Reply in Support of Motion to Stay
Apr. 6, 2016	Order Denying Motion to Stay
Apr. 6, 2016 *	Order Vacating and Resetting Oral Argument
Apr. 8, 2016	Brief for Respondents the Idaho Department of Water Resources and Gary Spackman
Apr. 8, 2016	Intervenor Suez's Response Brief
May 2, 2016	Respondents' Certificate of Compliance and Notice of Errata (including attached computer disk containing electronic copy of the Brief for Respondents the Idaho Department of Water Resources and Gary Spackman)
May 6, 2016	Petitioners' Reply Brief (filed by Boise Project Board of Control)
May 6, 2016	Ditch Companies Reply Brief
Sep. 1, 2016	Memorandum Decision and Order
Sep. 1, 2016	Judgment
Sep. 9, 2016	Petition for Rehearing (filed by Idaho Department of Water Resources and Gary Spackman)
Sep. 22, 2016	Irrigation Entities' Petition for Rehearing
Sep. 22, 2016	Petition for Rehearing (filed by Suez Water Idaho, Inc.)
Sep. 23, 2016	Memorandum in Support of Respondents' Petition for Rehearing
Oct. 6, 2016	Suez's Memorandum in Support of Petition for Rehearing
Oct. 6, 2016	Memorandum in Support of the Irrigators' Petition for Rehearing
Nov. 14, 2016	Order Denying Rehearing

8. Appellants request that the agency record, in addition to all exhibits and transcripts, be copied and sent to the Supreme Court.

9. I certify:

   a. The court reporter has been served with a copy of this notice of appeal.

   b. The Appellants contacted the court reporter and the court reporter explained there is no additional fee as the fee was paid by Petitioners/Respondents Ballentyne Ditch Co. *et al* and the transcripts have already been prepared.

   c. That Appellants and the State of Idaho are exempt from paying the clerk of the above entitled court the estimated fee for preparation of the clerk's record pursuant to Idaho Code § 67-2301 and Idaho Appellate Rule 23.

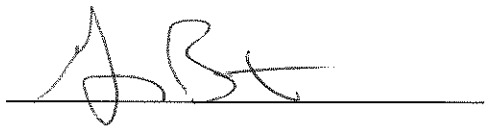
   d. That Appellants and the State of Idaho are exempt from paying the appellate filing fee pursuant to Idaho Code § 67-2301 and Idaho Appellate Rule 23.

   e. That service has been made upon all parties required to be served pursuant to Rule 20, Idaho Appellate Rules.

DATED this 23rd day of December, 2016

LAWRENCE G. WASDEN
ATTORNEY GENERAL

CLIVE J. STRONG
Chief, Natural Resources Division
Deputy Attorney General



GARRICK L. BAXTER
Deputy Attorney General

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that on this 23rd day of December 2016, I caused to be served a true and correct copy of the foregoing document by the methods indicated:

Original to:
Clerk of the Court
SRBA DISTRICT COURT
253 3rd Avenue North
P.O. Box 2707
Twin Falls, ID 83303-2707
Facsimile: (208) 736-2121

- ☐ U.S. Mail, postage prepaid
- ☒ Hand Delivery
- ☐ Overnight Mail
- ☐ Facsimile
- ☐ Email

Daniel V. Steenson
S. Bryce Farris
Andrew Waldera
SAWTOOTH LAW OFFICES, PLLC
P.O. Box 7985
Boise, ID 83707
dan@sawtoothlaw.com
bryce@sawtoothlaw.com
andy@sawtoothlaw.com

- ☒ U.S. Mail, postage prepaid
- ☐ Hand Delivery
- ☐ Overnight Mail
- ☐ Facsimile
- ☐ Email

Albert P. Barker
Shelley M. Davis
BARKER ROSHOLT & SIMPSON, LLP
P.O. Box 2139
Boise, ID 83701-2139
apb@idahowaters.com
smd@idahowaters.com

- ☒ U.S. Mail, postage prepaid
- ☐ Hand Delivery
- ☐ Overnight Mail
- ☐ Facsimile
- ☐ Email

Chas. F. McDevitt
McDEVITT & MILLER, LLP
P.O. Box 1543
Boise, ID 83701
chas@mcdevitt.org

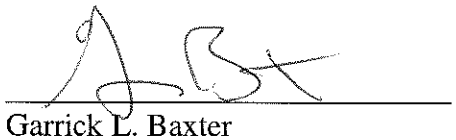
- ☒ U.S. Mail, postage prepaid
- ☐ Hand Delivery
- ☐ Overnight Mail
- ☐ Facsimile
- ☐ Email

Christopher H. Meyer
Michael P. Lawrence
GIVENS PURSLEY, LLP
P.O. Box 2720
Boise, ID 83701-2720
chrismeyer@givenspursley.com
mpl@givenspursley.com

- ☒ U.S. Mail, postage prepaid
- ☐ Hand Delivery
- ☐ Overnight Mail
- ☐ Facsimile
- ☐ Email

Sabrina Vasquez
COURT REPORTER
25 Northridge Way
Jerome, ID 83338
svasquez61@gmail.com

☒ U.S. Mail, postage prepaid
☐ Hand Delivery
☐ Overnight Mail
☐ Facsimile
☐ Email



Garrick L. Baxter
Deputy Attorney General

ORDER DENYING REHEARING

IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

BALLENTYNE DITCH COMPANY; BOISE VALLEY IRRIGATION DITCH COMPANY; CANYON COUNTY WATER COMPANY; EUREKA WATER COMPANY; FARMERS' CO-OPERATIVE DITCH COMPANY; MIDDLETON MILL DITCH COMPANY; MIDDLETON IRRIGATION ASSOCIATION, INC.; NAMPA & MERIDIAN IRRIGATION DISTRICT; NEW DRY CREEK DITCH COMPANY; PIONEER DITCH COMPANY; PIONEER IRRIGATION DISTRICT; SETTLERS IRRIGATION DISTRICT; SOUTH BOISE WATER COMPANY; and THURMAN MILL DITCH COMPANY,

Petitioners,

vs.

BOISE PROJECT BOARD OF CONTROL, and NEW YORK IRRIGATION DISTRICT,

Petitioners,

vs.

THE IDAHO DEPARTMENT OF WATER RESOURCES and GARY SPACKMAN in his capacity as Director of the Idaho Department of Water Resources,

Respondents,

and

SUEZ WATER IDAHO INC.,

Case No. CV-WA-2015-21376
(Consolidated Ada County Case No. CV-WA-2015-21391)

ORDER DENYING REHEARING

Intervenor.

IN THE MATTER OF ACCOUNTING FOR DISTRIBUTION OF WATER TO THE FEDERAL ON-STREAM RESERVOIRS IN WATER DISTRICT 63

On September 1, 2016, this Court entered its *Memorandum Decision and Order* in the above-captioned matter. *Petitions* requesting rehearing of that decision were subsequently filed by the Idaho Department of Water Resources ("Department"), Suez Water Idaho, Inc., the Boise Project Board of Control, and the Ditch Companies.[1] The *Petitions* are made pursuant to Idaho Rule of Civil Procedure 84(r) and Idaho Appellate Rule 42. In an exercise of its discretion, the Court denies the *Petitions* for rehearing. The arguments made by the parties in support of rehearing are in large part a rehashing of arguments already made to, and considered by, the Court in this proceeding. The Court in its discretion will not entertain these arguments for a second time.

Other issues raised were not considered by the Director. For instance, the Department argues that "the physical diversion and storage of the 'unaccounted for storage' is authorized solely by federal law, and determination of whether, when, and how much 'unaccounted for storage' will occur are entirely dependent upon federal flood control operations." This argument implicates the doctrine of federal preemption. That said, the Department does not identify or cite to which specific federal law(s) it believes implicates the federal preemption doctrine, nor which specific state law(s) it believes have been preempted by federal law.[2] Furthermore, the Director did not engage in a federal preemption analysis in his *Amended Final Order*, and this Court will not address issues not addressed below.

[1] The term "Ditch Companies" refers collectively to Ballentyne Ditch Company, Boise Valley Irrigation Ditch Company, Canyon County Water Company, Eureka Water Company, Farmers' Co-operative Ditch Company, Middleton Mill Ditch Company, Middleton Irrigation Association Inc., Nampa & Meridian Irrigation District, new Dry Ditch Company, Pioneer Ditch Company, Pioneer Irrigation District, Settlers Irrigation District, South Boise Water Company, and Thurman Mill Ditch Company.

[2] It should also be noted that the Idaho Supreme Court has directed that "federal law defers to state law in determining the rights to water in the reclamation projects," and that "the [Reclamation] Act clearly provided that state water law *would control in the appropriation and later distribution of the water*." *U.S. v. Pioneer Irr. Dist.*, 144 Idaho 106, 110, 157 P.3d 600, 604 (2007) (emphasis added).

Previously, the Department relied on state law in support of its accounting methodology. This Court affirmed in part concluding that the Department's accounting methodology was consistent with state law. However, the Court rejected the Department's treatment of "refill" water as "unaccounted for storage" water not subject to appropriation. The Court relied on state law in reaching that decision. The Department now appears for the first time to be asserting federal law in support of its determination that the "unaccounted for storage" water is not subject to appropriation. The Department cites no federal law authorizing the United States to refill the reservoirs once flood control release measures have concluded for the season and the Department has determined according to its accounting methodology that the reservoir water rights have been satisfied. Put differently, what authorization does the United States have to refill the reservoirs once the Department determines that the reservoir storage water rights have been satisfied? Historically, the United States has been refilling the reservoirs to satisfy its contractual obligations to the spaceholders to compensate for obligatory flood control releases. However, according to the Department's accounting methodology the reservoirs are not being refilled pursuant to a valid water right.

Until this point, no party, including the United States, has asserted the application of federal law as justification for the authorization to refill the reservoirs without a water right. If the justification relies on the contracts entered into between the United States and the spaceholders, any pertinent contract provisions were not memorialized into any decree or general provision. The contracts are therefore not binding on other water users on the system including any future appropriations. Suez points out that the historical practice of storing the water when available even though without a water right facilitates the most efficient use of the water. However, if the water is not being stored pursuant to a water right then by law it must be considered unappropriated water that is subject to appropriation. As a result, if someone wished to make application for the water otherwise captured for refill what authority would the United States have for continuing the practice as opposed to making the water available to satisfy the new appropriation? Absent the water already being appropriated, what authority would the Department have for denying an application to appropriate the water otherwise used to refill the reservoirs? Treating the refill water as "unaccounted for storage" does not result in protecting the historical practice of allowing the United States to continue to refill the reservoirs without a water right. Even the so-called "excess water" general provisions decreed in the SRBA as a

result of prior consent decrees recognized that such water was subject to future appropriation and subordinate to junior uses. The Court is unaware of any authority that would allow it to cloak "unaccounted for storage" with the protections of a water right so as to preclude future appropriation. Consequently, if the "unaccounted for storage" would otherwise be considered unappropriated water in the absence of pending late claims[3], the Court finds no lawful reason as to why the United States and spaceholders cannot assert, consistent with their claims, that they have been historically beneficially using that same water to supplement their reservoir water rights in the event of flood control releases. It would be legally inconsistent to hold otherwise.

The Department also argues that it has not been distributing the refill water to the spaceholders pursuant any prior decree or license and that it has no control over when refill occurs. As such, the Department asserts that it has only been tracking or accounting for the refill water. This reasoning does not create a legal impediment to establishing a water right. The claims at issue are based on beneficial use. A beneficial use claim can be established provided the water was diverted and put to beneficial use prior to 1971. A beneficial use right, provided it can be proven up, is no more or less enforceable than a water right based on a license or prior decree. The appropriator need not have intended to either establish a water right or even have understood that the manner in which he was securing and using water would be recognized as a valid water right. *Joyce Livestock Co. v. U.S.*, 144 Idaho 1, 11, 156 P.3d 502, 512. The fact that the Department was not "distributing" water to the irrigators does not preclude the establishment of a water right, provided that the irrigators can establish diversion and beneficial use. The record supports that United States has been historically capturing the "refill" water and distributing it to the spaceholders for irrigation. If proven, it is difficult to rationalize how the United States would be prevented from establishing a state-law based water right for the benefit of the end user irrigators.

Finally, the spaceholders' position regarding the scope of their reservoir storage water rights also presents a foreseeable conundrum for administration of the reservoir rights. At oral argument in related SRBA subcase nos. 65-23531 and 65-23532, the Court inquired of counsel as to the nature of the interest pertaining to the "first in" water that is captured in the reservoirs which may or may not be later released for flood control. And which the spaceholders assert should not be counted against their reservoir storage water rights if in fact later released for flood

[3] SRBA subcase nos. 65-23531 and 65-23532 are claims to the "refill" water filed in the SRBA.

control. The Court inquired that if the water should not be counted against the reservoir storage rights then would it be subject to appropriation by another or use by existing juniors?[4] Counsel was unable to define the particular nature of the interest but made it clear that the water would not be subject to appropriation or use by another. Its herein that lies the conundrum. Indeed if the water is counted as part of the reservoir water rights then it would be not subject to appropriation or use by another. If it is not counted against the reservoir rights the converse is true. Another issue arises with respect to future administration in low water years. Is the first fill of the reservoirs protected from interference by junior users or only the refill of the reservoirs after flood control measures, if any, have ended for the season? In order to respond to a request for administration the Director has to determine if the senior right is in fact being injured. In order to secure the protections of a water right the "first in" water would need to be counted as part of the reservoir water right. The Court points this out to illustrate the number of foreseeable issues that would be difficult if not impossible to resolve in the event of a future appropriation attempt or a request for administration. The water cannot be treated as being subject to a water right for certain purposes but not for others. Alternatively, if the "first in" water and any subsequent "refill" are both considered part of the water right then the decreed quantity element is exceeded.

The Court reemphasizes that its ruling in this case in no way relies on precedent established in other states regarding the so-called "one-fill rule." Although the opinion clearly sets forth the Court's reasoning it needs to be emphasized that the result reached relies solely on the application of Idaho statutes and established Idaho legal precedent. The issue of reconciling the effect of flood control releases on in-stream reservoirs and the impact on water rights is one of first impression. The issue is further complicated by the fact that the United States is responsible for operating the reservoirs and administering the reservoirs for flood control is part of this responsibility. It is an aspect affecting water administration over which the Director has no control. Nonetheless, the Director has the statutory duty to distribute water rights according to state law and as such must do so in conjunction with reservoir operations. The issues in this case can be resolved, as set forth in this Court's decision, without resorting to the creation of

[4] Such "first in" water would be subject to appropriation or use by another after it has been released, but the question here is whether it would be subject to appropriation or use in anticipation of its release.

novel specialized exceptions to established Idaho water law principles and that would result in a host of unintended consequences in the future.

Therefore, IT IS ORDERED that the *Petitions* requesting rehearing in the above-captioned matter **are hereby denied**.

Dated November 14, 2016

ERIC J. WILDMAN
District Judge

CERTIFICATE OF MAILING

I certify that a true and correct copy of the ORDER DENYING REHEARING was mailed on November 14, 2016, with sufficient first-cla postage to the following:

ALBERT P BARKER
1010 W JEFFERSON ST STE 102
PO BOX 2139
BOISE, ID 83701-2139
Phone: 208-336-0700

ANDREW J WALDERA
SAWTOOTH LAW OFFICES PLLC
1101 W RIVER ST STE 110
PO BOX 7985
BOISE, ID 83707
Phone: 208-629-7447

CHARLES F MC DEVITT
PO BOX 1543
BOISE, ID 83701-1543
Phone: 208-412-5250

DANIEL V STEENSON
SAWTOOTH LAW OFFICES PLLC
1101 W RIVER ST STE 110
PO BOX 7985
BOISE, ID 83707
Phone: 208-629-7447

GARRICK L BAXTER
DEPUTY ATTORNEY GENERAL
STATE OF IDAHO - IDWR
PO BOX 83720
BOISE, ID 83720-0098
Phone: 208-287-4800

MICHAEL P LAWRENCE
601 W BANNOCK ST
PO BOX 2720
BOISE, ID 83701-2720
Phone: 208-388-1200

S. BRYCE FARRIS
SAWTOOTH LAW OFFICES PLLC
1101 W RIVER ST STE 110
PO BOX 7985
BOISE, ID 83707
Phone: 208-629-7447

SHELLEY M DAVIS
1010 W JEFFERSON ST STE 102
PO BOX 2139
BOISE, ID 83701-2139
Phone: 208-336-0700

~~DIRECTOR OF IDWR~~
~~PO BOX 83720~~
~~BOISE, ID 83720-0098~~

Julie Murphy
Deputy Clerk

MEMORANDUM DECISION AND ORDER

IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

BALLENTYNE DITCH COMPANY; BOISE VALLEY IRRIGATION DITCH COMPANY; CANYON COUNTY WATER COMPANY; EUREKA WATER COMPANY; FARMERS' CO-OPERATIVE DITCH COMPANY; MIDDLETON MILL DITCH COMPANY; MIDDLETON IRRIGATION ASSOCIATION, INC.; NAMPA & MERIDIAN IRRIGATION DISTRICT; NEW DRY CREEK DITCH COMPANY; PIONEER DITCH COMPANY; PIONEER IRRIGATION DISTRICT; SETTLERS IRRIGATION DISTRICT; SOUTH BOISE WATER COMPANY; and THURMAN MILL DITCH COMPANY,

Petitioners,

vs.

BOISE PROJECT BOARD OF CONTROL, and NEW YORK IRRIGATION DISTRICT,

Petitioners,

vs.

THE IDAHO DEPARTMENT OF WATER RESOURCES and GARY SPACKMAN in his capacity as Director of the Idaho Department of Water Resources,

Respondents,

and

SUEZ WATER IDAHO INC.,

Case No. CV-WA-2015-21376
(Consolidated Ada County Case No. CV-WA-2015-21391)

MEMORANDUM DECISION AND ORDER

Intervenor.

IN THE MATTER OF ACCOUNTING FOR DISTRIBUTION OF WATER TO THE FEDERAL ON-STREAM RESERVOIRS IN WATER DISTRICT 63

I.

STATEMENT OF THE CASE

A. Nature of the case.

This case originated when the Ditch Companies,[1] the Boise Project Board of Control, and the New York Irrigation District filed *Petitions* seeking judicial review of a final order of the Director of the Idaho Department of Water Resources ("IDWR" or "Department"). Under review is the Director's *Amended Final Order* issued on October 20, 2015 ("*Final Order*"). The *Final Order* addresses the Director's distribution of water to federal on-stream reservoirs in water district 63. The Petitioners assert that the *Final Order* is contrary to law and request that the Court set it aside and remand for further proceedings.

B. Course of proceedings and statement of facts.

This matter concerns the Director's method of distributing water to federal on-stream reservoirs located in the Boise River System. The Director commenced the underlying contested case proceeding on October 24, 2014. R., pp.1-34. He found it necessary "[t]o address and resolve concerns with and/or objections to how water is counted or credited toward the fill of water rights for the federal on-stream reservoirs pursuant to existing procedures of accounting in water district 63." *Id.* at 7. Notice of commencement was served by the Director on affected water users who were invited to participate. *Id.* at 1-34. The notice ordered interested parties to

[1] The term "Ditch Companies" refers collectively to Ballentyne Ditch Company, Boise Valley Irrigation Ditch Company, Canyon County Water Company, Eureka Water Company, Farmers' Co-operative Ditch Company, Middleton Mill Ditch Company, Middleton Irrigation Association, Nampa & Meridian Irrigation Company, Pioneer Ditch Company, Pioneer Irrigation District, Settlers Irrigation District, South Boise Water Company, and Thurman Mill Ditch Company.

submit statements of concern regarding how water is distributed to federal on-stream reservoirs in water district 63. *Id.* at 7. A number of water users submitted such statements while others filed notices of intent to participate. *Id.* at 35, 39, 41, 51, 58, and 65. The United States informed the Director it would not participate on the basis the contested case proceeding did not meet the requirements of the McCarran Amendment. *Id.* at 84.

An administrative hearing was held before the Department over a period of five days in August and September 2015.[2] Tr., pp.1-1608. The Director acted as presiding officer. *Id.* at 7. Following the submission of post-hearing briefs, the Director entered his *Final Order*. R., pp.1230-1311. The Director made a series of findings concerning how water is distributed to the federal on-stream reservoirs. *Id.* at 1293-1298. He found the Department's method of distribution to be consistent with Idaho's prior appropriation doctrine. *Id.* He concluded that method will continue to govern the distribution of water to federal on-stream reservoirs located in the Boise River System. *Id.* at 1308. The Ditch Companies and the Boise Project Board of Control filed *Motions* asking the Director to reconsider his *Final Order*. *Id.* at 1313; 1331. The Director denied the *Motions* on November 19, 2015. *Id.* at 1402.

On December 17, 2015, the Ditch Companies filed a *Petition for Judicial Review* in Ada County Case No. CV-WA-2015-21376. On that same date, the Boise Project Board of Control and the New York Irrigation District filed a *Petition for Judicial Review* in Ada County Case No. CV-WA-2015-21391. Both *Petitions* assert the Director's *Final Order* is contrary to law. The cases were reassigned by the clerk of the court to this Court, after which Ada County Case No. CV-WA-2015-21391 was consolidated into the above-captioned proceeding. On February 4, 2016, the Court entered an *Order* permitting Suez Water Idaho, Inc. to appear as an intervenor. A hearing on the *Petitions for Judicial Review* was held before this Court on July 11, 2016. The parties did not request the opportunity to submit additional briefing and the Court does not require any. Therefore, this matter is deemed fully submitted for decision on the next business day, or July 12, 2016.

[2] The proceeding was held over the following five days in 2015: August 27th, 28th, 31st, and September 9th and 10th.

II.

STANDARD OF REVIEW

Judicial review of a final decision of the director of IDWR is governed by the Idaho Administrative Procedure Act ("IDAPA"). Under IDAPA, the court reviews an appeal from an agency decision based upon the record created before the agency. I.C. § 67-5277. The court shall not substitute its judgment for that of the agency as to the weight of the evidence on questions of fact. I.C. § 67-5279(1). The court shall affirm the agency decision unless it finds that the agency's findings, inferences, conclusions, or decisions are: (a) in violation of constitutional or statutory provisions; (b) in excess of the statutory authority of the agency; (c) made upon unlawful procedure; (d) not supported by substantial evidence on the record as a whole; or, (e) arbitrary, capricious, or an abuse of discretion. I.C. § 67-5279(3). Further, the petitioner must show that one of its substantial rights has been prejudiced. I.C. § 67-5279(4). Even if the evidence in the record is conflicting, the Court shall not overturn an agency's decision that is based on substantial competent evidence in the record. *Barron v. IDWR*, 135 Idaho 414, 417, 18 P.3d 219, 222 (2001). The Petitioner bears the burden of documenting and proving that there was not substantial evidence in the record to support the agency's decision. *Payette River Property Owners Assn. v. Board of Comm'rs.*, 132 Idaho 552, 976 P.2d 477 (1999).

III.

HISTORICAL BACKGROUND

The federal government operates three on-stream dams and associated reservoirs in the Boise watershed. The first, Arrowrock Dam, was completed by the United States Bureau of Reclamation ("USBOR") in 1915. Ex. 2071, p.2. It is located on the main stem of the Boise River and was authorized for the sole purpose of storing runoff during high flow periods for irrigation purposes. Ex. 2053, p.12. The second, Anderson Ranch Dam, was completed by the USBOR in 1950. Ex. 2401, p.19. It is located on the South Fork of the Boise River and was authorized "as a multi-purpose structure for the benefit of irrigation, flood control and power."[3] Ex. 2071, p.5; Ex. 2053, p.14. The third, Lucky Peak Dam, was completed by the United States

[3] The Bureau of Reclamation recognized that "irrigation is the primary use of the reservoir." Ex. 2053, p.14.

Corps of Engineers in 1955. Ex. 2401, p.20. It is located on the main stem of the Boise River and was authorized primarily for flood control. Ex. 2053, p.16; Ex. 2071, p.3.

Storage water rights associated with the reservoirs were claimed in the Snake River Basin Adjudication ("SRBA"). The SRBA District Court decreed four of those rights as follows:

Right	Point of Diversion	Source	Quantity	Priority	Purpose	Period
63-303	Arrowrock Dam	Boise River	271,600 afy	01/13/1911	Irrigation Storage Irrigation from Storage	01/01-12/31 03/15-11/15
63-3613	Arrowrock Dam	Boise River	15,000 afy	06/25/1938	Irrigation Storage Irrigation from Storage	01/01-12/31 03/15-11/15
63-3614	Anderson Ranch Dam	South Fork Boise River	493,161 afy	12/09/1940	Irrigation Storage Irrigation from Storage Industrial Storage Industrial from Storage Power Storage Power from Storage Municipal Storage Municipal from Storage	01/01-12/31 03/15-11/15 01/01-12/31 01/01-12/31 01/01-12/31 01/01-12/31 01/01-12/31 01/01-12/31
63-3618	Lucky Peak Dam	Boise River	293,050 afy	04/12/1963	Irrigation Storage Irrigation from Storage Recreation Storage Streamflow Maintenance Storage Streamflow Maintenance from Storage	01/01-12/31 03/15-11/15 01/01-12/31 01/01-12/31 01/01-12/31

Ex. 2015. These four water rights were claimed by the United States based on prior licenses. *Id.* They are decreed in the name of the USBOR. *Id.* However, title to the use of the water is held by the consumers or users of the water. *United States v. Pioneer Irr. Dist.*, 144 Idaho 106, 115, 157 P.3d 600, 609 (2007). The four decreed rights provide for a cumulative storage capacity of 1,072,811 acre feet annually. Ex. 2015.

Additional water rights associated with the dams have been claimed by the United States and other water users based on beneficial use. *See* SRBA Subcase Nos. 63-33732, 63-33733, 63-33734, 63-33737, and 63-33738. These were filed as late claims in the SRBA. *Id.* The SRBA District Court approved the filing of the late claims and they are currently pending before that Court. For reasons set forth in the SRBA District Court's *Memorandum Decision on Challenge* entered contemporaneously herewith in those subcases, the Director has recommended that the late claims be decreed disallowed in the SRBA. As a result, his *Final Order* does not take the late claims into account when considering how water is distributed to the subject reservoirs.

IV.

DISTRIBUTION ANALYSIS

The Director's *Final Order* addresses how water is, and will be, distributed to the federal on-stream reservoirs in the Boise River System. The distribution of priority water to these

reservoirs occurs pursuant to water rights. These water rights were partially decreed in the SRBA as water right numbers 63-303, 63-3613, 63-3614, and 63-3618. They will be referred to herein as the "reservoir water rights." It is without doubt the Director is the appropriate individual to determine how water is to be distributed under the reservoir water rights. After all it is he who is statutorily vested with a clear legal duty to distribute water. I.C. § 42-602. Given this endowment of authority, the details of how the Director chooses to distribute water are largely left to his discretion. *Musser v. Higginson*, 125 Idaho 392, 395, 871 P.2d 809, 812 (1994). Such details will not be disturbed so long as they are reconcilable with prior appropriation and true to the elements of the subject water right(s). *Id.*; I.C. § 42-602.

The Court turns then to whether the Director's method of distributing water to the subject reservoirs is reconcilable with prior appropriation and the partial decrees issued for the reservoir water rights. As can be gleaned from the *Final Order*, the Director's distribution of water to the reservoirs is fairly complex. There are a number of reasons for this. The reservoir water rights are storage rights. Storage rights by their very nature involve complexities not associated with other categories of water rights, including the right to store water for future use. The nature of the dams also adds complexity. They are operated for purposes other than, and in addition to, the distribution of priority water to irrigators under the reservoir water rights. Most prominent is the federal government's operation of the dams for the purpose of flood control, a purpose which has not historically been reflected in our state's system of water rights.[4] As such, operation of the dams for purposes such as flood control may conflict with the reservoir water rights.

Given the circumstances, it is no surprise it is difficult to summarize the Director's findings in a brief sentence or two. Nevertheless, for purposes of judicial review the Court broadly summarizes his findings as they relate to the distribution of water to the subject reservoirs as follows:

1.) All natural flow entering the reservoir that is available in priority is accrued to the reservoir water right. R., pp.1266; 1294-1298.

2.) When the amount of natural flow that has entered the reservoir in priority equals the quantity element of the reservoir water right, the right is deemed satisfied. *Id.*

[4] What is meant by this is that historically the federal government has not claimed or acquired water rights under Idaho Code §§ 42-201, *et seq.*, and/or 42-1401, *et seq.*, to divert, store, or release water for flood control purposes.

3.) Natural flow that continues to enter the reservoir thereafter is identified as "unaccounted for storage" if it is excess water not needed to satisfy other water rights on the system. *Id.* at 1267; 1294-1298.

4.) Natural flow identified as "unaccounted for storage" may be stored in the reservoir and distributed to irrigators consistent with historic practices, but not pursuant to a water right. *Id.*

The Director's findings are of course more nuanced. However, it is these broader points which the Petitioners primarily challenge. In discussing those points, the Court will address the more nuanced findings of the Director where necessary. After reviewing the file, and for the reasons set forth below, the Court ultimately holds that the Director's *Final Order* is affirmed in part and set aside and remanded in part.

A. The Director's accrual to the reservoir water right of all natural flow entering the reservoir that is available in priority is affirmed.

i. The finding is reconcilable with the doctrine of prior appropriation.

The Director accrues to a reservoir water right all natural flow entering the reservoir that is available in priority. R., pp.1294-1298. The Director's finding is reconcilable with the prior appropriation doctrine. A long-standing tenant of that doctrine is the quantity element of a water right is measured at the point of diversion.[5] *See e.g.*, I.C. § 42-110; *Stickney v. Hanrahan*, 7 Idaho 424, 435, 63 P. 189, 192 (1900) ("[t]he necessity of measuring to each claimant, at the point of diversion from the natural stream, the waters appropriated and used by him, is apparent"). The Director's finding is consistent with this tenant. All three federal dams are on-stream dams. Each consists of a river-wide diversion structure that captures and regulates the entire flow of the river. The dams are themselves the structures into which water is diverted and stored under the reservoir water rights.[6] Therefore, once the Director distributes priority water to

[5] This tenant of Idaho's prior appropriation doctrine is truly long-standing. It has been codified in statute since 1899 (1899 Idaho Sess. Law p.380, § 32) and recognized by case law since 1900. *Stickney v. Hanrahan*, 7 Idaho 424, 435, 63 P. 189, 192 (1900).

[6] This is reflected in the partial decrees issued for the reservoir water rights which identify the dams as the authorized points of diversion under the rights. Ex. 2015; R., p.1289. The partial decrees do not identify the downstream points of diversion at which the irrigation organizations re-divert stored water released from the reservoir system. *Id.*

a dam it is consistent with the prior appropriation doctrine to accrue that water to the applicable reservoir water right.

Measuring water rights at the point of diversion is only natural given the relationship between water users under the doctrine of prior appropriation. Water users on a source are divided into senior and junior users in relation to one another. A junior user is entitled to water only when his water right is in priority. Idaho Const., Art XV, § 3; I.C. § 42-106. A junior's right is in priority when the water rights of all senior users have been, or are being, satisfied. *Id.* Until that time, a junior user must let water pass his point of diversion so that it may be distributed to satisfy senior rights. *Id.* Once the junior has let enough water pass to so satisfy senior rights, and the Director has distributed that water to the points of diversion authorized under those rights, the junior's water right comes into priority and he is entitled to exercise it. But what if a senior complains that he did not use the priority water distributed to him to accomplish the purpose of use authorized under his water right? The junior has already let enough water pass to satisfy the senior right. Must his right go out of priority again? Must he let more water pass to satisfy the senior? No. The doctrine of prior appropriation does not contemplate this result.

Under the doctrine of prior appropriation, the distribution of water under a water right is not measured at the place of use or by how much water is actually used to satisfy a purpose of use. *See e.g., Glenn Dale Ranches, Inc. v. Shaub*, 94 Idaho 585, 588, 494 P.2d 1029, 1032 (1972)("waters appropriated will be measured for their sufficiency from the point of diversion, not at the place of use"). It is measured at the point of diversion. *Id.* Measuring water rights at the point of diversion is necessary from a distribution standpoint because once water is distributed by the Director to an authorized point of diversion he generally lacks control over what happens to it thereafter. It is, at that point, under the control of the appropriator. And, it is the appropriator who is tasked with applying it to beneficial use. That such is the case with respect to dams has been recognized. *Washington County Irr. Dist. v. Talboy*, 55 Idaho 382, 389, 43 P.2d 943, 945 (1935) (water distributed to a dam becomes "the property of the appropriators and owners of the reservoir, impressed with the public trust to apply it to a beneficial use"). If a water user does not carry out this task, it does not change the fact that the Director distributed priority water to his authorized point of diversion. Nor does it change the

fact that junior users were required to forgo that water so that it may be distributed to him in priority.

Additionally, when a junior's water right comes into priority he is protected against further interference from senior rights under the doctrine of prior appropriation:

> The junior appropriator . . . is entitled to protection not only against those whose rights are subsequent to his, but also against wrongful acts on the part of earlier appropriators. That is to say, while an appropriator *may divert* the quantity of water to which he is entitled, when he has once done so he may not so impede the flow of the remaining stream as to prevent it from reaching the junior appropriator's headgate.

Wells A. Hutchins, *The Idaho Law of Water Rights*, 5 Idaho L. Rev. 1, 50 (1968) (emphasis added). Therefore, in the scenario proposed above, the doctrine of prior appropriation does not require the junior to let more water pass to the complaining senior.

In this case, it is the federal government that operates the subject dams. While the Director distributes priority water to the dams pursuant to the reservoir water rights, it is the federal government that decides how to store and release that water. It may release the water to irrigators consistent with the reservoir water rights. Or, as is shown in the record, it may release the water for a myriad of other purposes such as flood control. What the federal government chooses to do does not change the fact that the Director distributed the water in priority and to the point of diversion authorized under the reservoir water right. Nor does it change the fact that juniors were required to forgo that water so that is may be so distributed. As a result, the Director's decision to accrue that water to the reservoir water rights is reconcilable with the prior appropriation doctrine and must be affirmed.

ii. The finding is consistent with the partial decrees.

Accruing water to the reservoir water rights in this fashion is also consistent with the plain language of the partial decrees issued for those rights. The amount of water that may be diverted under each reservoir water right is plainly stated in the partial decrees in terms of annual volume. Ex. 2015. For example, the quantity element of the partial decree for water right number 63-3614 permits the diversion of 493,161 acre-feet annually at Anderson Ranch Dam. *Id.* Unlike many other surface water rights, the reservoir water rights do not contain any corresponding flow limitations. Flow limitations are typically expressed in terms of cubic feet

per second, and limit a user in the amount of total available river flow he may divert at a given time.[7] The reservoir water rights lack flow limitations. They therefore divert the entire flow of the river that is available in priority at any given time.

In addition to lacking flow limitations, the reservoir water rights lack period of use limitations on storage. The partial decrees unambiguously provide for year-round use. Ex. 2015. That is, the reservoir water rights divert water to storage any day of the year that they are in priority up until the time they are satisfied. Since the partial decrees provide for year-round use, and contain no flow limitations, the Director's accrual of all natural flow entering the reservoirs in priority to the reservoir water rights is consistent with the partial decrees and must be affirmed.

iii. The Petitioners' challenges to the finding are inconsistent with the prior appropriation doctrine and the plain language of the partial decrees.

The Petitioners challenge the Director's accrual method. The thrust of their challenge is that the Director should not accrue against the reservoir water rights water that is distributed to the dams in priority but is released by the federal government for some purpose other than irrigation. This argument, at its core, is no different than arguing the reservoir water rights should be measured at the authorized place of use, or by how much water is actually used to satisfy the purpose of use, instead of at the point of diversion. Similar arguments have been rejected many times as contrary to Idaho's doctrine of prior appropriation. *See e.g., Glenn Dale Ranches, Inc.*, 94 Idaho at 588, 494 P.2d at 1032 (1972); *Stickney v. Hanrahan*, 7 Idaho 424, 435, 63 P. 189, 192 (1900); *Bennett v. Nourse*, 22 Idaho 249, 125 P. 1038 (1912); *Special Master Report and Recommendation*, SRBA Subcase Nos., 72-16778, *et al*, (Jan. 13 2010).

The Petitioners' argument is problematic because the Director has no way of knowing whether water he distributes to the dams will ultimately be released to irrigators, or whether it will be released for some other purpose (i.e. flood control, dam maintenance, endanger species etc.). This determination is made by the federal government and is out of the Director's control. Sure the Director may learn where the water went well after the fact. But that is not meaningful to the Director in light of his statutory duty to distribute water in real time – a duty which he

[7] For example, a water right that contains a 7 cubic feet per second flow limitation limits the user to the diversion of 7 cubic feet per second from the source at any given time even if more flow, say 10 cubic feet per second, is available.

undertakes on a day-to-day and week-to-week basis. It also does not change the fact that juniors were required to forgo that water so that it may be distributed to the dams in priority.

It can be tempting to reason that if stored water is not released to irrigators because it is released for some other purpose it should not be accrued against the reservoir water rights. However, aside from being contrary to the prior appropriation doctrine and decrees, this would cripple the Director's ability to effectively distribute water under our system of water rights administration. For example, let's say the Director has distributed the full amount of priority water called for under the reservoir water rights to the dams. If he cannot accrue that water to the reservoir water rights when he distributes it, then when can he? It may be months before he knows whether that water is released to the irrigators or released for some other purposes.[8] How is the Director to distribute and administer to other water rights on the system in the interim if he does not know whether the reservoir water rights are, or are not, satisfied? Effectively, he cannot, and the system of priority water right distribution breaks down.

The argument that only water released to the irrigators should be accrued to the reservoir water rights is problematic for another reason. It would effectively transfer water right distribution in the basin from the Director to the federal government. If the Director cannot accrue water to the reservoir water rights at the time of priority distribution, then it is wholly up to the federal government to determine when those rights will be satisfied. Only the federal government has the authority to operate the dams. Only it knows when it will release water to the irrigators and when enough has been released to satisfy the reservoir water rights. The Director would be unable to deem the reservoir water rights satisfied and/or distribute water to junior users until the federal government says he can. Such a result is contrary to law. The Legislature has given the Director, not the federal government, the authority to distribute water in this state. I.C. § 42-602. The Idaho Supreme Court has likewise made clear that "federal law defers to state law in determining the rights to water in the reclamation projects," and that "the [Reclamation] Act clearly provided that state water law would control in the appropriation *and*

[8] It must be noted that in some years all of the priority water distributed to the reservoirs will be released to the irrigators. This is because flood releases are not necessary every year. In other years, some, but not all, of the priority water distributed to the reservoirs will be released for flood control.

later distribution of the water." *U.S. v. Pioneer Irr. Dist.*, 144 Idaho 106, 110, 157 P.3d 600, 604 (2007) (emphasis added).[9]

Many of the Petitioners' additional arguments rely upon documents other than the partial decrees issued for the reservoir water rights. These include:

1) Memorandum of Agreement Between the Department of the Army and the Department of the Interior for Flood Control Operation of Boise River Reservoirs, Idaho, dated November 20, 1953. Ex. 2038.

2) Contract Between Nampa & Meridian Irrigation District and The United States of America, dated June 17, 1954. Ex. 2100.

3) Corps of Engineers U.S. Army Reservoir Regulation Manual for Boise River Reservoirs, dated August 1956. Ex. 2104

4) Water Control Manual for Boise River Reservoirs, Boise River, Idaho, dated April 1985. Ex. 2156.

5) Memorandum of Understanding for Confirmation, Ratification, and Adoption of Water Control Manual Boise River Reservoirs, Boise River, Idaho, dated 1985. Ex. 2157.

The Petitioners' assertion that the Court should rely upon these documents to upset the Director's *Final Order* is untenable.

The cited documents consist of various private agreements between federal agencies and/or water users concerning, among other things, how the Boise reservoirs will be operated and regulated for flood control. The Director does not distribute water pursuant to these private agreements. Neither the Department nor the State is a party to the agreements. To the contrary, the Director distributes water pursuant to the partial decrees issued for the reservoir water rights. Under the law, it is those decrees that are "conclusive as to the nature and extent" of the use. I.C. § 42-1420(1). As set forth above, the partial decrees are plain and unambiguous. There is no reason to resort to extraneous documents to interpret how water is distributed under the decrees.

[9] Although this issue arose in the context of federally operated reservoirs the same principle applies to on-stream reservoirs not operated by the federal government. Allowing a senior storage right holder to determine when to store water when the storage right is otherwise in priority effectively turns over distribution control from the Director to the senior storage right holder. A senior storage right holder with a year round storage right would have the flexibility to "pick and choose" when to physically store the water despite being in priority. Such flexibility would occur to the detriment of juniors on the system who would be precluded from exercising their rights while the senior is in priority, whether or not the senior is actually storing the water. The Court is not implying that an on-stream reservoir should be operated void of flood control measures. Rather, issues regarding the apparent conflict between the administration of a storage right in light of flood control measures need to be raised and addressed when the storage right is being adjudicated.

See e.g., Sky Cannon Properties, LLC v. The Golf Club at Black Rock, LLC, 155 Idaho 604, 606, 315 P.3d 792, 794 (2013) (stating that if a decree's terms are unambiguous, the decree's meaning and legal effect are to be determined from the plain meaning of its own words). Therefore, the documents will not be considered.

Moreover, the Idaho Supreme Court has directed that if a party to the SRBA disagrees with how its water rights were ultimately decreed, "it had an opportunity and responsibility to voice its concerns in the appropriate form – the SRBA." *Rangen Inc. v. IDWR*, 159 Idaho 798, 806, 367 P.3d 193, 201 (2016). A review of the partial decrees issued for the reservoir rights reveals no mention, reference to, or incorporation of the documents cited to by the Petitioners. If the Petitioners believed that these documents, or portions thereof, were required to define the nature or extent of the reservoir water rights or were necessary for administration of those rights, they were required to raise that issue in the SRBA.[10] *Id.* They did not, and are precluded from raising the issue for the first time in a proceeding outside the SRBA. *Id.*

B. The Director's determination that the reservoir water rights are satisfied when the amount of natural flow that has entered the reservoir in priority equals the quantity element of the right is affirmed.

The Director's method of distribution deems the reservoir water rights satisfied when the amount of natural flow that has entered the reservoir in priority equals the quantity element of the right. R., pp.1266; 1294-1298. The legal analysis applicable to this finding is largely the same as that set forth in the preceding section. The Court will not duplicate it here. It states only that the finding is reconcilable with the requirement that water rights be measured at the point of diversion. It is also reconcilable with the correlative relationship of senior and junior users under a prior appropriation system. It is further consistent with the elements of the partial decrees issued for reservoir water rights. Those decrees contain no flow limitations or period of use limitations in regard to storage. Therefore, when the rights are in priority they divert the entire flow of the river that is available in priority. Once that flow equals the quantity element of the

[10] Had such issues been raised in the SRBA when the rights were being adjudicated and had any administrative provisions been memorialized in the partial decrees as a result, the Director would be obligated to give effect to such administrative provisions. *See Memorandum Decision and Order on Challenge*, Subcase Nos. 63-33732, 63-33733, 63-33734, 63-33737 and 63-33738, pp. 6-7, issued contemporaneously with this decision (examples of where claimants have sought administrative provisions in partial decrees to memorialize historical methods of administration).

reservoir water right, the Director's determination to deem the right satisfied is consistent with the partial decree. The Director's finding is therefore consistent with both the prior appropriation doctrine and the subject decrees. It must be affirmed.

C. The Director's determination that excess natural flow entering a reservoir after the reservoir water right is satisfied is to be identified as "unaccounted for storage" is set aside and remanded for further proceedings as necessary.

Under certain circumstances, the Director's method of distribution provides for the continued distribution of water to the reservoirs for storage even after the reservoir water rights have been satisfied. R., pp.1294-1298. The *Final Order* identifies water so distributed as "unaccounted for storage." *Id.* Water identified as unaccounted for storage is distributed to spaceholders for irrigation in years where flood control releases occur.[11] In those years, the Director may distribute excess water (i.e., water not required by any water right on the system) to the dams following flood releases to be stored and ultimately used by the irrigators. *Id.* However, under the Director's methodology neither the diversion nor use of water identified as unaccounted for storage occurs pursuant to a water right. *Id.*

The Court finds the Director's finding in this respect to be contrary to law. The prior appropriation doctrine requires that water be diverted and used pursuant to a water right. Idaho Code § 42-201(2) specifically directs that "[n]o person shall divert any water from a natural watercourse or apply water to land without having obtained a valid water right to do so . . . ." This language is plain and unambiguous. The Legislature has identified some limited exceptions to the water right requirement, however unaccounted for storage is not one of them. I.C. § 42-201(3). Rather than address the statute, the Director relies upon case law to justify his position. R., p.1296. He cites the Idaho Supreme Court's decision in *State v. Idaho Conservation League*, 131 Idaho 329, 955 P.2d 1108 (1998) and the SRBA District Court's *Memorandum Decision and Order on Challenge* issued in SRBA subcase numbers 74-15051, *et al.*, on January 3, 2012. The Director's reliance on these cases is misplaced. *Id.*

[11] Flood control releases do not occur every year. The three federal on-stream reservoirs have an active storage capacity of 949,700 acre-feet. R., p.1238. It is undisputed that the average annual flow of the Boise River exceeds 949,700 acre-feet. Ex.2182, p.2. In an average or above-average water supply year, flood control releases will occur. However, in below average water supply years it is possible to store the entire flow of the Boise River. In those years no flood releases occur.

The cases cited by the Director do not address Idaho Code § 42-201(2) and are otherwise factually distinguishable. They concerned the Reynolds Creek Basin and Lemhi River Basin respectively. Both basins were the subject of general adjudications prior to the SRBA. The final decrees entered in those adjudications contained general provisions memorializing the use of excess water by certain users without a water right based on historic practices. Importantly, the general provisions were not the result of rulings on the merits. The decrees were consent decrees, entered pursuant to and consistent with the stipulation of the parties to those adjudications. As a result, the respective adjudication courts did not address Idaho Code § 42-201(2). Nor did they address whether the historic use of excess flows could have resulted in vested water rights under the constitutional method of appropriation had such rights been claimed by users in the respective adjudications.

In the SRBA, the SRBA District Court memorialized the diversion and use of excess water without a water right on only one occasion. It entered a general provision authorizing such use in the Lemhi River Basin. *Partial Decree for General Provisions in Basin 74*, Twin Falls County Case No. 39576 (April 3, 2012), p.2. Critically, the SRBA District Court did not address the merits of whether such diversion and use could be reconciled with Idaho Code § 42-201(2). *Memorandum Decision and Order on Challenge*, SRBA subcase nos. 74-15051, *et al.* (Jan. 3, 2012). It did not need to reach that issue, as the doctrine of *res judicata* required it to adopt the general provision previously entered by the prior adjudication court in the Lemhi Adjudication. *Id.* at 21-22. Nor did the SRBA District Court address whether individuals in the Lemhi Adjudication could have claimed water rights in that adjudication for the excess flow based on the constitutional method of appropriation. Therefore, the cases cited to by the Director do not support the position that use of water identified as unaccounted for storage without a water right can be reconciled with Idaho Code § 42-201(2). It follows that the Director's finding must be set aside and remanded as contrary to Idaho Code § 42-201(2), and as prejudicial to the Petitioners' substantial rights.[12]

In light of the foregoing analysis, there is a deeper legal question that needs to be explored. The Director's findings in this case acknowledge a "longstanding" and "historic"

[12] As will be explained further below, the substantial rights that are prejudiced are the water right claims associated with the dams that have been claimed by the United States and other water users in the SRBA based on beneficial use in SRBA Subcase Nos. 63-33732, 63-33733, 63-33734, 63-33737, and 63-33738. *Cf.*, IDAPA 37.03.08.035.02.d. (providing "[a]n applicant's interest in an application for permit to appropriate water is personal property").

practice of the diversion of excess water into the dams for use by the irrigators following flood releases in flood control years. R., pp.1296, 1298, 1305. If this use has historically occurred, which it seems obvious it has, why hasn't a water right for that use vested in the United States and irrigators? This question is addressed in the next section.

D. The Director's determination that water identified as "unaccounted for storage" may be used by irrigators consistent with historic practices, but not pursuant to a water right is set aside and remanded for further proceedings as necessary.

Until 1971, an individual could appropriate surface water in Idaho under the constitutional method of appropriation. *Joyce Livestock Co. v. U.S.*, 144 Idaho 1, 7, 156 P.3d 502, 508 (2007). Under that method, an appropriation of water is completed, and a water right vests in the appropriator, upon the diversion and application of water to beneficial use. *Id.* at 8, 156 P.3d at 509. The Director has explicitly found that irrigators have historically diverted, stored and used water identified as unaccounted for storage for irrigation following flood releases in flood control years. R., pp.1263; 1267-68; 1296; 1298. He acknowledges this use has occurred pursuant to "long-standing" practice, and even condones the continued practice of diverting, storing, and using such water consistent with how it has been done historically. *Id.* According to the *Final Order*, in flood control years Arrowrock and Anderson Ranch Reservoir spaceholders have always received their full storage allocations for irrigation and in only one year (i.e,. 1989) have spaceholders in Lucky Peak not received their full storage allocations. *Id.* at 1263; 1268. Yet, he does not recognize the appropriation of that water. He identifies the water as unaccounted for storage, which is just an alternative way of identifying the water as unappropriated water. As such, he does not recognize that the United States and/or the irrigators have a valid legal right to, or vested property interest in, water identified as unaccounted for storage.

The Director's finding in this respect cannot be reconciled with the prior appropriation doctrine. All three of the subject dams were completed well before 1971. The record establishes that flood control years and resulting flood control releases occurred many times before 1971, and that in all of those years, water identified by the Director as unaccounted for storage was diverted, stored and ultimately used by the irrigators for irrigation. *See e.g.*, Water District 63 Black Book for 1985; R.,pp.1263; 1268. Under the constitutional method, the diversion and use

of such water is all that is necessary to complete the appropriation and obtain a vested water right. *Joyce Livestock Co.*, 144 Idaho at 7, 156 P.3d at 508. In fact, a water user need not have even intended or understood that the diversion and use of the water would ultimately be recognized under law as creating a valid water right. *Id.* at 11, 156 P.3d at 512.

The Court agrees with the Director that the use of unaccounted for storage does not occur under the reservoir water rights for the reasons set forth above. But it disagrees that the use has not accrued to the United States and/or the irrigators a vested water right in that water. Simply stated, if unaccounted for storage water has been historically and continuously diverted, stored and used by the irrigators for irrigation dating back before 1971, as the Director expressly recognizes, then the United States and irrigators have acquired a vested constitutional method water right in that water under Idaho law. Indeed, the United States and various water users have claimed beneficial use water rights in the SRBA for that water identified by the Director as unaccounted for storage. *See* SRBA Subcase Nos. 63-33732, 63-33733, 63-33734, 63-33737 and 63-33738. The United States and water users have substantial rights in their water right claims. *Cf.*, IDAPA 37.03.08.035.02.d. (providing "[a]n applicant's interest in an application for permit to appropriate water is personal property"). These rights are prejudiced by the Director's determination that they have not acquired water rights, via their diversion of use, in water he identifies as unaccounted for storage. Therefore, the Director's determination that the United States and irrigators have not acquired a vested water right in water identified by him as unaccounted for storage is reversed and remanded for further proceedings.

V.
PROCEDURAL ANALYSIS

A. The Director's initiation of the contested case is affirmed.

The underlying contested case was initiated by the Director. R., p.2. The Petitioners assert he lacked the authority to initiate the contested case upon his own volition. This Court disagrees. The Director has a clear legal duty to distribute water in accordance with the prior appropriation doctrine. I.C. § 42-602. The details of his performance of this duty are left to his discretion. *Musser*, 125 Idaho at 395, 871 P.2d at 812. In this case, the Director recognized the existence of a controversy concerning how water is distributed to federal on-stream reservoirs in the Boise River System. R., p.2. The controversy became manifest in SRBA Basin-Wide Issue

17 but was left unresolved.[13] The controversy continues as evidenced by various communications and objections received by the Director. R., p.4. In light of this, the Director initiated the contested case via notice in furtherance of his duty to distribute and administer water. *Id.* at 2. It cannot be said that he exceeded the broad discretion granted him under Idaho Code 42-602 by proceeding in this fashion. It also cannot be said that he acted contrary to law, as the Department's Rules of Procedure expressly grant the Director authority to initiate formal proceedings such as a contested case via notice. IDAPA 37.01.01.104. Therefore, the Director's decision to initiate the contested case must be affirmed.

B. The Director's decision to preside over the contested case is affirmed.

The Petitioners challenge the Director's decision to preside over the contested case as violative of their due process rights. They assert that the Director exhibited preconceived notions on disputed issues and took public positions that prevented him from presiding in a fair and impartial manner. They rely primarily on a presentation given by Director to the Idaho Legislature's Natural Resources Interim Committee in 2014. That presentation, which was given in response to a request from the Committee, provided an overview of Basin-Wide Issue 17. R., p.909. The Director made certain statements during the presentation on flood control operations in federal reservoirs and the effects of those operations on spaceholders' entitlements to storage water. *Id.* at p.118; 909-911. These statements included the following:

> Contracts of spaceholders who are entitled to stored water in reservoirs operated for flood control can have their storage allotments reduced during years of releases from reservoirs to empty space for flood control. This is [a] requirement of the spaceholder's contracts and an inherent risk the spaceholders assume in relying on storage water from an on-stream reservoir that must be operated for flood control. Flood control comes first!

Id. at 118. The Petitioners assert that due process required the Director to disqualify himself from the contest given his public comments and preconceptions on how water is distributed to federal on-stream reservoirs.

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[13] The SRBA District Court declined to hear the issue on the basis that water distribution is within the province of the Director. *Memorandum Decision*, Twin Falls County Case No. 39576, Subcase No. 00-91017, pp.11-12 (March 20, 2013). This decision was affirmed by the Idaho Supreme Court. *In Re SRBA, Case No. 39576, Subcase 00-91017*, 157 Idaho 385, 394, 336 P.2d 792, 801 (2014) (holding which accounting method to employ is within the Director's discretion and the Idaho Administrative Procedures Act provides the procedures for challenging the chosen accounting method).

The restraints the Petitioners seek to impose on the Director exceed those required by law. Of course the Director will have some preconceived notions on how water is and should be distributed to federal on-stream reservoirs in the Boise River System. This is only natural given he is statutorily charged with distributing water to those reservoirs, a task he undertakes yearly. However, due process does not require a presiding officer have no preconceptions on a given issue. *Republican Party of Minn. v. White*, 536 U.S. 765, 777 (2002) (a presiding officer's "lack of predisposition regarding the relevant legal issues in a case has never been thought a necessary component of equal justice"). It likewise does not preclude a presiding officer from taking a public position on policy issues related to a dispute. *Marcia T. Turner, LLC v. City of Twin Falls*, 144 Idaho 203, 209, 159 P.3d 840, 846 (2007) ("a decision maker is not disqualified simply because he has taken a position, even in public, on a policy issue related to the dispute. . . .").

What is required is that the Director provide the Petitioners with "an impartial and disinterested tribunal." *In re Idaho Dept. of Water Res. Amended Final Order Creating Water Dist. Co. 170*, 148 Idaho 200, 208, 220 P.3d 318, 326 (2009). An impartial and disinterested tribunal is one which "assures equal application of the law." *Republican Party of Minn.*, 536 U.S. at 775-776 (2002). That is, "it guarantees a party that the judge who hears his case will apply the law to him in the same way he applies to any other party." *Id.* at 776. An example from the Supreme Court is illustrative of this concept of impartiality:

> To be sure, when a case arises that turns on a legal issue on which the judge (as a candidate) had taken a particular stand, the party taking the opposite stand is likely to lose. But not because of any bias against that party, or favoritism toward the other party. *Any* party taking that position is just as likely to lose. The judge is applying the law (as he sees it) evenhandedly.

Id. (emphasis in original).

The Court finds the Petitioners were provided with an impartial and disinterested tribunal. They were given notice of the contested case and had ample opportunity to present evidence and be heard on their arguments. The Director's *Final Order* demonstrates that he properly, and more than adequately, considered those arguments. R., pp.1298-1308. The presentation on which the Petitioners focus to establish the Director's partiality is, quite frankly, rather innocuous. There are no pledges, promises, or definitive statements of law contained therein. *Id.* at 114-131. Nothing is said in specific relation to the Boise River System. *Id.* It is

merely a broad overview of the issues raised in Basin-Wide Issue 17 and of some of the concerns that surround the distribution of water to federal on-stream reservoirs. More importantly, there is no evidence that the Director is or was biased against the Petitioners or their counsel personally. There is certainly no evidence that the Director had a personal stake in the contest that could bias the outcome or result in a conflict of interest. The Court therefore finds that the Director was capable of judging the contest fairly, and that he provided the Petitioners with an impartial and disinterested tribunal.

The Petitioners additionally challenge the Director's decision to preside as violative of Idaho Code § 67-5252. That statute gives parties the right to disqualify a presiding officer under certain circumstances. The Ditch Companies moved to disqualify the Director and any other Department employee from presiding over the contested case. R., p.100. The Director acted in accordance with law in denying the *Motion*. *Id.* at 132. The disqualification request would have resulted in an inability to decide the contested case in violation of Idaho Code § 67-5252(4). The individual statutorily charged with distributing water is the Director. I.C. § 42-602. Delegating this responsibility to an individual outside of the Department, while disqualifying himself from participating in the matter, would be an improper abdication of his duty. It would also result in the inability to decide the contest, as the delegate would not be vested with the statutory authority to distribute water. The Director was the appropriate individual to preside over the contested case. His decision to preside is affirmed.

C. The Director's denial of the Petitioners' motion to dismiss and to initiate rulemaking is affirmed.

Certain of the Petitioners moved the Director to dismiss the contested case and initiate rulemaking in its stead. R., p.208. The Director correctly denied the request. *Id.* at 334. The issues before the Director involved matters of particular applicability. Namely, the distribution of water to three federal on-stream reservoirs on the Boise River System pursuant to four specific water rights. Matters of such particularity do not conform to the statutorily definition of "rule," which applies to agency statements of "general applicability." I.C. § 5201(19). That such is the case is evidenced by application of the six characteristics of a "rule" delineated in *Asarco Inc. v. State*, 138 Idaho 719, 69 P.3d 139 (2003). Those characteristics looks to whether an agency action has (1) wide coverage, (2) applies generally and uniformly, (3) operates only in future

case, (4) prescribes a legal standard or directive not otherwise provided by the enabling statute, (5) expresses agency policy not previously express, and (6) is an interpretation of law or general policy. *Id.* at 723, 69 P.3d at 143.

This matter lacks wide coverage. At its heart it addresses how water is to be distributed pursuant to *Partial Decrees* issued for water right numbers 63-303, 63-3613, 63-3614 and 63-3618. As such it is a matter of particular applicability, not general. Nor is the Director's *Final Order* applied generally and uniformly. While it arguably may have potential precedential value, the *Final Order* itself addresses, and is applied to, four specific water rights. It is therefore applied particularly, not generally. The *Final Order* also does not prescribe a legal standard or directive not otherwise provided the enabling statute. The Director is statutorily authorized to distribute water. The quantitative information he needs to distribute water to the federal on-stream reservoirs in the Boise River Basin is not prescribed by him. It is judicially provided to him in the form of the *Partial Decrees* issued by the SRBA District Court for water right numbers 63-303, 63-3613, 63-3614 and 63-3618. It is arguable, but irrelevant, whether the other *Asarco Inc.* characteristics are met. The six characteristics are listed in the conjunctive, so the lack of one seals the deal. Since issues before the Director involved matters of particular applicability, his decision to decline rulemaking accords with law and must be affirmed.

D. The remainder or the Petitioners' procedural arguments are unavailing.

The Petitioners assert the Director improperly consulted Department staff outside of the hearing concerning testimony provided by Lee Sisco, former water master for water district 63. They assert this conduct violated their due process rights, and that the *Final Order* must be set aside. The record reflects that during a break in the testimony of Mr. Sisco, the Director sought Tim Luke, a Department employee who oversees the watermasters for the Department. Tr., pp.942-944. However, the Director did not find or talk to Mr. Luke. *Id.* at 943. Therefore there is no prejudice or harm to the Petitioners. The Director did have a discussion outside of the hearing with Elizabeth Cresto, a Department employee who oversees the water district 63 records for the Department. *Id.* at 1585-1588. However, the topic of this discussion was revealed and put on the record, and the Petitioners had the opportunity to cross examine Mrs. Cresto regarding that discussion. *Id.* at 1588-1591. Therefore there is no prejudice or harm to the Petitioners, and their due process argument is unavailing.

The Petitioners assert that Garrick Baxter, counsel for the Department in this matter, acted in violation of IDAPA 04.11.01.423.02.a. This Court disagrees. That rule provides in part that "no agency attorney involved in the investigation or prosecution of a complaint shall discuss the substance of the complaint ex parte with the agency head . . . ." IDAPA 04.11.01.423.02.a. A complaint is defined as "[a]ll pleadings charging other person(s) with acts or omissions under law administered by the agency." IDAPA 04.11.01.240.01. The proceeding before the Director did not involve the "investigation or prosecution of a complaint."[14] Therefore, the rule is inapplicable and the Petitioners' argument in unavailing.

The Petitioners assert the Director improperly took notice of certain materials. Idaho Code § 67-5251(4) provides that the presiding officer may take official notice of certain materials. When such notice is taken, "[p]arties shall be notified of the specific facts *or* materials noticed and the source thereof. . .," and that notice should be "provided either before or during the hearing." I.C. § 67-5251(4) (emphasis added). The record in this case establishes that the Director provided the parties with notice of the materials he took official notice of, as well as the sources of the materials prior to the hearing. R., pp.885-890, 959-964, 697-701. The Court finds that the Director complied with the statute and that the Petitioners' argument is unavailing.

VI.
ATTORNEY FEES

The Ditch Companies, Boise Project Board of Control and Suez Water Idaho, Inc. seek an award of attorney fees under Idaho Code § 12-117. The decision to grant or deny a request for attorney fees under Idaho Code § 12-117 is left to the sound discretion of the court. *City of Osburn v. Randel*, 152 Idaho 906, 908, 277 P.3d 353, 355 (2012). In this case, none of the parties requesting fees have prevailed in full. As such, they are not prevailing parties entitled to an award of fees under the statute. *Syringa Networks LLC v. Idaho Dept. of Administration*, 155 Idaho 55, 67-68, 305 P.3d 499, 511-512 (2013). Further, attorney fees under Idaho Code § 12-117 will not be awarded against a party that presents a "legitimate question for this Court to address." *Kepler-Fleenor v. Fremont County*, 152 Idaho 207, 213, 268 P.3d 1159, 1165 (2012). In this case, the Court holds that the Petitioners and the Respondents have presented legitimate

[14] There is no pleading filed in this case charging an individual with acts or omissions under law. The case was initiated by the Director via *Notice*, which the Director has the express authority to do for reasons set forth above under IDAPA 37.01.01.104 and Idaho Code § 42-602.

questions for this Court to address. The issues presented in this case are largely issues of first impression. In light of that, the Court does not find the either the Petitioners' argument or the Respondents' arguments to be frivolous or unreasonable. Therefore, the Court in an exercise of its discretion denies the requests for attorney fees.

VII.

ORDER

Therefore, based on the foregoing, IT IS ORDERED that the Director's *Amended Final Order* issued on October 20, 2015 **is hereby affirmed in part and set aside and remanded in part.**

Dated September 1, 2016

ERIC J. WILDMAN
District Judge

CERTIFICATE OF MAILING

I certify that a true and correct copy of the MEMORANDUM DECISION AND ORDER was mailed on September 01, 2016, with sufficient first-class postage to the following:

ALBERT P BARKER
1010 W JEFFERSON ST STE 102
PO BOX 2139
BOISE, ID 83701-2139
Phone: 208-336-0700

ANDREW J WALDERA
SAWTOOTH LAW OFFICES PLLC
1101 W RIVER ST STE 110
PO BOX 7985
BOISE, ID 83707
Phone: 208-629-7447

CHARLES F MC DEVITT
PO BOX 1543
BOISE, ID 83701-1543
Phone: 208-412-5250

DANIEL V STEENSON
SAWTOOTH LAW OFFICES PLLC
1101 W RIVER ST STE 110
PO BOX 7985
BOISE, ID 83707
Phone: 208-629-7447

GARRICK L BAXTER
DEPUTY ATTORNEY GENERAL
STATE OF IDAHO - IDWR
PO BOX 83720
BOISE, ID 83720-0098
Phone: 208-287-4800

MICHAEL P LAWRENCE
601 W BANNOCK ST
PO BOX 2720
BOISE, ID 83701-2720
Phone: 208-388-1200

S. BRYCE FARRIS
SAWTOOTH LAW OFFICES PLLC
1101 W RIVER ST STE 110
PO BOX 7985
BOISE, ID 83707
Phone: 208-629-7447

SHELLEY M DAVIS
1010 W JEFFERSON ST STE 102
PO BOX 2139
BOISE, ID 83701-2139
Phone: 208-336-0700

DIRECTOR OF IDWR
PO BOX 83720
BOISE, ID 83720-0098

Julie Murphy
Deputy Clerk

JUDGMENT

IN THE DISTRICT COURT OF THE FOURTH JUDICIAL DISTRICT OF THE STATE OF IDAHO, IN AND FOR THE COUNTY OF ADA

BALLENTYNE DITCH COMPANY; BOISE VALLEY IRRIGATION DITCH COMPANY; CANYON COUNTY WATER COMPANY; EUREKA WATER COMPANY; FARMERS' CO-OPERATIVE DITCH COMPANY; MIDDLETON MILL DITCH COMPANY; MIDDLETON IRRIGATION ASSOCIATION, INC.; NAMPA & MERIDIAN IRRIGATION DISTRICT; NEW DRY CREEK DITCH COMPANY; PIONEER DITCH COMPANY; PIONEER IRRIGATION DISTRICT; SETTLERS IRRIGATION DISTRICT; SOUTH BOISE WATER COMPANY; and THURMAN MILL DITCH COMPANY, Petitioners, vs. BOISE PROJECT BOARD OF CONTROL, and NEW YORK IRRIGATION DISTRICT, Petitioners, vs. THE IDAHO DEPARTMENT OF WATER RESOURCES and GARY SPACKMAN in his capacity as Director of the Idaho Department of Water Resources, Respondents, and SUEZ WATER IDAHO INC., Intervenor.	Case No. CV-WA-2015-21376 (Consolidated Ada County Case No. CV-WA-2015-21391) **JUDGMENT**

IN THE MATTER OF ACCOUNTING FOR DISTRIBUTION OF WATER TO THE FEDERAL ON-STREAM RESERVOIRS IN WATER DISTRICT 63

JUDGMENT IS ENTERED AS FOLLOWS:

The Director's *Amended Final Order* issued on October 20, 2015, is affirmed in part and set aside and remanded for further proceedings as necessary in part.

Dated September 1, 2016

ERIC J. WILDMAN
District Judge

CERTIFICATE OF MAILING

I certify that a true and correct copy of the JUDGMENT was mailed on September 01, 2016, with sufficient first-class postage to the following:

ALBERT P BARKER
1010 W JEFFERSON ST STE 102
PO BOX 2139
BOISE, ID 83701-2139
Phone: 208-336-0700

ANDREW J WALDERA
SAWTOOTH LAW OFFICES PLLC
1101 W RIVER ST STE 110
PO BOX 7985
BOISE, ID 83707
Phone: 208-629-7447

CHARLES F MC DEVITT
PO BOX 1543
BOISE, ID 83701-1543
Phone: 208-412-5250

DANIEL V STEENSON
SAWTOOTH LAW OFFICES PLLC
1101 W RIVER ST STE 110
PO BOX 7985
BOISE, ID 83707
Phone: 208-629-7447

GARRICK L BAXTER
DEPUTY ATTORNEY GENERAL
STATE OF IDAHO - IDWR
PO BOX 83720
BOISE, ID 83720-0098
Phone: 208-287-4800

MICHAEL P LAWRENCE
601 W BANNOCK ST
PO BOX 2720
BOISE, ID 83701-2720
Phone: 208-388-1200

S. BRYCE FARRIS
SAWTOOTH LAW OFFICES PLLC
1101 W RIVER ST STE 110
PO BOX 7985
BOISE, ID 83707
Phone: 208-629-7447

SHELLEY M DAVIS
1010 W JEFFERSON ST STE 102
PO BOX 2139
BOISE, ID 83701-2139
Phone: 208-336-0700

DIRECTOR OF IDWR
PO BOX 83720
BOISE, ID 83720-0098

Julie Murphy
Deputy Clerk