

July 16, 2012

Clark Fork Coalition
PO Box 7593
Missoula, MT 59807

Ward Irrigation District
220 Camas Creek Loop
Hamilton, MT 59840

LETTER OF INTENT

Lost Horse Creek Siphon Project and Diversion Reduction

This letter of intent is executed by Clark Fork Coalition (the "Coalition") and Ward Irrigation District ("the District") (collectively referred to herein as the "Parties"). The Parties are working together to fund and implement an irrigation efficiency project. It is the intent of the Parties to execute this letter to memorialize their intention to jointly pursue the Project (as defined below). In furtherance of the Project, the Parties intend to conduct the following activities:

- (1) Grant Funding. Proceed with jointly applying for grant funds to pay for 100% of the up-front capital investment in a siphon underneath Lost Horse Creek (the "Project"). The purpose of the Project is to eliminate the need for the District to dam Lost Horse Creek for conveying their Bitterroot River irrigation water into their canal system. The project will also allow Ward to reduce their diversion of Lost Horse Creek during times when flows are 10 cubic feet per second or less. The parties intend to have the Clark Fork Coalition prepare and submit grant applications to pay for this system improvement.
- (2) Diversion Reduction Agreement. If grant funds are secured for the Project and the Project proves to be technically feasible, the Parties will enter into a superseding diversion reduction agreement to dedicate the irrigation water savings from the Project to instream flow in Lost Horse Creek that includes the general elements described in this Letter of Intent and any additional elements negotiated between the Parties. As part of this superseding agreement, the District will agree to reduce their diversion from Lost Horse Creek in order to provide a minimum flow of 10 cubic feet per second in the creek below their diversion. This diversion reduction agreement will not be a formal change or lease of the water rights through the Montana Department of Natural Resources and Conservation (DNRC), but instead a private agreement between the District and the Coalition (or others) to maintain a minimum flow. This agreement will be in place for the useful life of the siphon project. In the event that the siphon fails or during other emergency circumstances, the District would be able to resume their full use of Lost Horse Creek.
- (4) Cooperation with the Clark Fork Coalition. Coordinate and provide access to representatives from the Coalition for the purposes of applying for grant funds, conducting field visits to document and measure water use, drafting agreements and monitoring instream flow.


(5) Timeline. The activities in paragraphs 1 through 4 above are anticipated to occur according to the following timeline:

Activity:	<u>Summer – Fall 2012</u>	<u>Winter 2013</u>	<u>Spring 2013</u>	<u>Summer 2013</u>	<u>Fall 2013-Winter 2014</u>
Funding:	Apply for any addl. grants	Receive Grants	Enter into formal grant agreement		Close out grant(s)
Siphon Construction:		Proceed to final design	Solicit bids and select contractor	Purchase materials	Construct Siphon
Diversion Reduction Agreement:	Sign Letter of Intent	Draft Agreement	Sign Agreement		
Monitoring:	Pre-Project Flow Monitoring			Pre-Project Flow Monitoring	Flow Monitoring/ Reporting

The Parties understand that the timeline above is a best estimate of the process. The main variable in this timeline is the approval of grant funds.

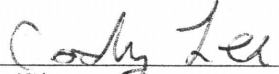
(6) Termination. The Parties may elect to terminate their participation under this Letter of Intent in writing if unforeseen complications arise, such as unfavorable water rights interpretations by DNRC or the siphon becomes technically infeasible.

[Signatures]

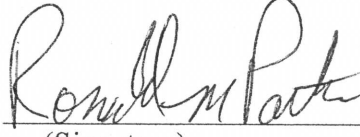
 Date 7/23/12
 Karen Knudsen, Executive Director
 Clark Fork Coalition
 140 S 4th Street West, Unit 1
 PO Box 7593
 Missoula, MT 59807

Ward Irrigation District Board of Directors (on behalf of the water users)
 220 Camas Creek Loop
 Hamilton, MT 59840

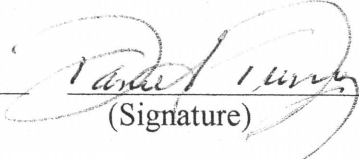
CODY LEE
 Board Member Name (Printed)

 Date 7/17/2012
 (Signature)

RONALD PORTER
 Board Member Name (Printed)

 Date 7/17/12
 (Signature)

DANIEL DUNAGAN
 Board Member Name (Printed)

 Date 7-17-2012
 (Signature)



**Montana Fish,
Wildlife & Parks**

5/9/12

Molly Skorpik
Morrison-Maierle, Inc
3011 Palmer Street
Missoula, MT 59808

Dear Molly:

I am familiar with the situation on Lost Horse Creek, where the Ward Irrigation District builds a cobble/gravel dike across the streamchannel to convey ditch water across the creek to their headgate.

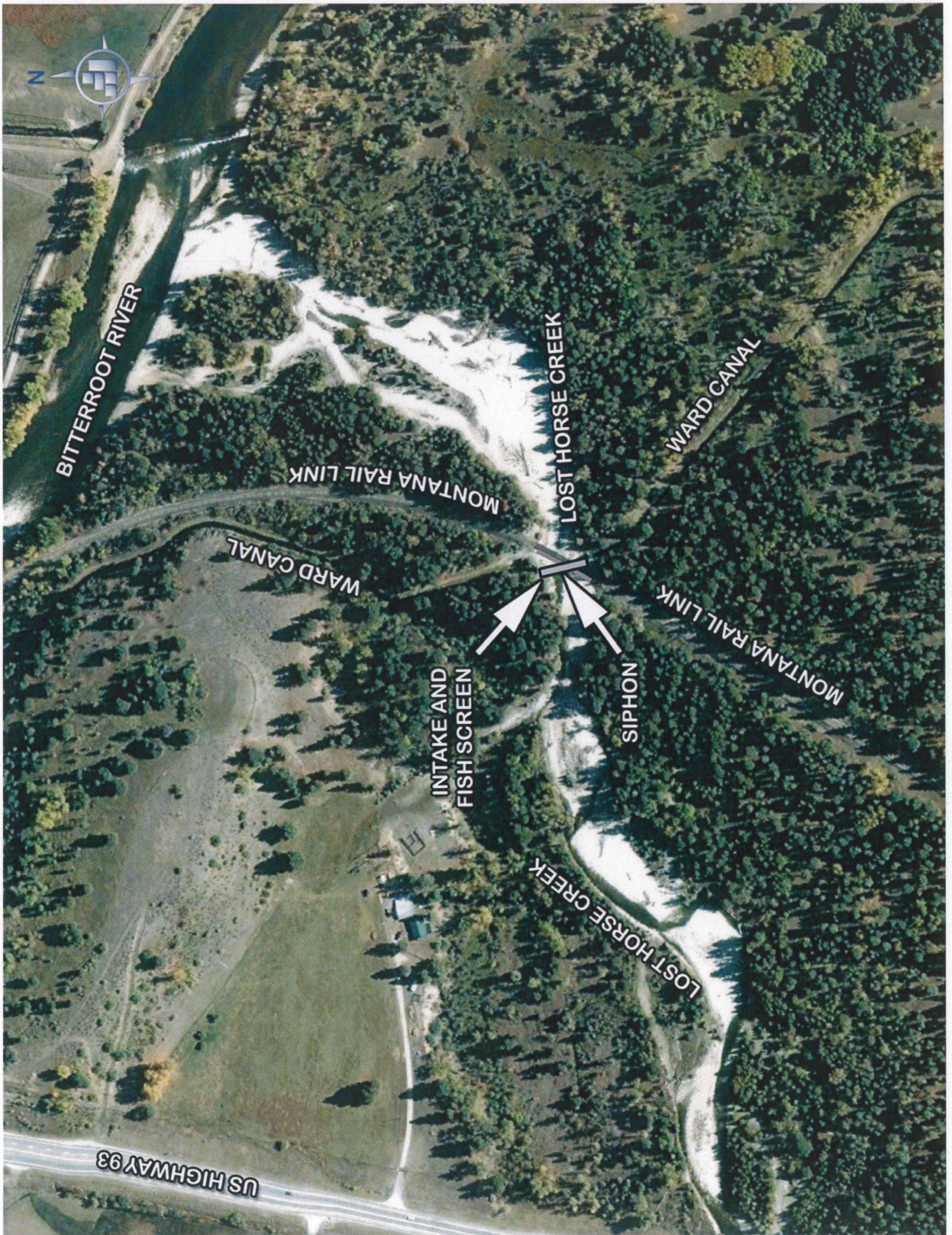
The construction of the dike and subsequent blockage of the channel during midsummer and early fall is likely a fish barrier and also diverts fish from Lost Horse Creek into the ditch. I support the project to siphon the ditch water under Lost Horse Creek. Additionally, if commitments were made to replace some of the late summer water diverted out of Lost Horse Creek with river water once this project is completed, the benefits to the fishery would likely be greater. Leaving more water in Lost Horse Creek would benefit the migratory and resident fish in the creek.

If you have any questions please contact me at (406) 363-7169.

Sincerely,

Chris Clancy

Chris Clancy
Fisheries Biologist



BITTERROOT RIVER

MONTANA RAIL LINK

LOST HORSE CREEK

WARD CANAL

WARD CANAL

MONTANA RAIL LINK

INTAKE AND
FISH SCREEN

SIPHON

LOST HORSE CREEK

US HIGHWAY 93

Lost Horse Creek Pre-Project Photos

Photo: Upstream of the Diversion

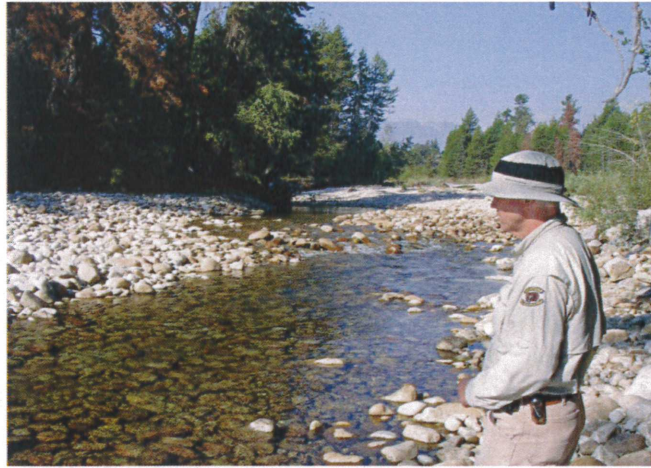


Photo: Dam across Creek



Photo: Downstream of the Diversion looking towards the Bitterroot River (entirely dewatered)

