

National Fish and Wildlife Foundation
 Walker Basin Restoration Program - 2010 - Full Proposal (Activity Metrics)
 Grantee Organization: Walker River Irrigation District
 Project Title: Water Leasing Program in the Walker River Basin

NFWF/Legacy Grant Project ID: 2010-0059-101

Project Period 10/15/2008 - 12/15/2013
Award Amount \$0.00
Matching Contributions \$1,000,000.00
Project Location Description (from Proposal) Walker River Basin, NV

Project Summary (from Proposal) Administer a 3 year water leasing demonstration program in the Walker River Basin to increase instream flows to Walker Lake. Information will use in establishing a longer-term leasing program.

Summary of Accomplishments

Lessons Learned

Conservation Activities	Lease Water for In-stream Use
Progress Measures	Other (Acre Feet)
Value at Grant Completion	75795
Conservation Activities	Increase Measurement Capabilities
Progress Measures	Other (Additional gauges/measurement stations)
Value at Grant Completion	15

**Request for Taxpayer
Identification Number and Certification**

Give form to the
requester. Do not
send to the IRS.

Name (as shown on your income tax return) **Walker River Irrigation District**

Business name, if different from above

Check appropriate box: Individual/Sole proprietor Corporation Partnership
 Limited liability company. Enter the tax classification (D=disregarded entity, C=corporation, P=partnership) ▶ Exempt payee
 Other (see instructions) ▶ **Local Gov't agency**

Address (number, street, and apt. or suite no.) **410 N. Main Street**
 City, state, and ZIP code **Yerington, NV 89447**

List account number(s) here (optional)

Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on Line 1 to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Note: If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

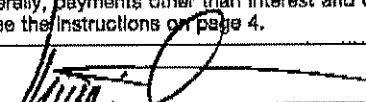
Social security number
or
Employer identification number 88 6001610

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
- I am a U.S. citizen or other U.S. person (defined below).

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the Certification, but you must provide your correct TIN. See the instructions on page 4.

Sign Here Signature of U.S. person ▶  Date ▶ **Oct. 5, 2010**

General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

- Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
- Certify that you are not subject to backup withholding, or
- Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

Notes. If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

Definition of a U.S. person. For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

Special rules for partnerships. Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,

DRAFT 11/17/10

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I. OBJECTIVES.

Pursuant to Section 208(b)(1)(B)(i) of the Energy and Water Development and Related Agencies Appropriations Act, 2010 (Public Law 111-85; 123 Stat. 2856), Congress has directed that of the funds made available to the National Fish and Wildlife Foundation ("NFWF") pursuant to Section 208(a)(1) and Section 208(b)(2)(A) of that same Act, \$25,000,000 be allocated to the Walker River Irrigation District (the "District") in accordance with an agreement between the District and NFWF to administer and manage a three-year water leasing demonstration program in the Walker River Basin (the "Program") to increase Walker Lake inflows and for use in obtaining information regarding the establishment, budget and scope of a longer-term leasing program. The objectives of the Program include increasing the inflow of water into Walker Lake. This Program is separate and distinct from the water acquisition program authorized by Section 208 of Public Law 109-103 and amended by Sections 206-208 of Public Law 111-85, referred to herein as the "Acquisition Program."

In addition to increasing the inflow of water into Walker Lake, the Program is intended to obtain information on the establishment of a longer term leasing program. That will include information on its effectiveness in: (i) minimizing the permanent removal of land from irrigation; (ii) obtaining broad geographic participation within the Walker River Basin; (iii) improving the timing and efficiency of delivery of water to Walker Lake; (iv) obtaining support from local governments and communities dependent on agriculture and from local governments and communities dependent on recreation; (v) increasing the likelihood of success in proceeding

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through the change to water right process; and (vi) flexibility in adapting to changed circumstances. The Program is also intended to provide information on the cost effectiveness of an appropriately funded long term lease of water program, including the potential to earn income from lump sum endowment funding, in comparison to a permanent acquisition program in meeting the same objective of increasing the average annual inflow of water into Walker Lake. The Program will provide information on the effectiveness of the Walker River Irrigation District in administering a program intended to increase inflow to Walker Lake.

II. DESCRIPTION OF THE PROGRAM.

A. Establishment of Water Lease Program.

The initial step in establishing the Program is the agreement with NFWF pursuant to which the District agrees to design, administer and manage it, and NFWF agrees to grant the funding for it. The Program also requires agreements between the District and individual water right holders to participate in the Program, also as described below (the "Participant Agreements").

B. General Description of the Program.

The District anticipates that voluntary participation in the Program will be available to all surface water right holders upstream of the Walker River Indian Reservation, including donation of Acquisition Program water acquired but not yet changed. Participation by parties holding surface water rights appurtenant to lands located outside of the District's boundaries, however,

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may depend on the outcome of ongoing discussions between the District and those parties, as well as other interested entities such as Mono County, California, concerning the Program.¹

The agreement between the District and each participant will require the participant to dedicate a percentage of a farm's water supply to the Program for the benefit of Walker Lake for at least one year and up to the duration of the Program. The percentage to be dedicated will be a minimum of approximately 15 percent of the water supply on an annual basis. The District will also consider ways to achieve greater participation consistent with other program goals. If participation in the program is at a level less than expected or desired, then the District and NFWF will work cooperatively to increase the level of participation, including consideration of factors related to participation.

The "water supply" each year will be established by a date certain by the District in consultation with the United States Board of Water Commissioners and the Natural Resources Conservation Service. Participating farmers will on an annual basis identify sufficient land to meet their respective water commitment. The land identified will be reviewed and approved by the District with confirmation provided by the United States Board of Water Commissioners each year. A participating farmer may use water from the farm's remaining water supply to irrigate the identified land in accordance with relevant law and pursuant to the necessary approvals of the Nevada State Engineer, California Water Resources Control Board and/or Federal District Court (hereinafter referred to as the "Necessary Approvals").

¹ See Grant Agreement, page 1, Condition (1).

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Each participant's annual commitment will be met from the surface water appurtenant to the land identified. For natural flow rights, the commitment will be met by the quantity of water which is ultimately approved to be changed from its current irrigation use at its current place of use to a new manner of use and place of use through the applicable change processes described below and pursuant to the Necessary Approvals. Commitments from stored water rights will be met by the quantity of water which is allowed to be changed, by regulations being developed by the District and pursuant to the Necessary Approvals. Surface water committed to the Program in a year will be considered as water available for purposes of determining quantities of supplemental groundwater which may be pumped under supplemental groundwater rights in accordance with the Necessary Approvals. Participants in California, if any, will be required to agree to not replace surface water in the Program with groundwater.

For a natural flow right in the Program, when the right is in priority and subject to the Necessary Approvals, the District will order the quantity of water allowed to be changed for delivery to the Wabuska Gauge for conveyance to Walker Lake, when conditions for efficient and timely delivery permit; and/or for retention of that quantity in either Bridgeport Reservoir or Topaz Reservoir, or part in both, as appropriate, at times when there is and likely will be sufficient empty space to hold such water for later and more efficient delivery to the Wabuska Gauge for conveyance to Walker Lake. Water retained in storage will be separately accounted for in the Reservoir as Walker Lake Credit Water ("Credit Water"), and the quantity not allowed to be changed of the water ordered will be left in the River. For stored water, the District will hold the quantity allowed to be changed in the relevant Reservoir and account for it separately in

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the Reservoir as Credit Water for delivery to the Wabuska Gauge for conveyance to Walker Lake when conditions permit. The commitment may be met at any time water is available during the period of allowable use.

Credit Water will not in any way interfere with the operation of a Reservoir for its intended purposes. Credit Water in a Reservoir will share net evaporation losses based upon its proportion to the amount of water in storage. Credit Water will spill first from a Reservoir, but upon spilling, will flow to the Wabuska Gauge for conveyance to Walker Lake subject to monitoring by the Water Master and conditions imposed by the Necessary Approvals.

C. Participant Agreements.

1. Form of Agreement.

The District will develop the form of the Participant Agreement. It is anticipated that, for the most part, a single form will be adequate for all participating farmers, however there will also need to be some tailoring of the agreement for each participant. The District intends that, after some training by legal counsel, its internal staff can finalize the agreements with participating farmers.

The Participant Agreement will cover a number of areas. First, it will identify the correct legal owner of the farm, the description and location of the farm, and all of the water rights appurtenant to the farm. It will include the term of the agreement, and provisions for extending that term. It will identify the nature and extent of the water to be committed to the Program each year. It will either identify the land involved with that commitment for the entire term of the agreement, or it will establish the process by which that identification would occur after the first

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year of the agreement and throughout its term. It will specify any restrictions on groundwater pumping and use. It will also specify whether the identified land will be using any of the participant's remaining water to mitigate taking the land out of production or to participate in a program involving low water use alternative crops. As stated above, use of this remaining water must be in accordance with relevant law and pursuant to the Necessary Approvals.

The Participant Agreement will include the price paid to the farmer. It will provide that the basis for payment is "Program Water." "Program Water" means water approved and administered for non-diversion at the upstream points of diversion for delivery to the Wabuska Gauge and for conveyance to Walker Lake to the extent allowed by, in accordance with, and as limited by the Necessary Approvals. The Participant Agreement will provide for any necessary adjustments to payments each year, including in the event that Program Water is not reaching the Wabuska Gauge as provided in section II.C.2. below. It will also establish the dates when a participant is to be paid.

The Agreement will authorize the District to apply for the changes to water rights necessary to implement it. It will state if, and if so, the extent to which an owner may participate in that process at the owner's expense. The Agreement will include additional authorizations, including authorizations for inspections of land, meters, headgates, pumping records, and anything else necessary to ensure compliance with the Agreement and applicable law, including state water law and the Walker River Decree. It will include authorization to identify the owner as a participant in the Lease Program, and to report that participation. The Agreement will

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include other miscellaneous provisions. It will provide for recording a memorandum of the Agreement so that subsequent owners have constructive notice of and must honor its terms.

The District will begin formal recruitment of participants into the Program at the same time as it is drafting the Participant Agreement. This will be an ongoing process with new or updated information being provided as it becomes available. The most crucial pieces of recruiting information will be the form of the Participant Agreement, the minimum required participation, the quantity of water allowed to be changed, and the manner in which the quantity of that water administered for non-diversion at the upstream points of diversion for delivery to the Wabuska Gauge will be determined.

2. Payments for Participating Farmers.

Payment for delivery of Program Water to the Wabuska Gauge is an extremely important element in obtaining participation in the Program, however the significance of transportation losses between the upstream points of diversion and the Wabuska Gauge remains a matter of ongoing uncertainty. To address this uncertainty, the Program has been revised to include an adaptive management element which is described in some detail below. When permissible under the Necessary Approvals, the District also intends to minimize transportation losses (whatever they are) by making use of District Reservoirs and by delivering water to the Wabuska Gauge for conveyance to Walker Lake at times when such losses can be minimized.

Payments to participating farmers will be \$275.00 for each acre foot of Program Water which is recorded as delivered, by the Federal Water Master or his agents in the case of natural flow and by the District in the case of stored water, for non-diversion at the upstream points of

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diversion for delivery to the Wabuska Gauge and for conveyance to Walker Lake. The District will determine how such payments are distributed to Program Participants.

The District will work with the Federal Water Master and USGS to maintain daily records to account for actual deliveries of Program Water at the upstream points of diversion and at the Wabuska Gauge.

As noted above, the significance of transportation losses between the upstream points of diversion and the Wabuska Gauge remains a matter of ongoing uncertainty. Accordingly, the Program will be used to obtain information concerning transportation losses, and that information will be used to make necessary adjustments in future years if needed. In order to do that, water flows at the Wabuska Gauge during the irrigation season will be monitored on a daily, monthly and seasonal basis, and those flows will be compared to the flows which are required to be at the Wabuska Gauge during the same period of time. (A District field inspector will inspect the Wabuska Gauge on a regular basis throughout the irrigation season, and will work with the USGS to ensure the accuracy of information generated at the Wabuska Gauge.) Flows required to be at the Wabuska Gauge will include water under the right held by the United States for the Walker River Indian Reservation; Program Water pursuant to the Necessary Approvals when recorded as delivered at the upstream points of diversion during the same period of time, taking into account travel time; and Acquisition Program water pursuant to the Necessary Approvals when recorded as delivered at the upstream points of diversion during the same period of time, taking into account travel time. During each full irrigation season of the Program's operation, if the comparison of flows required to be at the Wabuska Gauge to actual flows at the Wabuska

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Gauge reveals a significant discrepancy for that season, the District and NFWF will work in good faith to determine the cause and to make necessary adjustments for the next irrigation season. “Necessary adjustments” will include, but not be limited to, modifying Participation Agreements to ensure that only Program Water that actually makes it to the Wabuska Gauge will be paid for in future years; and the Program will not move forward into the next irrigation season until any such necessary adjustments have been made.

D. The Change to Water Rights Process.

Changes to water rights participating in the Program, and which have been acquired by the Acquisition Program, involve a number of issues which will not be answered until the change processes are complete. The District and NFWF are committed to discussing these issues in an effort to avoid disagreement between the District and NFWF on as many issues as possible.

Subject to appropriate action by the District Board, the District intends to develop a change process that avoids having to file annual temporary change applications. The process will be somewhat different for natural flow and stored water rights. It also may be different for California and Nevada water rights to the extent that both are involved. However, the goal will be to have a streamlined and efficient process which does not require annual repetition. The Participation Agreements will allow the District to prepare and file all change applications necessary to satisfy the provisions of the agreement. In other words, the District, rather than farmers, will file and process the necessary change applications.

1. Natural Flow Water Rights.

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The change application process for natural flow water rights will be the most complex and may require annual temporary change applications. Each year, a participant may identify different portions of a farm, which will potentially require an annual change in place of use filing. This process can be significantly streamlined if an entire farm can be regarded as the "place of use" for natural flow rights. If that cannot be accomplished, and a farmer desires to identify a different portion of a farm each year, a new change application may need to be filed each year.

The change applications for natural flow water rights will request alternative points of diversion for the quantity of water being changed. The alternative points will be one or both of the District Reservoirs, or a point of non-diversion at the existing point of diversion, so as to allow either for credit storage or direct flow at the existing point of diversion followed by in stream conveyance to the Wabuska gauge and then on to Walker Lake. If the water is credit stored in a District Reservoir, it will be the subject of a secondary permit in Nevada for release to the Wabuska Gauge and for conveyance to and use at Walker Lake subject to the Necessary Approvals.

2. Stored Water.

With respect to stored water appropriated by the District with benefits apportioned to lands within the District, the District Board will be asked to adopt a regulation which comprehensively addresses whether, and if so, the circumstances under which, the manner of use and place of use of such water may be changed, within and without the boundaries of the District. Subject to the provisions of that regulation, and to the extent that its requirements are

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satisfied, thereafter it is the District's intent to file separate change petitions for each Reservoir to add the Walker River to Walker Lake, and Walker Lake as an additional place of use for the stored water, and to add fish and wildlife resources as an additional purpose of use. This would allow any stored water in the Program to be delivered to and used at Walker Lake without the need to file new change applications every year.

3. Compliance With the Administrative Rules and Regulations.

All change applications and secondary applications will also be noticed in a manner consistent with the Administrative Rules and Regulations Regarding Change of Point of Diversion, Manner of Use or Place of Use of Water of the Walker River and its Tributaries (the Administrative Rules and Regulations). The provisions concerning notice are set forth in Article IV of the Administrative Rules and Regulations. They require the agency receiving the application to publish notice of the application five times during a period of four consecutive weeks. That publication must commence within 90 days after the agency's receipt of the application. In addition, the agency must cause notice of the change application to be given in the manner described above under Nevada and California law.

Consistent with Section 5.4 of the Administrative Rules and Regulations, the changes and the secondary applications will be submitted to the United States Board of Water Commissioners for their comments and recommendations to the California State Water Resources Control Board and the Nevada State Engineer as applicable. The Administrative Rules and Regulations do not require the approval of the Board of Water Commissioners for change applications.

4. Judicial Review and Approval.

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The decisions of the California State Water Resources Control Board and the Nevada State Engineer will be submitted in to the Federal District Court for the District of Nevada, in the Walker River action (C-125), for approval in accordance with the provisions of Article VII of the Administrative Rules and Regulations. Article VII provides that certain persons may petition the Court for judicial review of agency decisions concerning change applications. Those petitions must be filed within 45 days after service of the agency decision and the record before the agency must be transmitted to the Court within 30 days after the petition is filed.

E. Delivery of Water In the Program.

Natural flow water which cannot be stored in Reservoirs will be administered for non-diversion at the upstream points of diversion for delivery to the Wabuska Gauge and for conveyance to Walker Lake as and when it is available. Subject to the Necessary Approvals, Credit Water stored in upstream Reservoirs will be released for delivery to the Wabuska Gauge for conveyance to Walker Lake beginning on or about November 1 of each year, unless it is determined that it should be delivered earlier. The November 1 date is after the irrigation season and after most, if not all, plants are dormant. Delivery after that date should be the most efficient time to deliver water to the Wabuska Gauge for conveyance to Walker Lake.

F. Agreements and Coordination With the Walker River Paiute Tribe and the Bureau of Indian Affairs.

The District is aware that water in the Program, including natural flow and Credit Water, will flow through the Walker River Indian Reservation and Weber Reservoir. In the District's judgment, the Walker River Court, with input from the Nevada State Engineer, the District, the Walker River Tribe, the BIA and other interested parties, should establish the rules concerning

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conveyance losses from the Wabuska Gauge to Weber Reservoir and through Weber Reservoir.

When the State Board's and State Engineer's approvals are presented to the Walker River Court, and after consultation with the Bureau of Indian Affairs and the Walker River Paiute Tribe, the District will ask the Court to expressly authorize the Water Master to regulate all headgates and diversion structures on the system, including those on the Walker River Indian Reservation, to ensure that all Program Water, including natural flow and Credit Water, that is actually delivered to the Wabuska Gauge is conveyed to Walker Lake, subject only to actual transportation loss, and in accordance with the flow regime established for release. It is anticipated that the change process and the court approval process will establish how transportation loss will be determined and by who.

The District acknowledges that NFWF, the Bureau of Indian Affairs, and the Walker River Paiute Tribe may enter into an agreement to govern the management and conveyance of Program Water (as well as Aquisition Program water) from the Wabuska Gauge to Walker Lake, subject to the Necessary Approvals. The terms and conditions of that agreement if consummated shall not in any manner impact the duties and obligations of the District and NFWF under the Water Leasing Demonstration Program grant agreement.

The District, in cooperation with the USGS, the Federal Water Master, NFWF and other parties, will monitor the delivery of Program Water to the Wabuska Gauge and will record this information for use in effectuating the conveyance of Program Water to Walker Lake, however accomplished.

G. Annual Operation of the Water Lease Program.

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1. Introduction.

To a certain extent, some of the tasks associated with establishing a functioning Program may or will recur on an annual or perhaps less frequent basis. For example, the District will likely have a continuing recruitment program. There will be a need for agreements with new participants.

Depending on how the initial change process is structured, there may be an annual change process at some level. In addition, as new participants enter the Program, changes necessary to implement their agreements will need to be filed and approved.

2. District Administration of the Program.

In addition to obtaining agreements with new participating farmers, the District will be ensuring compliance with the Participant Agreements and will develop, prior to the onset of each program year, an annual monitoring plan along with the process for regular reporting and coordination with the cooperation and participation of NFWF, the Federal Water Master, the Nevada State Engineer, California State Water Resources Control Board, USGS, UNR-DRI water modelers, and others involved with efforts to monitor and account for deliveries of Program Water.

The District will maintain daily records of all water in the Program, and will operate its Reservoirs as necessary to hold and release Credit Water. The District will also be responsible for developing and operating the final release schedule. The District will work with the aforementioned parties to develop an annual program for obtaining and sharing data and information which will be beneficial to and useful in evaluating the results of the Program.

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Finally, each NFWF fiscal year the District will have to obtain, utilize, and account for all grant funds received, including a record of payments made to each participating farmer.

3. Reporting.

The District will comply with applicable reporting requirements with respect to the demonstration phase of the Water Lease Program. That reporting will be directed to NFWF, to other cooperating entities, and to the public and include sufficient detail for NFWF to satisfy federal requirements, to provide for regular monitoring and accounting as well as administration of Program Water, and to evaluate the effectiveness of the Program. The reporting will relate to both water delivered through the Program on a daily, monthly, and calendar year basis, and cumulatively, and to the Program's finances.

The annual report will include an executive summary, Program overview, Program highlights, leasing trends, costs per acre foot of delivered water, payments to and the amount of land identified and water provided by each individual participant, and participation by ditch and by River valleys, *i.e.*, Bridgeport (as applicable), East Fork, Mason Valley, Antelope Valley (as applicable) and Smith Valley. It will include information on quantities of natural flow and stored water enrolled in the program and delivered to the Wabuska gauge (and to Walker Lake) each month and for each Program year. To the extent that water was donated to the Program, donors would be recognized.

The Annual Report would include a section on the status of Walker Lake. It will also include information on any indirect benefits of the Program, such as higher recreation pools in upstream reservoirs, and instream flows.

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The Annual Report will assess the level of participation in comparison to the goal for participation.

The Annual Report will include a statement of financial position of the Program, including assets and liabilities. It will include revenue and expenses. The financial reporting for the Program would be subject to an annual audit by independent certified public accountants in accordance with federal requirements.

III. ELEMENTS OF BUDGET FOR FUNDING REQUEST.

The budget detail sections included with the request for funding (Appendices A-1 and A-2 together with exhibits, attached hereto) will provide details of costs for annual funding for the Program. The costs will include compensation of District employees for time devoted to all aspects of the Program, including, without limitation, recruiting participants, obtaining Participant Agreements, administering and managing the Program (compliance, accounting, reservoir operations, data development, reporting, payment processing) and assistance in the changes to water right process.

The costs will also include costs and expenses incurred in obtaining approval of change applications and petitions. They will include staff time, outside legal expenses, engineer fees, and other professional charges. The costs will include expenses associated with accounting and audit requirements.

The costs will also include costs associated with the Water Measurement and Control System Improvement project planned by the District, as described in Exhibit 2 to Appendix A-2 attached hereto. The improvements contemplated by this project are designed, among other

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things, to provide real-time control over diversions from the Walker River into canals and ditches, improve the accuracy associated with the measurement of those diversions and provide enhanced record keeping related to the diversions. These improvements will benefit the water management and accounting tasks necessary to implement the Program by providing reliable information for decision making purposes. The improvements will also benefit the Acquisition Program and other programs by providing enhanced water related information.

Finally, the most significant costs will be payment to Participants for the dedication and actual delivery of Program Water. The District estimates that payments for Program Water will average approximately \$6,910,000 each year, and that the balance will be for the other costs described above. The payments to Participants are estimated based upon an average of approximately 25,120 acre feet of Program Water each year at a price of \$275.00 per acre foot, as described in Section II.C.2.

IV. INITIAL PHASE TASKS AND TIMELINES.

The following information describes Tasks associated with the Program and an approximate Timeline for the commencement and/or completion of those tasks.

Task 1 - The District will develop and present to its Board a proposed comprehensive regulation concerning changes to stored water rights.

Timeline: Commenced prior to final execution of the grant agreement by the District and NFWF.

Task 2 - The District will assemble public information packets and distribute (by mail or otherwise) to potential participants. The public information packets will include the following

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documents: (a) a letter signed by the District Chairperson inviting affected landowners to enroll in the Program by a date certain; (b) a one-page Information Sheet explaining the Program; and (c) a copy of the Participant Agreement Form.

Timeline: Commence as soon as possible, but no later than 30 days after adoption of a regulation by the District concerning changes to stored water.

Task 3 - The District will maintain regular office hours to permit interested water users to come in to ask questions and to execute the Participant Agreement.

Timeline: Commence as soon as possible, but no later than 15 days after the completion of Task 2.

Task 4 - The District will review and approve all executed Participant Agreements.

Timeline: Beginning with first executed and completed Participant Agreements.

Task 5 - The District will evaluate the participation in the Program and determine whether the participation meets the Program goal.

Timeline: Complete by no later than 90 days after the Completion of Task 2.

Task 6 - If the annual Program goal of 25,000 to 30,000 acre feet is not met, the District will notify all participating farmers that they may increase their participation in order to meet the Program goal.

Timeline: Complete by no later than 30 days after the completion of Task 5.

Task 7 - The District will prepare and file change petitions with the California State Water Resources Control Board, and change applications with the Nevada State Engineer.

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Timeline: Complete and file as soon as sufficient agreements have been executed.

Task 8 - At the same time, the District will facilitate the preparation and publication of the notices required under the Administrative Rules.

Timeline: Complete and begin publication and posting as soon as possible after filing of the applications.

Task 9 - Upon favorable action by the California State Water Resources Control Board and/or the Nevada State Engineer, the District will prepare and file petitions with the Walker River Court for approval of their respective orders and will participate in any hearing thereon.

Timeline: Promptly after State Board and/or State Engineer orders.

Task 10 - The District will undertake in cooperation with the Nevada State Engineer the necessary monitoring to ensure that pumping of supplemental groundwater is not increased as a result of the Program.

Timeline: Commence at start of the relevant irrigation season and each season thereafter, and continue to end of the irrigation season.

Task 11 - The District will account for all water in the Program.

Timeline: Commence at the start of each irrigation season, and continue until water is delivered to Walker Lake each year.

Task 12 - The District will work with NFWF, USGS, UNR/DRI and potentially other parties to develop a protocol for obtaining data and information from the Program which will be beneficial to and useful in evaluating results within the River valleys and at Walker Lake.

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Timeline: Ongoing throughout the duration of the Program.

Task 13 - The District will deliver Program Water to Wabuska Gauge.

Timeline: Ongoing at appropriate times during each year.

Task 14 - The District will process payments to participating farmers.

Timeline: Annually at end of irrigation season.

Task 15 - The District will provide reports as required.

Timeline: At times required by NFWF.

Task 16 - The District and NFWF will begin discussions regarding issues related to changes to natural flow water rights.

Timeline: Immediately, with the goal of having both a stored water and natural flow water program in place by the 2011 irrigation season.

Exhibit 2 to Appendix A-2

Walker River Irrigation District Water Measurement and Control System Improvements

Project Summary

The Walker River Irrigation District (WRID) manages water supplies for approximately 80,000 acres of prime farmland in Nevada and California. In 2009, the *Water Measurement and Control System Improvements* project was jointly developed with the Irrigation Training and Research Center (ITRC) to strengthen the district's water management capabilities and support efforts to restore wetland and desert lake ecosystems.

A total of seventeen (17) sites are included in the project as shown in **Figure 1**. The estimated cost for the proposed system represents an initial capital program budget of \$3.5 million. Implementation of the project will achieve benefits for WRID and its customers by improving the accuracy of measured diversions from Walker River and enhancing the real-time control capabilities of water managers. The system improvements will also provide a foundation for future modernization programs and will provide improved transparency of water management in the District.

Three objectives of the proposed project are:

- Better flow rate and volume measurement of water deliveries
- Automated flow control of water deliveries to provide more constant water deliveries
- Remote monitoring and remote control of the water deliveries

The project will put in place a basin-wide SCADA (Supervisory Control and Data Acquisition) system for monitoring and controlling flows diverted from the Walker River. SCADA is a valuable tool for enhancing water management in WRID. Other benefits of SCADA, besides real-time water accounting for decision-making about where and how to adjust the system, will be upgraded record keeping capabilities for historical analysis and forecasting, and faster response times to user inputs and alarms. Future web-based reporting for public access of water use and water quality datasets will also be facilitated by this well-designed system.

The SCADA component of this project will involve the design, deployment, calibration, documentation, and verification of industrially-hardened hardware and software for new canal control and measurement infrastructure that can be remotely accessed in real-time from a base station computer and mobile laptops running specialized human-machine interface (HMI) software. This, in turn, is the basis for irrigation districts and water users in the Walker River Basin to manage water supplies and in-stream flow requirements for environmental uses.

The key strategies being implemented by the project include the following:

1. Control of diversions from canal headworks along the Walker River will be based on maintaining a constant target flow rate to match ordered demand for each canal system. Each canal headworks will be equipped with new automated flow control gates and measurement devices.
2. Water managers will be able to observe flows at key points throughout the service area and information from storage reservoirs. This water manager will make decisions on a more frequent basis as part of a real-time and coordinated approach to water distribution throughout WRID's points of responsibility in the Walker River Basin. This involves the new automated hardware at the canal headworks, but also, more significantly active, real-time management of the system.
3. Obsolete control structures have been evaluated and prioritized for upgrading with long-crested weirs. Better water level control at turnouts will mean large changes in canal flow will not affect the capability to provide steady and measurable water deliveries. Operators will also have the ability to run lower or higher canal flows in order to meet Irrigation demands while providing better water delivery service.

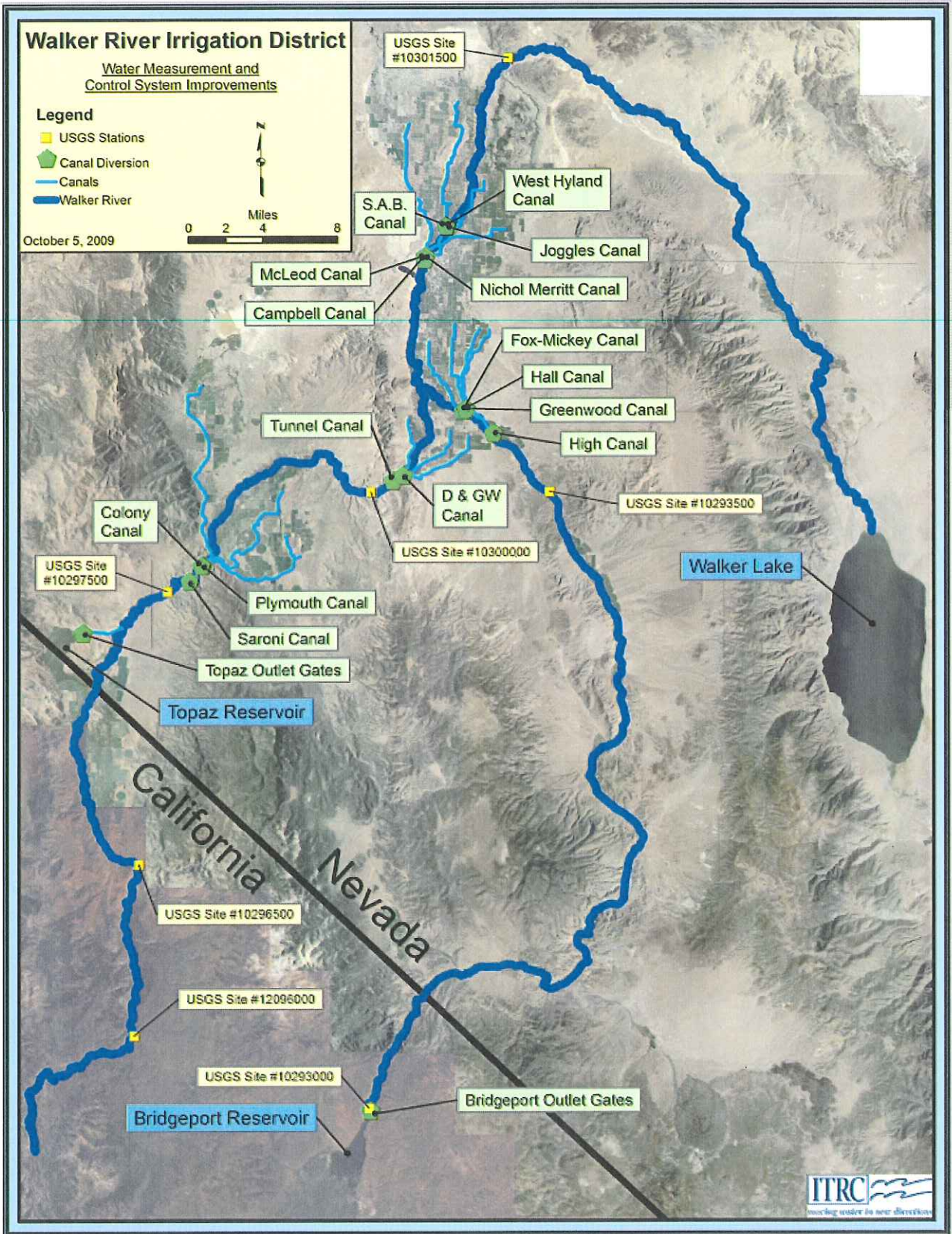


Figure 1. Walker River Irrigation District – Water Measurement and Control System Improvements

Cost Summary

The *Water Measurement and Control Systems Improvements* projects cost estimate is \$3.5 million (refer to Table 1). Annual O&M costs are estimated to be about \$131,000, primarily for maintenance of the SCADA system and components. It is expected that the district will enter into a service agreement with an appropriate integration firm for periodic check-ups and maintenance of the SCADA system. The project budgets include estimates for the final design and engineering expenses, civil works and construction, plus contingencies.

Table I. WRID Project Cost Summary

Component	Implementation Cost*	Annual Cost**
SCADA System (15 remote sites and office base station)	\$557,000	\$57,000
Flow Control Gates (w/ electric motor actuators and hardware)	\$460 000	\$40 000
Water Measurement Structures (new broad-crested weirs)	\$390 000	\$34000
Site Preparation and Civil Works (15 locations)	\$250 000	\$22000
Communications System	\$186,000	\$20,000
Upgrades to Storage Reservoir Outlets	\$413 000	\$36,000
Improved Water Level Control Structures	\$80000	\$5000
Engineering and Project Management	\$322,000	\$28,000
Mobilization	\$133,000	\$11,000
Contingency	\$661,000	\$57,000
Total	\$3,452,000	\$310,000

* Includes mobilization (5%) and engineering & project management (15%), plus contingency (25%)

** Includes capital payback (CRF, 6% discount rate) and estimated maintenance costs

The District has also budgeted \$248,000.00 for environmental compliance costs associated with the *Water Measurement and Control System Improvements* projects. These costs anticipate any work that may be necessary to comply with all applicable laws requiring environmental compliance. The District does not anticipate that it will need to secure a U.S. Army Corps of Engineers 404 Permit as no work within the Walker River is contemplated under the projects.

The total cost of the *Water Measurement and Control System Improvements* projects, including environmental compliance, is estimated to be \$3,700,000.00. The District plans to secure \$1,000,000.00 of this amount from Bureau of Reclamation grants under P.L. 110-161. The remaining \$2,700,000.00 is the amount stated in the line item for Gauge and Measurement in the category of “Additional line items” in Appendix A-1.

NEVADA PUBLIC AGENCY INSURANCE POOL
CERTIFICATE OF PARTICIPATION
Issued to

Walker River Irrigation District

The Nevada Public Agency Insurance Pool (hereinafter NPAIP) certifies that the above-mentioned entity is a participating Member of NPAIP for the period beginning July 1, 2010 expiring July 1, 2011.

As a participating member, this entity is entitled to all the rights, privileges and protections and subject to all the duties and responsibilities under the Interlocal Cooperative Agreement and Bylaws of NPAIP and the coverage forms issued by NPAIP.

The following coverage forms apply to NPAIP and its Members:

Nevada Public Agency Insurance Pool Coverage Form: # NPAIP 201011

The lines of coverage and key limits of liability afforded to NPAIP members, subject to the coverage application and subject to additional sublimits as stated in the NPAIP Coverage Form, are summarized as follows:

Property/Crime/Equipment Breakdown

Blanket Limit per schedule of locations	\$ 300,000,000 per loss
Sublimit for earthquake coverage	\$ 100,000,000 annual aggregate
Sublimit for flood coverage	\$ 100,000,000 annual aggregate
Sublimit for flood coverage zone A	\$ 10,000,000 annual aggregate
Sublimit for Equipment Breakdown, Boiler & Machinery	\$ 60,000,000 each accident
Sublimit for Money & Securities including Dishonesty	\$ 500,000 each loss


Casualty

Bodily Injury, Property Damage, Personal Injury, Employment Based Benefits Administration, Law Enforcement Activities, and Wrongful Acts	\$10,000,000 per event \$10,000,000 annual aggregate
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Certain sublimits apply. All sublimits are a part of and not in addition to the Limits of Liability.

Participating member's Maintenance Deductible of \$500 for each and every loss and/or claim and/or event.

This certificate is not a contract of insurance and does not bind NPAIP as such. The coverages provided will be governed by the terms and conditions of NPAIP Coverage Form and by the Interlocal Cooperative Agreement and Bylaws of NPAIP; and all claims, questions or disputes will be settled by reference to the same.


Wayne E. Carlson, MBA, CPCU, ARM
Executive Director

WRID Board Members

Robert (Bobby) Bryan – Chairman

Glenn Sciarani - (775) 781-1896 (cell), borislachat@yahoo.com

David Little - (775) 742-5827

Steven Fulstone - (775) 721-3271 (cell), svranch@hotmail.com

Jim Snyder - (775) 463-4448, jsnyder@slcnv.com

The Walker River Irrigation District is not eligible for the 990 because it is not a non-profit organization.

The Walker River Irrigation District is not required to complete the Statement of Litigation because it was formed under the Nevada Irrigation District Act and is therefore considered a political subdivision of the state, also known as local government.