

**JANUARY 25, 2001 MEETING WITH SUB - COMMITTEE**

Ed Ure, Daryl Devey, Russ Brown, Stan Roberts, Jim Riley, John Larsen, Ben Anderson, Gertrudys Adkins, Lee Sim

Discussion about several questions:

Who is responsible for the beneficial use of the water that irrigation companies allow to be moved or changed to a different use by shareholders - we said that the water right owner (the irrigation company) is responsible. If we were to do an adjudication we would work with the company and if the use were reduced we would reduce the entire right - not just the use by some of the shareholders. It would be up to the company to determine how the reduced water right would be administered among its shareholders in the company. We have no other way to handle it.

Who is responsible for the payment of the assessment levied for the changes or exchanges? We have no other option than to assess the water right owner. In the case of an irrigation company we would assess the company and then the company would have to get reimbursement from the individual shareholders.

Ed Ure asked about how they might enforce this within their company. It used to be that an effective solution was to sell the shares of the delinquent shareholders. The bylaws of the company would allow them to sell the shares if the shareholders did not pay the assessment. The problem today is that the value of the shares is so high and the assessments are relatively very low that the court would allow the company to only sell a tiny portion of the share to pay the delinquent assessment. And some companies like Ed's do not allow the shares to be split up - so effectively they could not sell the share of stock. The most effective process for enforcement would be for the company to request that the change or exchange associated with the delinquent share be withdrawn and then our office would send a letter to the shareholder telling them to cease the use of water. We do not have much ability to follow up on that order so the water use may continue. However, the problem for the shareholder would come when he tries to sell the property or update ownership of the change with the division - there would be nothing to sell or to update.

Ed Ure indicated that their company is planning to change their by-laws to the effect that when a change or exchange is granted by the company and approved by the State Engineer that the shareholder involved will be issued a different class of stock called a well share. This different class of stock can then be treated differently than the regular shares in the company. They will be assessed the regular assessment but they will also get the exchange/change assessment levied by the distribution system and a processing/handling assessment from the company for the extra paperwork and water regulation caused by the change/exchange.

There was discussion about individual rights that were changed from the river to wells and Stan indicated that they were not too much of a problem right now and he did not foresee them becoming too much of a problem because they are difficult to identify by the developers. When a developer needs a water right, they usually start looking into the nearest irrigation company to purchase shares from individuals. They are not aware of the individual water right owners and it would be a considerable amount of work for them to track them down individually and purchase and consolidate their rights for the projects they have in mind. Stan's idea on the individual rights was that they should be field checked every five years to make sure that the water use was still occurring and that they were still basically within the limits of the water use allowed by the change or exchange.

Discussion about agreements and contracts on the river which go through several generations of contractual parties to the end water user. The division would always assess the water right owner and they would be responsible to get reimbursed by the contract holder/water user. Stan agreed but felt that a fair amount of education would need to be done on the system to explain to the end users that they would have a responsibility to the water right owners for the payment of the assessment.

The general consensus in the meeting was that the water use on the Provo River was just as the beginning of a major change away from agricultural use to more municipal and domestic uses. The system needs to be ready to deal with the changes and able to track, regulate, and administer the water as these changes occur. Also the individual irrigation companies need to change their procedures and prepare for the changes so they can make the transition from irrigation companies to water retailers. There needs to be an effort on the system to educate the individual companies about the changes that are coming.

Stan asked if it would be possible to require that proofs on these changes to wells include UTM coordinates for the location of the well. We said that eventually it probably would be required. Jim said that right now many proofs that are submitted already have that information.

The sub-committee decided that they would take their notes from the meeting and rough out a plan for the assessment and regulation of changes and exchanges. They will send it to us for our review and they will also have it reviewed by the system committee. The plan is to have it basically in place and approved by the first of November this year so that we can prepare to make assessments on them in the year 2002. After the committee approves of the plan, there would be an effort to meet with the individual companies and educate them on the new process and what changes they should make to be ready for it.