

Rick Kaster
Thayn Hydro
208 Sunnyhill Circle
Twin Falls, Idaho 83301

August 8, 2000

Mr. Keith Rose
U.S. Fish and Wildlife Service
Ecological Services
764 Horizon Drive, Suite 227
Grand Junction, CO 81506

Re: Craig Smith/Green River Canal Company (GRCC) letter of August 1, 2000 – Fish
Exclusion Device at Tusher Wash

Dear Mr. Rose:

Approximately two months ago Glenn Baxter, a GRCC director, contacted me and asked if I would act as a representative of Thayn Hydro and work with him towards a resolution of the pending lawsuit. Since then, with the Thayns' permission, I have worked with him on listing the various issues and possible avenues of a compromise.

On July 19, 2000, Mr. Smith hand delivered an ultimatum stating that if we did not agree to their terms by August 1, 2000, he would, among other things, try to interfere with the Thayns' FERC permit. This approach is counterproductive, especially under the present circumstances.

Meanwhile, on July 27, Glenn Baxter left on a two week vacation. He referred me to Jack Erwin, also a GRCC director. Both Glenn and Jack have expressed a sincere desire to reach a compromise. However, Jack has indicated that he is unable to proceed further until Glenn returns, as he needs the entire board's input.

Mr. Smith stated in his ultimatum that the primary reason for suing the Thayns was "to obtain an equitable payment" to the GRCC from Thayns' powerplant. In our opinion, an equitable payment should be based on the industry standard for the type of relationship that exists between Thayns and the GRCC. To date we have been unable to accept Mr. Smith's and the GRCCs' demands for a settlement which would lead to bankruptcy of the operation and which would turn the entire control of the facilities over to the Canal Company.

Unfortunately, one or two of the GRCC directors believe that they can use the unrecorded Amendment to the 1952 Agreement (that they produced after the powerplant was constructed), to force us to pay them a royalty ten to twenty times the industry norm.

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Mr. Smith also stated that they would be willing to participate in mediation if necessary. We have always been willing to do so and we would like to suggest Mr. Bob Morgan, the Utah State Engineer, as a mediator.

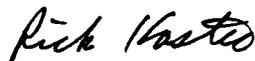
It should be noted that the District Court has not yet even finalized Findings of Fact and Conclusions of Law or a Judgment or ruled on pending objections. Nor has the Court issued a final ruling on whether the GRCC has a 60 cfs or 80 cfs maximum flow right. Also, we believe that the BLM, not the GRCC owns the upper end of the raceway.

We have always been interested in reaching a fair settlement with the GRCC. In the event that the two parties are unable to reach a compromise, we will appeal the District Court's ruling regarding the Thayns' water rights. We respectfully, but very strongly disagree with the Court's rulings. We believe that the full water rights awarded by the State Engineer in 1975 and 1981 are clearly valid and in good standing. We further very strongly believe that the evidence is overwhelming that the GRCC knew about Thayns' water rights, that they knew about Thayns' plans to build a power-for-sale facility, and that they helped and encouraged us to build it.

After Glenn Baxter returns from vacation, we intend to resume negotiations and we hope to have a formal offer of settlement with GRCC.

We are, of course, continuing to operate only two of the three turbines at any given time. There have been no endangered or threatened fish on our trash racks since the wall was removed. If you have any questions or comments with regard to the foregoing, please let us know.

Sincerely,



Rick Kaster

Cc: Glenn Baxter, Green River Canal Company
Reed Martineau
Bob Norman
Reed Harris
Bob Morgan
Lee Thayn
Leon Thayn