



State of Utah

GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

Department of
Environmental Quality

Amanda Smith
Executive Director

Brad T Johnson
Deputy Director

April 16, 2012

Richard P. Bay
General Manager/CEO
Jordan Valley Water Conservancy District
8215 South 1300 West
West Jordan, Utah, 84088

Dear Mr. Bay:

RE: Receipt of notice on election not to proceed with Lost Use Facilities (Southwest Jordan Valley Groundwater Project)

As the State of Utah Natural Resource Damages Trustee (NRD Trustee), I have received and reviewed your letter dated March 9, 2012 (RE: Lost Use Facilities in Southwest Jordan Valley Groundwater Project). The Division of Environmental Response & Remediation (DERR) has also completed a review of your letter. The letter is understood to be formal notice of election not to proceed with the Lost Use treatment facility by the Jordan Valley Water Conservancy District (District).

Pursuant to Paragraph VI.J of the 2004 Three Party Agreement (as amended in 2009), "State Agreement", the District will refund the amounts received from the cash portion of the Trust Fund for deposit by the NRD Trustee into the Other Source Fund. The State Agreement does not specify a time frame for the refund to be accomplished, but your letter suggests the District would be able to provide the refund on April 20, 2012.

The State of Utah calculates accrued interest on the Trust Fund pursuant to the Public Treasurer's Investment Fund ("PTIF"), which is generally reported during the first week of each month. The District is requested to prepare its first refund of the distributed cash portion of the Trust Fund for May 10, 2012. The District will be informed on or about May 7, 2012 what the amount of the refund is as of April 30, 2012. For your information, the value of the cash portions of the Trust Fund distributed to the District as of March 31, 2012 is:

- Design Fund = \$1,220,040.73
- Construction Fund = \$2,059,168.43

Interest will continue to accrue from May 1, 2012 to the time the District submits its first refund (May 10th). As such, the District will be notified on or around June 7, 2012 of the accrued interest for the period from May 1st to May 10th. The District is requested to submit this second refund shortly after being informed on the value of the incremental interest.

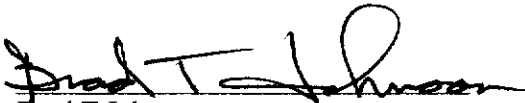
Each refund can be provided to the NRD Trustee in either the form of a check or direct deposit (ACH deposit). If submitting the refund via a check, please make the check payable to State of Utah DEQ-DERR. If submitting the refund via an ACH deposit, please coordinate with Ms. Penny Flake (DERR) at (801) 536-4491 to complete the electronic transfer.

The District's refund and currently withheld cash portions of the Trust Fund (held in the Construction Fund, Construction Retainage Fund, and Operation & Maintenance Fund) will be combined in the Other Source Fund. Pursuant to the Paragraph VI.K of the State Agreement, the Other Source Fund will be available for reduction based upon the District's provision of Lost Use Water (defined in the State Agreement and 2004 Project Agreement, as amended in 2009) to the Affected Municipalities. It is my understanding that your staff and DERR are engaged in discussions regarding the particular reporting requirements for disbursements from the Other Source Fund. I encourage the District to continue its efforts to resolve any issues involving the reporting requirements.

If you have any questions please, contact Douglas Bacon (801) 536-4282 or dbacon@utah.gov.

Best Regards,

State of Utah Natural Resource Damages Trustee


Brad T Johnson

BTJ/dcb/br

- cc: Brent Everett, Division of Environmental Response & Remediation (electronic)
Sandra Allen, Utah Attorney General (electronic)
Douglas Bacon, Division of Environmental Response & Remediation (electronic)
Kim Shelley, Division of Water Quality (electronic)
Bob Hart, Division of Drinking Water (electronic)
Kelly Payne, Kennecott Utah Copper LLC (electronic)