

LINCOLN COUNTY WATER DISTRICT

UPDATE

Attached to this brief synopsis are brief overviews of the various projects which are currently underway in Lincoln County, all of which relate to the economic expansion in Lincoln County.

Lincoln County has been fortunate enough to have the Lincoln County Conservation, Recreation and Development Act of 2004 come to fruition and result in the sale of nearly 13,300 acres of land in southern Lincoln County which has generated funds for Lincoln County in addition to the promise of economic activity on the southern border of Lincoln County, just northerly of Mesquite, Nevada.

An electrical power generation facility is moving through the necessary permitting hurdles in southern Lincoln County which promises significant tax benefits to the county residents and businesses in addition to generating additional power generation for the area.

The Coyote Springs project has broken ground and is moving forward which provides the prospect for nearby jobs for residents of Lincoln County and is geared toward a quality real estate project with resort style amenities.

Lincoln County is also progressing with the Ely BLM District in the amendment to the current Resource Management Plan that will provide the basis upon which an additional 90,000 acres of BLM lands in Lincoln County will be auctioned and available for a variety of uses within the County all increasing the tax basis and private property in the County. Additionally, the County is requesting that BLM allow for a non-competitive sale of 240 acres related to the Alamo Industrial Park and for the competitive sale of additional 160 acres for housing related needs. Even with this release Lincoln County will still have less than 4% of its total land mass in private ownership.

Lincoln County has been working with SNWA with respect to the SNWA activities in Lincoln County and relative to the future development of water resources within Lincoln County necessary for the County future growth and in accordance with the LCWD/SNWA agreements entered into to date.

EXHIBIT F - WATER RESOURCES
Meeting Date: 02-15-06
Document consists of 9 pages.
Entire Exhibit Provided

Lincoln County has identified and is in the process of further identifying the location of its growth and expansion in the County. With the assistance of Vidler Water Company, LCWD is moving forward to secure the water resources that will help insure the economic activity in Lincoln County that requires water as a critical component of that activity.

Lincoln County History

In 1998, Lincoln County and Vidler Water Company filed joint applications in specified basins throughout Lincoln County for the purpose of appropriating water for economic development for Lincoln County. Lincoln County proceeded with the development of a Water Resource element for the Lincoln County master plan which was approved by Lincoln County in March of 2001. Prior to the adoption of the Water Resource element of the master plan, Lincoln County and Vidler entered into a Water Delivery Teaming Agreement, for the purpose of developing water resource projects only on a case by case basis. The agreement provided that Vidler would advance all capital necessary for water resource projects approved by both Vidler and Lincoln. When the proposed project was completed and revenue was generated, debt service, if any, from the project would be paid first and all remaining revenue would be allocated equally between the County and Vidler. The agreement provides that the County will never be obligated for any project expenditures. If a project is a success and revenue is generated then expenses will be reimbursed and revenues allocated between the parties. The agreement allowed Lincoln County to develop water resources for economic development at no risk to the County. To date Lincoln County Water District has received nearly \$5,000,000.00 from the initial activities related to the Lincoln County Land Act and the Toquop Energy site.

Lincoln County and Vidler Water Company entered into an agreement with Toquop Energy, Inc. for the proposed construction of an 800-1000 megawatt power generation plant, utilizing water rights from the Tule Groundwater Basin owned by both the County and Vidler.

Having concern over the validity of the agreements between Lincoln County and Vidler Water Company, Virgin Valley Water District through the Clark County District Attorney's Office, requested an Opinion from the Attorney General Office. The then Attorney General issued Opinion 2002-15, opining that the Legislature has not expressly authorized counties to engage in public private partnerships such as Lincoln and Vidler were pursuing. Lincoln County took exception to the opinion and requested a Bill from the 2003 legislature that would expressly allow for counties, in cooperation with private

entities to develop their resources for economic development within their own counties. Senate Bill 487 was drafted to allow for counties less than 400,000 to enter into agreements with private entities to develop water resources. Bill 487 passed the Senate sub-committee, Senate floor and the Assembly sub-committee, but fails to make it to the Assembly Floor. An alternative to SB-487 was discussed which allowed Lincoln County to form a Water District with powers similar to that of existing Water Districts in Nevada. The Water District as proposed and later adopted, has the authority to enter into a variety of agreements with private and public entities in forwarding the interests of the Water District.

The 2003 Legislature approved of the creation of a Lincoln County Water District. Lincoln County thereafter formed their Water District and proceeded to authorize and ratify agreements with Vidler. The District is currently working toward the development of water resources for three projects identified by the County for economic development which are the Lincoln County Land Act, the Toquop power generation Project and the Coyote Springs Project. Commissioner Ronda Hornbeck serves as the Chairwoman of the Lincoln County Water District.

Lincoln County Land Act

Congressional action mandated the disposal of 13,500 acres of BLM property in Lincoln County immediately North and adjacent to Mesquite, Nevada. The first increment of not less than 4,500 +/- acres was to have been completed by October 13, 2001 via an auction process with a minimum bid established by appraisal. The auction was held October 13, 2001 and no bids were received for the 6,500 +/- acres designated in 2 large parcels.

The auction failed in part due to the deposit forfeiture conditions and, in large part, due to challenges to the Environmental Assessment for the land parcels. In March of 2005 and at the mandate of the Lincoln County Conservation, Recreation and Development Act of 2004 the entire 13,300 acres were sold in several different parcels generating nearly \$4.75 Million Dollars for Lincoln County for purposes identified in the Act. While there is much to do to allow the development of the lands to proceed including the finalization of a Habitat Conservation Plan together with the permitting and delivery of water resources and other utility infrastructure the County and the parties are moving forward to accomplish those goals.

In November of 2002, the State Engineer issued Ruling 5181 which granted to LCWD/VIDLER 2100 acre feet of water for use relative to the Toquop power project and the Lincoln County Land Act and directed that additional data be collected relative to the remaining award of Application 64692.

LCWD/VIDLER has completed the additional drilling and are preparing the reports that were requested by the Nevada State Engineer under Ruling 5181 relating to Application 64692. All data and reports should be completed and delivered to the State Engineer before June of this year so that the State Engineer can further direction relative to the Tule groundwater basin. Additionally, LCWD/VIDLER has begun the preliminary phase for additional water development in Lincoln County for the water necessary for both the power generation facility and the Land Act properties.

In 2005, an application for an Environmental Impact Statement and Grant of Right of Way for the well fields and pipeline corridors has been filed with the Bureau of Land Management and it is expected that the scoping process for this EIS process will begin this spring

Toquop Power Project

In September 2000, Lincoln/Vidler entered into an agreement to locate and develop water resources for a power generation site within Lincoln County. Lincoln/Vidler located and developed water resources in Lincoln County within the Tule Desert Groundwater Basin for use by the proposed power generation project and the anticipated Land Act. After extensive field studies and administrative hearings the State of Nevada Water Engineer permitted 2100 acre-feet for municipal use to Lincoln/Vidler with the ability to obtain up to 7000 acre-feet of additional water with completion of additional studies as outlined by the State Engineer. The Environmental Impact Statement for the proposed site and right-ways has been completed.

Sithe Global Power, a privately owned international power plant operator with headquarters in New York and development offices in Houston is currently moving forward with the necessary permitting for its proposed 750 MW coal-fired electric power plant in Lincoln County.

The construction of the \$1billion dollar power plant will increase the tax base in Lincoln County more than 12 times over the current assessed value. The plant will employ approximately 812 construction workers for the 4 year construction period and 110 full time operations personnel.

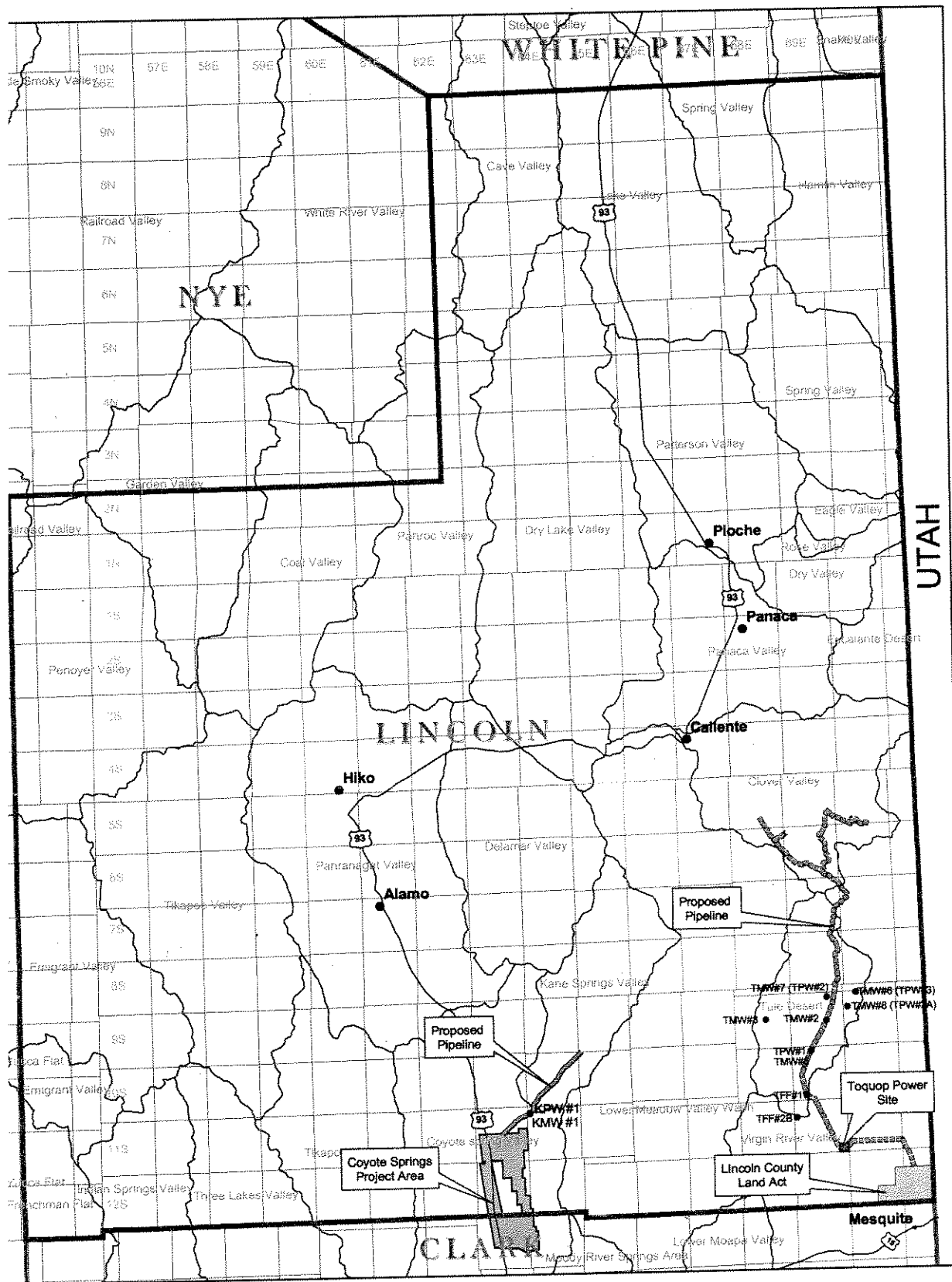
The plant will be dry cooled to reduce water consumption by 80 percent compared to a water cooled plant. The plant is committed to use municipal waste water if available as the water source when the Land Act properties are generating sufficient treated waste water.

The project will control over 90 percent of the NO_x emissions and 98 percent of SO₂ emissions and over 90 percent of sulfuric acid mist as well as over 80 percent of mercury emissions. As a comparison, the SO₂ emissions are expected to be only 4 percent of the Mohave Power Plant SO₂ emissions (EPA 2003).

Permitting is expected in mid-2007 with construction to begin shortly thereafter.

Coyote Springs Project

LCWD/ VIDLER is moving forward on assisting the Coyote Springs development in obtaining water for its multiple use project currently planned for commercial and residential development in both Lincoln and Clark Counties. To date LCWD/VIDLER has entered into agreements with the Coyote Springs Project to provide water from the Meadow Valley Wash area of Lincoln County and from Kane Springs Valley in Lincoln County. LCWD/VIDLER has been collecting data for the last two years and has just completed the initial drilling in Kane Springs Valley in anticipation of a hearing with the Nevada State Engineer's office which is scheduled for April of 2006. All of these efforts are intended to stimulate economic activity in Lincoln County and provide jobs for the residents of Lincoln County.

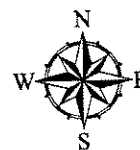


Lincoln County Pipeline Projects

1:635,000



1 inch equals 10.022096 miles



February 8, 2006

Created by DAM