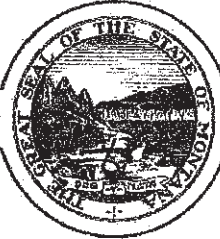


DEPARTMENT OF NATURAL RESOURCES
AND CONSERVATION



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May 10, 2013

Larry Bonderud, President
North Central MT Regional Water Authority
City of Shelby
112 First St South
Shelby, MT 59474

RE: North Central Regional Water Project/Brady

Thank you for your participation on the conference call Tuesday, April 30th, with such short notice. The discussion addressed on this call was the water rights issues surrounding the Pondera County Canal and Reservoir Company (PCCRC) and the Town of Conrad being able to provide water to Brady. This issue is very important to the success of this phase of the Regional Water Project.

The Water Master's report further complicates the issues that would allow water to flow through the Conrad to Brady pipeline. I am concerned that the report weakens the foundation that formed the basis of Conrad's willingness to supply water to Brady. Our reading of the report indicates a substantial reduction in PCCRC/Conrad shares.

A Memorandum of Understanding (MOU) agreement between the parties, which includes the PCCRC, is being circulated this week. However, I have seen no indication of willingness on the part of PCCRC to sign this agreement. If the MOU is signed by all parties, then I would ask that a meeting be immediately scheduled to discuss the specification of the plan and shared usage with all parties.

As I indicated, until a resolution to provide water to Brady has been identified, the Department of Natural Resources and Conservation (DNRC) cannot advance funds toward this phase of the North Central Project.

Please keep my staff informed of the progress on these issues and when they are resolved. If there are other viable options available to get water to Brady, let us know what we can do to assist in the process.

Sincerely,

John E. Tubbs
DNRC Director

Cc: North Central WRF file w/
Brady WRF file w/
Mark Smith, DEQ w/
Tim Davis WRD w/
Steve Wade, BKB&H w/

Rick Duncan, CARDD w/
Alice Stanley, CARDD w/
Anna Miller, CARDD w/
Ray Beck, CARDD w/
Bob Ganter, KL&J w/

AMM: dc

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