

M&I Only
Contract No.
6-07-20-W1373-LTR1

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Central Valley Project, California

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
SAN JUAN WATER DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM THE AMERICAN RIVER DIVISION

Table of Contents

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
	Preamble	1
	Explanatory Recitals	1-5
1	Definitions.....	5-8
2	Term of Contract.....	8-9
3	Water to be Made Available and Delivered to the Contractor.....	10-13
4	Time for Delivery of Water.....	13-14
5	Point of Diversion and Responsibility for Distribution of Water	14-15
6	Measurement of Water Within the Service Area	15-17
7	Rates and Method of Payment for Water	17-22
8	Omitted	22
9	Sales, Transfers, or Exchanges of Water	22-23
10	Application of Payments and Adjustments.....	24
11	Temporary Reductions--Return Flows.....	24-25
12	Constraints on the Availability of Water	25-26
13	Omitted	26
14	Rules and Regulations.....	26
15	Water and Air Pollution Control.....	26
16	Quality of Water.....	26-27
17	Water Acquired by the Contractor Other Than From the United States.....	27-29

Table of Contents - continued

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
18	Opinions and Determinations	29
19	Coordination and Cooperation.....	29-31
20	Charges for Delinquent Payments.....	31
21	Equal Opportunity.....	31-32
22	General Obligation--Benefits Conditioned Upon Payment	33
23	Compliance With Civil Rights Laws and Regulations	33
24	Omitted	33
25	Contractor to Pay Certain Miscellaneous Costs.....	33-34
26	Water Conservation	34-35
27	Existing or Acquired Water or Water Rights.....	35
28	Omitted	36
29	Contingent on Appropriation or Allotment of Funds	36
30	Books, Records, and Reports	36
31	Assignment Limited--Successors and Assigns Obligated.....	36-37
32	Severability	37
33	Resolution of Disputes	37-38
34	Officials Not to Benefit.....	38
35	Changes in Contractor's Service Area.....	38
-36	Federal Laws	39
37	Notices	39
38	Confirmation of Contract.....	39
	Signature Page.....	40

Exhibit A - Map of Contractor's Service Area

Exhibit B - Rates and Charges

1 UNITED STATES
2 DEPARTMENT OF THE INTERIOR
3 BUREAU OF RECLAMATION
4 Central Valley Project, California

5 LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
6 AND
7 SAN JUAN WATER DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE
FROM THE AMERICAN RIVER DIVISION

9 THIS CONTRACT, made this 28 day of February, 2006, in pursuance
10 generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto,
11 including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
12 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, June 21, 1963
13 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended,
14 November 3, 1990 (104 Stat. 2087), as amended, and Title XXXIV of the Act of October 30, 1992
15 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, between THE
16 UNITED STATES OF AMERICA, hereinafter referred to as the United States, and SAN JUAN
17 WATER DISTRICT, hereinafter referred to as the Contractor, a public agency of the State of
18 California, duly organized, existing, and acting pursuant to the laws thereof;

19 WITNESSETH, That:

20 EXPLANATORY RECITALS

21 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
22 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for flood

23 control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and
24 restoration, generation and distribution of electric energy, salinity control, navigation and other
25 beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the
26 San Joaquin River and their tributaries; and

27 [2nd] WHEREAS, the United States constructed Folsom Dam and Reservoir, hereinafter
28 collectively referred to as the American River Division facilities, which will be used in part for the
29 furnishing of water to the Contractor pursuant to the terms of this Contract; and

30 [3rd] WHEREAS, the rights to Project Water were acquired by the United States pursuant to
31 California law for operation of the Project; and

32 [3.1] WHEREAS, the Contractor succeeded to the rights of the North Fork Ditch Company
33 as set forth in Contract No. DA-04-167-eng-610, dated April 12, 1954, between the United States and
34 the Company, which contract is separate and apart from Contract 14-06-200-152A and remains in full
35 force and effect by its own terms; and

36 [3.2] WHEREAS, Contract No. DA-04-167-eng-610 provides, among other things for the
37 delivery to the Contractor by the United States of not to exceed 33,000 acre-feet of water each
38 Calendar Year, referred to as the Contractor's Water Rights Water; and

39 [4th] WHEREAS, the Contractor and the United States entered into Contract
40 No. 14-06-200-152A, dated June 19, 1962, as amended, which established terms for the delivery to
41 the Contractor of Project Water from the American River Division from June 19, 1962, through
42 February 28, 1995; and

43 [4.1] WHEREAS, both Contract No. 14-06-200-152A and Contract
44 No. DA-04-167-eng-610 provide that Project Water and the Contractor's Water Rights Water,
45 respectively, be delivered to Hinkle Reservoir; and

46 [5th] WHEREAS, the Contractor and the United States have pursuant to subsection
47 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into
48 interim renewal contract(s) identified as Contract No(s). 14-06-200-152A-IR1, 14-06-200-152A-IR2,
49 14-06-200-152A-IR3, 14-06-200-152A-IR4, 14-06-200-152A-IR5, 14-06-200-152A-IR6, 14-06-200-
50 152A-IR7, and 14-06-200-152A-IR8, the last of which is hereinafter referred to as the Existing
51 Contract, which provided for the continued water service to the Contractor from March 1, 2004,
52 through February 28, 2006; and

53 [5.1] Omitted; and

54 [5.2] WHEREAS, the Contractor and the United States entered into Contract
55 No. 6-07-20-W1373, dated April 8, 1999, pursuant to Section 206(b) of Public Law 101-514
56 (104 Stat. 2087), which provides for the delivery to the Contractor of up to 13,000 acre-feet per year
57 of Project Water from Folsom Reservoir, hereinafter referred to as the P. L. 101-514 CVP Contract.

58 [5.3] WHEREAS, the P. L. 101-514 CVP Contract provides that, at the time of the long-
59 term renewal of this Contract, the P. L. 101-514 CVP Contract would be amended to conform to the
60 provisions of this Contract. The United States and the Contractor desire to facilitate contract
61 administration by combining the quantity of Project Water provided for in the P. L. 101-514 Project
62 Contract with the quantity of Project Water in the Existing Contract, so that this Contract would be
63 the sole long-term contract for Project Water service between the United States and the Contractor
64 superseding and replacing the P. L. 101-514 Project Contract.

65 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the
66 Existing Contract following completion of appropriate environmental documentation, including a
67 programmatic environmental impact statement (PEIS) pursuant to the National Environmental Policy
68 Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the CVPIA and
69 the potential renewal of all existing contracts for Project Water; and

70 [6.1] Omitted; and

71 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
72 environmental review necessary to provide for long-term renewal of the Existing Contract; and

73 [8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing
74 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws of the
75 State of California, for water service from the Project; and

76 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all of
77 its obligations under the Existing Contract and under the P. L. 101-514 Project Contract; and

78 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting
79 Officer that the Contractor has utilized the Project Water supplies available to it for reasonable and
80 beneficial use and/or has demonstrated projected future demand for water use such that the Contractor
81 has the capability and expects to utilize fully for reasonable and beneficial use the quantity of Project
82 Water to be made available to it pursuant to this Contract; and

83 [11th] WHEREAS, water obtained from the Project has been relied upon by urban areas
84 within California for more than 50 years, and is considered by the Contractor as an essential portion
85 of its water supply; and

86 [12th] WHEREAS, the economies of regions within the Project, including the Contractor's,
87 depend upon the continued availability of water, including water service from the Project; and

88 [12.1] WHEREAS, in the California Bay-Delta Program (CALFED) Programmatic Record of
89 Decision, dated August 28, 2000, the United States and the State of California adopted a general
90 target of continuously improving Delta water quality for all uses. The CALFED Agencies' target for

91 providing safe, reliable, and affordable drinking water in a cost-effective way, is to achieve either:
92 “(a) average concentrations at Clifton Forebay and other southern and central Delta drinking water
93 intakes of 50 ug/L bromide and 3.0 mg/L total organic carbon, or (b) an equivalent level of public
94 health protection using a cost-effective combination of alternative source waters, source control and
95 treatment technologies;” and

96 [13th] WHEREAS, the Secretary of the Interior (Secretary) intends through coordination,
97 cooperation, and partnerships to pursue measures to improve water supply, water quality, and
98 reliability of the Project for all Project purposes; and

99 [13.1] WHEREAS, the Contractor and the water users in its Service Area have improved and
100 will continue to improve water use efficiency through water conservation, water reclamation, and
101 other Best Management Practices; however, implementing these measures has reduced and will
102 continue to reduce the ability of the Contractor and the water users in its Service Area to withstand a
103 Condition of Shortage; and

104 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
105 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment of
106 the Project as required by law; to guard reasonably against Project Water shortages; to achieve a
107 reasonable balance among competing demands for use of Project Water; and to comply with all
108 applicable environmental statutes, all consistent with the legal obligations of the United States
109 relative to the Project; and

110 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
111 relationship in order to achieve their mutual goals; and

112 [15.1] WHEREAS, the Contractor is a signatory to the Water Forum Agreement, dated
113 April 14, 2000, which has the co-equal objectives to (1) provide a reliable and safe water supply for
114 the Sacramento region’s economic health and planned development through the year 2030, and
115 (2) preserve the fishery, wildlife, recreational and aesthetic values of the lower American River; and

116 [15.2] WHEREAS, the Contracting Officer is in support of the co-equal objectives of the
117 Water Forum Agreement and intends to work cooperatively with the Contractor to investigate actions
118 that they could take to implement the objectives of the Water Forum Agreement, which, if agreed to,
119 would be the subject of a separate agreement between them; and

120 [15.3] WHEREAS, the Contractor now requires that the water provided pursuant to the
121 above said contracts be delivered to a higher elevation at its Sidney N. Peterson Water Treatment
122 Plant (hereinafter referred to as the Contractor's Water Treatment Plant); and

123 [15.4] WHEREAS, in *San Juan Suburban Water District v. United States*, Civ.
124 No. S-83-1621-LKK (E.D. Cal.), the District Court ruled that the United States was not obligated to
125 deliver Project Water or the Contractor's Water Rights Water to the higher elevation at the
126 Contractor's Water Treatment Plant; and

127 [16th] WHEREAS, the United States and the Contractor are willing to enter into this
128 Contract pursuant to Federal Reclamation law with the delivery of both Project Water and the
129 Contractor's Water Rights Water to the Contractor's Water Treatment Plant on the terms and
130 conditions set forth below;

131 NOW, THEREFORE, in consideration of the mutual and dependent covenants herein
132 contained, it is hereby mutually agreed by the parties hereto as follows:

133 DEFINITIONS

134 1. When used herein unless otherwise distinctly expressed, or manifestly incompatible
135 with the intent of the parties as expressed in this Contract, the term:

136 (a) "Calendar Year" shall mean the period January 1 through December 31, both
137 dates inclusive;

138 (b) "Charges" shall mean the payments required by Federal Reclamation law in
139 addition to the Rates and Tiered Pricing Component specified in this Contract as determined annually
140 by the Contracting Officer pursuant to this Contract;

141 (c) "Condition of Shortage" shall mean a condition respecting the Project during
142 any Year such that the Contracting Officer is unable to deliver sufficient water to meet the Contract
143 Total;

144 (d) "Contracting Officer" shall mean the Secretary's duly authorized representative
145 acting pursuant to this Contract or applicable Federal Reclamation law or regulation;

146 (e) "Contract Total" shall mean the maximum amount of water to which the
147 Contractor is entitled under subdivision (a) of Article 3 of this Contract;

148 (f) "Contractor's Service Area" shall mean the area to which the Contractor is
149 permitted to provide Project Water under this Contract as described in Exhibit "A" attached hereto,
150 which may be modified from time to time in accordance with Article 35 of this Contract without
151 amendment of this Contract;

152 (g) "CVPIA" shall mean the Central Valley Project Improvement Act, Title
153 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

154 (h-i) Omitted;

155 (j) "Full Cost Rate" shall mean an annual rate, as determined by the Contracting
156 Officer that shall amortize the expenditures for construction properly allocable to the Project
157 irrigation or municipal and industrial (M&I) functions, as appropriate, of facilities in service
158 including all operation and maintenance (O&M) deficits funded, less payments, over such periods as
159 may be required under Federal Reclamation law, or applicable contract provisions. Interest will
160 accrue on both the construction expenditures and funded O&M deficits from October 12, 1982, on
161 costs outstanding at that date, or from the date incurred in the case of costs arising subsequent to
162 October 12, 1982, and shall be calculated in accordance with subsections 202(3)(B) and (3)(C) of the
163 Reclamation Reform Act of 1982 (RRA). The Full Cost Rate includes actual operation, maintenance,
164 and replacement costs consistent with Section 426.2 of the Rules and Regulations for the RRA;

165 (k-1) Omitted;

166 (m) "Irrigation Water" shall mean water made available from the Project that is
167 used primarily in the production of agricultural crops or livestock, including domestic use incidental
168 thereto, and watering of livestock;

169 (n) Omitted;

170 (o) "Municipal and Industrial Water" or "M&I Water" shall mean Project Water,
171 other than Irrigation Water, made available to the Contractor. M&I Water shall include water used
172 for human use and purposes such as the watering of landscaping or pasture for animals (e.g., horses)
173 which are kept for personal enjoyment or water delivered to land holdings operated in units of less
174 than five acres unless the Contractor establishes to the satisfaction of the Contracting Officer that the
175 use of water delivered to any such landholding is a use described in subdivision (m) of this Article;

176 (p) "M&I Full Cost Water Rate" shall mean the Full Cost Rate applicable to the
177 delivery of M&I Water;

178 (q) "Operation and Maintenance" or "O&M" shall mean normal and reasonable
179 care, control, operation, repair, replacement (other than capital replacement), and maintenance of
180 Project facilities;

181 (r) Omitted;

182 (s) "Project" shall mean the Central Valley Project owned by the United States and
183 managed by the Department of the Interior, Bureau of Reclamation;

184 (t) "Project Contractors" shall mean all parties who have water service contracts
185 for Project Water from the Project with the United States pursuant to Federal Reclamation law;

186 (u) "Project Water" shall mean all water that is developed, diverted, stored, or
187 delivered by the Secretary in accordance with the statutes authorizing the Project and in accordance
188 with the terms and conditions of water rights acquired pursuant to California law;

189 (v) "Rates" shall mean the payments determined annually by the Contracting
190 Officer in accordance with the then-current applicable water ratesetting policies for the Project, as
191 described in subdivision (a) of Article 7 of this Contract;

192 (w) "Recent Historic Average" shall mean the most recent five-year average of the
193 final forecast of Water Made Available to the Contractor pursuant to this Contract or its preceding
194 contract(s);

195 (x) "Secretary" shall mean the Secretary of the Interior, a duly appointed
196 successor, or an authorized representative acting pursuant to any authority of the Secretary and
197 through any agency of the Department of the Interior;

198 (y) "Tiered Pricing Component" shall be the incremental amount to be paid for
199 each acre-foot of Water Delivered as described in subdivision (j) of Article 7 of this Contract;

200 (z) "Water Delivered" or "Delivered Water" shall mean Project Water diverted for
201 use by the Contractor at the point(s) of delivery approved by the Contracting Officer;

202 (aa) "Water Made Available" shall mean the estimated amount of Project Water
203 that can be delivered to the Contractor for the upcoming Year as declared by the Contracting Officer,
204 pursuant to subdivision (a) of Article 4 of this Contract;

205 (bb) "Water Scheduled" shall mean Project Water made available to the Contractor
206 for which times and quantities for delivery have been established by the Contractor and Contracting
207 Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

208 (cc) "Year" shall mean the period from and including March 1 of each Calendar
209 Year through the last day of February of the following Calendar Year.

210 TERM OF CONTRACT

211 2. (a) This Contract shall be effective March 1, 2005, through February 28, 2045, and
212 supersedes the Existing Contract. In the event the Contractor wishes to renew this Contract beyond
213 February 28, 2045, the Contractor shall submit a request for renewal in writing to the Contracting
214 Officer no later than two years prior to the date this Contract expires.

215 (b) Omitted.

216 (c) This Contract shall be renewed for successive periods of up to 40 years each,
217 which periods shall be consistent with the then-existing Bureau of Reclamation-wide policy, under
218 terms and conditions mutually agreeable to the parties and consistent with Federal and State law. The
219 Contractor shall be afforded the opportunity to comment to the Contracting Officer on the proposed
220 adoption and application of any revised policy applicable to the delivery of M&I Water that would
221 limit the term of any subsequent renewal contract with the Contractor for the furnishing of M&I
222 Water to less than 40 years.

223 (d) The Contracting Officer shall make a determination ten years after the date of
224 execution of this Contract, and every five years thereafter during the term of this Contract, of whether
225 a conversion to a contract under subsection 9(c)(1) of Section 9 of the Reclamation Project Act of
226 1939 can be accomplished. The Contracting Officer anticipates that during the term of this Contract,
227 all authorized Project construction expected to occur will have occurred, and on that basis the
228 Contracting Officer agrees upon such completion to allocate all costs that are properly assignable to
229 the Contractor, and agrees further that, at any time after such allocation is made, and subject to
230 satisfaction of the conditions set out in this subdivision of this Article, this Contract shall, at the
231 request of the Contractor, be converted to a contract under subsection 9 (c)(1) of the Reclamation
232 Project Act of 1939, subject to applicable Federal law and under stated terms and conditions mutually
233 agreeable to the Contractor and the Contracting Officer. A condition for such conversion to occur
234 shall be a determination by the Contracting Officer that, account being taken of the amount credited
235 to return by the Contractor as provided for under Federal Reclamation law, the remaining amount of
236 construction costs assignable for ultimate return by the Contractor can probably be repaid to the
237 United States within the term of a contract under said subsection (c)(1) of Section 9. If the remaining
238 amount of costs that are properly assignable to the Contractor cannot be determined during the term
239 of this Contract, the Contracting Officer shall notify the Contractor, and provide the reason(s) why
240 such a determination could not be made. Further, the Contracting Officer shall make such a

241 determination as soon thereafter as possible so as to permit, upon request of the Contractor and
242 satisfaction of the conditions set out above, conversion to a contract under subsection (c)(1) of
243 Section 9. In the event such determination of costs has not been made at a time which allows
244 conversion of this Contract during the term of this Contract or the Contractor has not requested
245 conversion of this Contract within such term, the parties shall incorporate in any subsequent renewal
246 contract as described in subdivision (c) of this Article a provision that carries forth in substantially
247 identical terms the provisions of this subdivision.

248 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

249 3. (a) During each Year, consistent with all applicable State water rights, permits,
250 and licenses, Federal law, and subject to the provisions set forth in Articles 3(b), 11, and 12 of this
251 Contract, the Contracting Officer shall make available for delivery to the Contractor 24,200 acre-feet
252 of Project Water for M&I purposes. Water Delivered to the Contractor in accordance with this
253 subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7 of this
254 Contract.

255 (b) Because the capacity of the Project to deliver Project Water has been
256 constrained in recent years and may be constrained in the future due to many factors including
257 hydrologic conditions and implementation of Federal and State laws, the likelihood of the Contractor
258 actually receiving the amount of Project Water set out in subdivision (a) of this Article in any given
259 Year is uncertain. The Contracting Officer's modeling referenced in the PEIS projected that the
260 Contract Total set forth in this Contract will not be available to the Contractor in many years. During
261 the most recent five years, the Recent Historic Average of Water Made Available to the Contractor
262 was 10,864 acre-feet (based on the non-P. L. 101-514 CVP Contract total of 11,200 acre feet).
263 Nothing in subdivision (b) of this Article shall affect the rights and obligations of the parties under
264 any provision of this Contract.

265 (c) The Contractor shall utilize the Project Water in accordance with all applicable
266 legal requirements.

267 (d) The Contractor shall make reasonable and beneficial use of all water furnished
268 pursuant to this Contract. Ground-water recharge programs (direct, indirect, or in lieu), ground-water
269 banking programs, surface water storage programs, and other similar programs utilizing Project
270 Water, Contractor's Water Rights Water, or other water furnished pursuant to this Contract conducted
271 within the Contractor's Service Area which are consistent with applicable State law and result in use
272 consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge
273 program(s) is (are) described in the Contractor's water conservation plan submitted pursuant to
274 Article 26 of this Contract; Provided, further, That such water conservation plan demonstrates
275 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average, the
276 quantity of Delivered Water is demonstrated to be reasonable for such uses and in compliance with
277 Federal Reclamation Law. Ground-water recharge programs, ground-water banking programs,
278 surface water storage programs, and other similar programs utilizing Project Water, Contractor's
279 Water Rights Water, or other water furnished pursuant to this Contract conducted outside the
280 Contractor's Service Area may be permitted upon written approval of the Contracting Officer, which
281 approval will be based upon environmental documentation, Project Water rights, and Project
282 operational concerns. The Contracting Officer will address such concerns in regulations, policies, or
283 guidelines.

284 (e) The Contractor shall comply with requirements applicable to the Contractor in
285 biological opinion(s) prepared as a result of a consultation regarding the execution of this Contract
286 undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA), as amended, that are
287 within the Contractor's legal authority to implement. The Existing Contract, which evidences in
288 excess of 40 years of diversions for M&I purposes of the quantities of water provided in subdivision
289 (a) of Article 3 of this Contract, will be considered in developing an appropriate baseline for the
290 biological assessment(s) prepared pursuant to the ESA, and any other needed environmental review.
291 Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial relief

292 in a court of competent jurisdiction with respect to any biological opinion or other environmental
293 documentation referred to in this Article.

294 (f) Following the declaration of Water Made Available under Article 4 of this
295 Contract, the Contracting Officer will make a determination whether Project Water, or other water
296 available to the Project, can be made available to the Contractor in addition to the Contract Total
297 under Article 3 of this Contract during the Year without adversely impacting other Project
298 Contractors. At the request of the Contractor, the Contracting Officer will consult with the
299 Contractor prior to making such a determination. If the Contracting Officer determines that Project
300 Water, or other water available to the Project, can be made available to the Contractor, the
301 Contracting Officer will announce the availability of such water and shall so notify the Contractor as
302 soon as practical. The Contracting Officer will thereafter meet with the Contractor and other Project
303 Contractors capable of taking such water to determine the most equitable and efficient allocation of
304 such water. If the Contractor requests the delivery of any quantity of such water, the Contracting
305 Officer shall make such water available to the Contractor in accordance with applicable statutes,
306 regulations, guidelines, and policies.

307 (g) The Contractor may request permission to reschedule for use during the
308 subsequent Year some or all of the Water Made Available to the Contractor during the current Year
309 referred to as "carryover." The Contractor may request permission to use during the current Year a
310 quantity of Project Water which may be made available by the United States to the Contractor during
311 the subsequent Year referred to as "preuse." The Contracting Officer's written approval may permit
312 such uses in accordance with applicable statutes, regulations, guidelines, and policies.

313 (h) The Contractor's right pursuant to Federal Reclamation law and applicable
314 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract during the
315 term thereof and any subsequent renewal contracts, as described in Article 2 of this Contract, during
316 the terms thereof shall not be disturbed so long as the Contractor shall fulfill all of its obligations
317 under this Contract and any renewals thereof. Nothing in the preceding sentence shall affect the

318 Contracting Officer's ability to impose shortages under Article 11 or subdivision (b) of Article 12 of
319 this Contract or applicable provisions of any subsequent renewal contracts.

320 (i) Project Water furnished to the Contractor pursuant to this Contract may be
321 delivered for purposes other than those described in subdivision (o) of Article 1 of this Contract upon
322 written approval by the Contracting Officer in accordance with the terms and conditions of such
323 approval.

324 (j) The Contracting Officer shall make reasonable efforts to protect the water
325 rights necessary for the Project and to provide the water available under this Contract. The
326 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
327 extent permitted by law, in administrative proceedings related to the Project Water rights; Provided,
328 That the Contracting Officer retains the right to object to the substance of the Contractor's position in
329 such a proceeding; Provided further, That in such proceedings the Contracting Officer shall recognize
330 the Contractor has a legal right under the terms of this Contract to use Project Water.

331 TIME FOR DELIVERY OF WATER

332 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer shall
333 announce the Contracting Officer's expected declaration of the Water Made Available. Such
334 declaration will be expressed in terms of both Water Made Available and the Recent Historic Average
335 and will be updated monthly, and more frequently if necessary, based on then-current operational and
336 hydrologic conditions and a new declaration with changes, if any, to the Water Made Available will
337 be made. The Contracting Officer shall provide forecasts of Project operations and the basis of the
338 estimate, with relevant supporting information, upon the written request of the Contractor.

339 Concurrently with the declaration of the Water Made Available, the Contracting Officer shall provide
340 the Contractor with the updated Recent Historic Average.

341 (b) On or before each March 1 and at such other times as necessary, the Contractor
342 shall submit to the Contracting Officer a written schedule, satisfactory to the Contracting Officer,
343 showing the monthly quantities of Project Water and Contractor's Water Rights Water to be delivered

344 by the United States to the Contractor pursuant to this Contract for the Year commencing on such
345 March 1. The Contracting Officer shall use all reasonable means to deliver Project Water and
346 Contractor's Water Rights Water according to the approved schedule for the Year commencing on
347 such March 1.

348 (c) The Contractor shall not schedule Project Water and/or Contractor's Water
349 Rights Water in excess of the quantity of such waters the Contractor intends to put to reasonable and
350 beneficial use within the Contractor's Service Area or to sell, transfer, or exchange pursuant to
351 Article 9 of this Contract during any Year.

352 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
353 Contract, the United States shall deliver Project Water and Contractor's Water Rights Water to the
354 Contractor in accordance with the initial schedule submitted by the Contractor pursuant to
355 subdivision (b) of this Article, or any written revision(s), satisfactory to the Contracting Officer,
356 thereto submitted within a reasonable time prior to the date(s) on which the requested change(s) is/are
357 to be implemented.

358 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

359 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
360 Contract and the Contractor's Water Rights Water shall be delivered to the Contractor at the
361 Contractor's Water Treatment Plant and any additional point or points of delivery either on Project
362 facilities or another location or locations mutually agreed to in writing by the Contracting Officer and
363 the Contractor.

364 (b) Omitted.

365 (c) The Contractor shall not deliver Project Water to land outside the Contractor's
366 Service Area unless approved in advance by the Contracting Officer.

367 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
368 measured and recorded with equipment furnished, installed, operated, and maintained by the United
369 States, or other appropriate entity as designated by the Contracting Officer at the point or points of

370 delivery established pursuant to subdivision (a) of this Article. Upon the request of either party to
371 this Contract, the Contracting Officer shall investigate, or cause to be investigated, the accuracy of
372 such measurements and shall take any necessary steps to adjust any errors appearing therein. For any
373 period of time when accurate measurements have not been made, the Contracting Officer shall
374 consult with the Contractor prior to making a final determination of the quantity delivered for that
375 period of time.

376 (e) The Contracting Officer shall not be responsible for the control, carriage,
377 handling, use, disposal, or distribution of Water Delivered and/or Contractor's Water Rights Water
378 Delivered to the Contractor pursuant to this Contract beyond the delivery points specified in
379 subdivision (a) of this Article. The Contractor shall indemnify the United States, its officers,
380 employees, agents, and assigns on account of damage or claim of damage of any nature whatsoever
381 for which there is legal responsibility, including property damage, personal injury, or death arising out
382 of or connected with the control, carriage, handling, use, disposal, or distribution of such Water
383 Delivered and/or Contractor's Water Rights Water Delivered beyond such delivery points, except for
384 any damage or claim arising out of: (i) acts or omissions of the Contracting Officer or any of its
385 officers, employees, agents, or assigns with the intent of creating the situation resulting in any damage
386 or claim; (ii) willful misconduct of the Contracting Officer or any of its officers, employees, agents,
387 or assigns; (iii) negligence of the Contracting Officer or any of its officers, employees, agents, or
388 assigns; or (iv) damage or claims resulting from a malfunction of facilities owned and/or operated by
389 the United States.

390 (f) Solely for the purposes of accounting required by this Contract, if the total
391 amount of water delivered to the Contractor in a given day is 149 acre-feet or less, all such water, not
392 to exceed 33,000 acre-feet per Calendar Year, shall be considered to be the Contractor's Water Rights
393 Water and shall not be subject to the Rates and Charges defined in this Contract except those charges
394 provided for in subdivision (n) of Article 7 of this Contract. All water delivered to the Contractor in a

395 given day in excess of 149 acre-feet shall be considered to be Delivered Water and shall be subject to
396 the Rates and Charges provided for in Article 7 hereof.

397 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

398 6. (a) The Contractor has established an measuring program satisfactory to the
399 Contracting Officer, the Contractor shall ensure that all surface water delivered for M&I purposes is
400 measured at each M&I service connection. The water measuring devices or water measuring methods
401 of comparable effectiveness must be acceptable to the Contracting Officer. The Contractor shall be
402 responsible for installing, operating, and maintaining and repairing all such measuring devices and
403 implementing all such water measuring methods at no cost to the United States. The Contractor shall
404 use the information obtained from such water measuring devices or water measuring methods to
405 ensure its proper management of the water, to bill water users for water delivered by the Contractor;
406 and, if applicable, to record water delivered for M&I purposes by customer class as defined in the
407 Contractor's water conservation plan provided for in Article 26 of this Contract. Nothing herein
408 contained, however, shall preclude the Contractor from establishing and collecting any charges,
409 assessments, or other revenues authorized by California law. The Contractor shall include a summary
410 of all its annual surface water deliveries in the annual report described in subdivision (c) of Article
411 26.

412 (b) To the extent the information has not otherwise been provided, upon execution
413 of this Contract, the Contractor shall provide to the Contracting Officer a written report describing the
414 measurement devices or water measuring methods being used or to be used to implement subdivision
415 (a) of this Article and identifying the M&I service connections or alternative measurement programs
416 approved by the Contracting Officer, at which such measurement devices or water measuring
417 methods are being used, and, if applicable, identifying the locations at which such devices and/or
418 methods are not yet being used including a time schedule for implementation at such locations. The
419 Contracting Officer shall advise the Contractor in writing within 60 days as to the adequacy of, and
420 necessary modifications, if any, of the measuring devices or water measuring methods identified in

421 the Contractor's report and if the Contracting Officer does not respond in such time, they shall be
422 deemed adequate. If the Contracting Officer notifies the Contractor that the measuring devices or
423 methods are inadequate, the parties shall within 60 days following the Contracting Officer's response,
424 commence to negotiate in good faith how, and the earliest practicable date by which, the Contractor
425 shall modify said measuring devices and/or measuring methods as required by the Contracting Officer
426 to ensure compliance with subdivision (a) of this Article.

427 (c) All new surface water delivery systems installed within the Contractor's
428 Service Area after the effective date of this Contract shall also comply with the measurement
429 provisions described in subdivision (a) of this Article.

430 (d) The Contractor shall inform the Contracting Officer and the State of California
431 in writing by April 30 of each Year of the monthly volume of surface water delivered within the
432 Contractor's Service Area during the previous Year.

433 (e) The Contractor shall inform the Contracting Officer on or before the 20th
434 calendar day of each month of the quantity of M&I Water taken during the preceding month.

435 RATES AND METHOD OF PAYMENT FOR WATER

436 7. (a) The Contractor shall pay the United States as provided in this Article for all
437 Delivered Water at Rates, Charges, and the Tiered Pricing Component established in accordance
438 with: (i) the Secretary's then-existing ratesetting policy for M&I Water, which ratesetting policies
439 shall be amended, modified, or superseded only through a public notice and comment procedure; (ii)
440 applicable Federal Reclamation law and associated rules and regulations, or policies; and (iii) other
441 applicable provisions of this Contract. Payments shall be made by cash transaction, electronic funds
442 transfer, or any other mechanism as may be agreed to in writing by the Contractor and the Contracting
443 Officer. The Rates, Charges, and Tiered Pricing Component applicable to the Contractor upon
444 execution of this Contract are set forth in Exhibit "B," as may be revised annually.

445 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges, and
446 Tiered Pricing Component as follows:

447 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
448 provide the Contractor an estimate of the Charges for Project Water that will be applied to the period
449 October 1, of the current Calendar Year, through September 30, of the following Calendar Year, and
450 the basis for such estimate. The Contractor shall be allowed not less than two months to review and
451 comment on such estimates. On or before September 15 of each Calendar Year, the Contracting
452 Officer shall notify the Contractor in writing of the Charges to be in effect during the period
453 October 1 of the current Calendar Year, through September 30, of the following Calendar Year, and
454 such notification shall revise Exhibit "B."

455 (2) Prior to October 1 of each Calendar Year, the Contracting Officer shall
456 make available to the Contractor an estimate of the Rates and Tiered Pricing Component for Project
457 Water for the following Year and the computations and cost allocations upon which those Rates are
458 based. The Contractor shall be allowed not less than two months to review and comment on such
459 computations and cost allocations. By December 31 of each Calendar Year, the Contracting Officer
460 shall provide the Contractor with the final Rates and Tiered Pricing Component to be in effect for the
461 upcoming Year, and such notification shall revise Exhibit "B."

462 (c) At the time the Contractor submits the initial schedule for the delivery of
463 Project Water and/or Contractor's Water Rights Water for each Year pursuant to subdivision (b) of
464 Article 4 of this Contract, the Contractor shall make an advance payment to the United States equal to
465 the total amount payable pursuant to the applicable Rate(s) set under subdivision (a) of this Article,
466 for the Project Water and/or Contractor's Water Rights Water scheduled to be delivered pursuant to
467 this Contract during the first two calendar months of the Year. Before the end of the first month and
468 before the end of each calendar month thereafter, the Contractor shall make an advance payment to
469 the United States, at the Rate(s) set under subdivision (a) of this Article, for the Water Scheduled to
470 be delivered pursuant to this Contract during the second month immediately following. Adjustments
471 between advance payments for Water Scheduled and payments at Rates due for Water Delivered shall
472 be made before the end of the following month; Provided, That any revised schedule submitted by the

473 Contractor pursuant to Article 4 of this Contract which increases the amount of Water Delivered
474 pursuant to this Contract during any month shall be accompanied with appropriate advance payment,
475 at the Rates then in effect, to assure that Project Water and/or Contractor's Water Rights Water is not
476 delivered to the Contractor in advance of such payment. In any month in which the quantity of Water
477 Delivered to the Contractor pursuant to this Contract equals the quantity of Water Scheduled and paid
478 for by the Contractor, no additional Project Water and/or Contractor's Water Rights Water shall be
479 delivered to the Contractor unless and until an advance payment at the Rates then in effect for such
480 additional Project Water and/or Contractor's Water Rights Water is made. Final adjustment between
481 the advance payments for the Water Scheduled and payments for the quantities of Water Delivered
482 during each Year pursuant to this Contract shall be made as soon as practicable but no later than
483 April 30th of the following Year, or 60 days after the delivery of Project Water carried over under
484 subdivision (f) of Article 3 of this Contract if such water is not delivered by the last day of February.

485 (d) The Contractor shall also make a payment in addition to the Rate(s) in
486 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
487 appropriate Tiered Pricing Component then in effect, before the end of the month following the
488 month of delivery. The payments shall be consistent with the quantities of M&I Water Delivered as
489 shown in the water delivery report for the subject month prepared by the Contracting Officer. The
490 water delivery report shall be deemed a bill for the payment of Charges and the applicable Tiered
491 Pricing Component for Water Delivered. Adjustment for overpayment or underpayment of Charges
492 shall be made through the adjustment of payments due to the United States for Charges for the next
493 month. Any amount to be paid for past due payment of Charges and the Tiered Pricing Component
494 shall be computed pursuant to Article 20 of this Contract.

495 (e) The Contractor shall pay for any Water Delivered under subdivision (a), (f), or
496 (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable
497 statutes, associated regulations, any applicable provisions of guidelines or ratesetting policies;

498 Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this Contract shall
499 be no more than the otherwise applicable Rate for M&I Water under subdivision (a) of this Article.

500 (f) Payments to be made by the Contractor to the United States under this Contract
501 may be paid from any revenues available to the Contractor.

502 (g) All revenues received by the United States from the Contractor relating to the
503 delivery of Project Water or the delivery of non-Project water through Project facilities shall be
504 allocated and applied in accordance with Federal Reclamation law and the associated rules or
505 regulations, and the then-current Project ratesetting policy for M&I Water.

506 (h) The Contracting Officer shall keep its accounts pertaining to the administration
507 of the financial terms and conditions of its long-term contracts, in accordance with applicable Federal
508 standards, so as to reflect the application of Project costs and revenues. The Contracting Officer
509 shall, each Year upon request of the Contractor, provide to the Contractor a detailed accounting of all
510 Project and Contractor expense allocations, the disposition of all Project and Contractor revenues,
511 and a summary of all water delivery information. The Contracting Officer and the Contractor shall
512 enter into good faith negotiations to resolve any discrepancies or disputes relating to accountings,
513 reports, or information.

514 (i) The parties acknowledge and agree that the efficient administration of this
515 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,
516 policies, and procedures used for establishing Rates, Charges, and Tiered Pricing Components, and/or
517 for making and allocating payments, other than those set forth in this Article may be in the mutual
518 best interest of the parties, it is expressly agreed that the parties may enter into agreements to modify
519 the mechanisms, policies, and procedures for any of those purposes while this Contract is in effect
520 without amending this Contract.

521 (j) (1) Beginning at such time as deliveries of Project Water in a Year exceed
522 80 percent of the Contract Total, then before the end of the month following the month of delivery the
523 Contractor shall make an additional payment to the United States equal to the applicable Tiered

524 Pricing Component. The Tiered Pricing Component for the amount of Water Delivered in excess of
525 80 percent of the Contract Total, but less than or equal to 90 percent of the Contract Total, shall equal
526 one-half of the difference between the Rate established under subdivision (a) of this Article and the
527 M&I Full Cost Water Rate. The Tiered Pricing Component for the amount of Water Delivered which
528 exceeds 90 percent of the Contract Total shall equal the difference between (i) the Rate established
529 under subdivision (a) of this Article and (ii) the M&I Full Cost Water Rate.

530 (2) Omitted.

531 (3) For purposes of determining the applicability of the Tiered Pricing
532 Component pursuant to this Article, Water Delivered shall include Project Water that the Contractor
533 transfers to others but shall not include Project Water transferred to the Contractor, nor shall it
534 include the additional water provided to the Contractor under the provisions of subdivision (f) of
535 Article 3 of this Contract.

536 (k) For the term of this Contract, Rates under the respective ratesetting policies
537 will be established to recover only reimbursable O&M (including any deficits) and capital costs of the
538 Project, as those terms are used in the then-current Project ratesetting policies, and interest, where
539 appropriate, except in instances where a minimum Rate is applicable in accordance with the relevant
540 Project ratesetting policy. Changes of significance in practices which implement the Contracting
541 Officer's ratesetting policies will not be implemented until the Contracting Officer has provided the
542 Contractor an opportunity to discuss the nature, need, and impact of the proposed change.

543 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,
544 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates adjusted
545 upward or downward to reflect the changed costs, if any, incurred by the Contracting Officer in the
546 delivery of the transferred Project Water to the transferee's point of delivery in accordance with the
547 then-applicable Project ratesetting policy.

548 (m) Omitted.

549 (n) The Contractor shall be responsible for the payment for all incremental power
550 required to pump Project Water and the Contractor's Water Rights Water to the Contractor's Water
551 Treatment Plant in lieu of Hinkle Reservoir. Each month, the Contracting Officer will determine the
552 quantity of said incremental power used during the preceding month and provide the number of
553 kilowatt-hours so used to the supplier of the incremental power and the Contractor.

554 (o) With respect to the Rates for M&I water, the Contractor asserts that it is not
555 legally obligated to pay any Project deficits claimed by the United States to have accrued as of the
556 date of this Contract or deficit-related interest charges thereon. By entering into this Contract, the
557 Contractor does not waive any legal rights or remedies that it may have with respect to such disputed
558 issues. Notwithstanding the execution of this Contract, and payments made hereunder, the Contractor
559 may challenge in the appropriate administrative or judicial forums: (1) the existence, computation, or
560 imposition of any deficit charges accruing during the term of the Existing Contract and any preceding
561 interim renewal contracts, if applicable; (2) interest accruing on any such deficits; (3) the inclusion of
562 any such deficit charges or interest in the Rates; (4) the application by the United States of payments
563 made by the Contractor under its Existing Contract and any preceding interim renewal contract, if
564 applicable; and (5) the application of such payments in the Rates. The Contracting Officer agrees that
565 the Contractor shall be entitled to the benefit of any administrative or judicial ruling in favor of any
566 other Project M&I contractor on any of these issues, and credits for payments heretofore made,
567 Provided, That the basis for such ruling is applicable to the Contractor.

568 (p) The Contractor and the Contracting Officer concur that, as of the effective date
569 of this Contract, there is no O&M deficit under the P. L. 101-514 Project Contract.

570 8. Omitted.

571 SALES, TRANSFERS, OR EXCHANGES OF WATER

572 9. (a) The right to receive Project Water provided for in this Contract may be sold,
573 transferred, or exchanged to others for reasonable and beneficial uses within the State of California if
574 such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable

575 guidelines or regulations then in effect; Provided, That the portion of the Contract Total originally
576 attributable to the P. L. 101-514 Project Contract (13,000 acre-feet) may only be sold, transferred, or
577 exchanged to others for reasonable and beneficial uses within the Counties of Sacramento and
578 El Dorado, State of California. No sale, transfer, or exchange of Project Water under this Contract
579 may take place without the prior written approval of the Contracting Officer, except as provided for in
580 subdivision (b) of this Article, and no such sales, transfers, or exchanges shall be approved absent all
581 appropriate environmental documentation, including but not limited to documents prepared pursuant
582 to NEPA and ESA. Such environmental documentation should include, as appropriate, an analysis of
583 ground-water impacts and economic and social effects, including environmental justice, of the
584 proposed water transfers on both the transferor and transferee.

585 (b) In order to facilitate efficient water management, among Project Contractors
586 located within the same geographical area, by means of water transfers and to allow the Contractor to
587 participate in an accelerated water transfer program during the term of this Contract, the Contracting
588 Officer shall prepare, as appropriate, all necessary environmental documentation including, but not
589 limited to documents prepared pursuant to NEPA and ESA analyzing annual transfers within such
590 geographical areas and the Contracting Officer shall determine whether such transfers comply with
591 applicable law. Following the completion of the environmental documentation, such transfers
592 addressed in such documentation shall be conducted with advance notice to the Contracting Officer,
593 but shall not require prior written approval by the Contracting Officer. Such environmental
594 documentation and the Contracting Officer's compliance determination shall be reviewed every five
595 years and updated, as necessary, prior to the expiration of the then-existing five-year period. All
596 subsequent environmental documentation shall include an alternative to evaluate not less than the
597 quantity of Project Water historically transferred within the same geographical area.

598 (c) For a water transfer to qualify under subdivision (b) of this Article, such water
599 transfer must: (i) be for irrigation purposes for lands irrigated within the previous three years, or to be
600 delivered to established cropland, wildlife refuges, ground-water basins, or M&I use; (ii) occur within

601 a single Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water through
602 existing Project facilities with no new construction or modifications to Project facilities and be
603 between existing Project Contractors and/or the Contractor and the United States, Department of the
604 Interior; and (v) comply with all applicable Federal, State, and local or tribal laws and requirements
605 imposed for protection of the environment and Indian Trust Assets, as defined under Federal law.
606 Such water transfers must not lead to land conversion.

607 (d) Solely for the purpose of determining whether Section 3405(a)(1)(M) of the
608 CVPIA applies to the Contractor as a transferor or transferee of Project Water, the Contracting
609 Officer acknowledges that the Contractor is within a county, watershed, or other area of origin, as
610 those terms are utilized under California law, of water that constitutes the natural flow of the
611 American River and its tributaries above the confluence of the American and Sacramento Rivers.

612 APPLICATION OF PAYMENTS AND ADJUSTMENTS

613 10. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,
614 capital, interest, and deficit (if any) obligations for the Year shall be applied first to any current
615 liabilities of the Contractor arising out of this Contract then due and payable. Overpayments of more
616 than \$1,000 shall be refunded at the Contractor's request. In lieu of a refund, any amount of such
617 overpayment, at the option of the Contractor, may be credited against amounts to become due to the
618 United States by the Contractor. With respect to overpayment, such refund or adjustment shall
619 constitute the sole remedy of the Contractor or anyone having or claiming to have the right to the use
620 of any of the Project Water supply provided for herein. All credits and refunds of overpayments shall
621 be made within 30 days of the Contracting Officer obtaining direction as to how to credit or refund
622 such overpayment in response to the notice to the Contractor that it has finalized the accounts for the
623 Year in which the overpayment was made.

624 (b) All advances for miscellaneous costs incurred for work requested by the
625 Contractor pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs when the
626 work has been completed. If the advances exceed the actual costs incurred, the difference will be

627 refunded to the Contractor. If the actual costs exceed the Contractor's advances, the Contractor will
628 be billed for the additional costs pursuant to Article 25.

629 TEMPORARY REDUCTIONS--RETURN FLOWS

630 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the
631 requirements of Federal law and (ii) the obligations of the United States under existing contracts, or
632 renewals thereof, providing for water deliveries from the Project, the Contracting Officer shall make
633 all reasonable efforts to optimize Project Water deliveries to the Contractor as provided in this
634 Contract.

635 (b) The Contracting Officer may temporarily discontinue or reduce the quantity of
636 Water Delivered to the Contractor as herein provided for the purposes of investigation, inspection,
637 maintenance, repair, or replacement of any of the Project facilities or any part thereof necessary for
638 the delivery of Project Water and/or Contractor's Water Rights Water to the Contractor, but so far as
639 feasible the Contracting Officer will give the Contractor due notice in advance of such temporary
640 discontinuance or reduction, except in case of emergency, in which case no notice need be given;
641 Provided, That the United States shall use its best efforts to avoid any discontinuance or reduction in
642 such service. Upon resumption of service after such reduction or discontinuance, and if requested by
643 the Contractor, the United States will, if possible, deliver the quantity of Project Water and/or
644 Contractor's Water Rights Water which would have been delivered hereunder in the absence of such
645 discontinuance or reduction.

646 (c) The United States reserves the right to all seepage and return flow water
647 derived from Water Delivered to the Contractor hereunder which escapes or is discharged beyond the
648 Contractor's Service Area; Provided, That this shall not be construed as claiming for the United States
649 any right to seepage or return flow being put to reasonable and beneficial use pursuant to this
650 Contract within the Contractor's Service Area by the Contractor or those claiming by, through, or
651 under the Contractor.

652 CONSTRAINTS ON THE AVAILABILITY OF WATER

653 12. (a) In its operation of the Project, the Contracting Officer will use all reasonable
654 means to guard against a Condition of Shortage in the quantity of water to be made available to the
655 Contractor pursuant to this long-term renewal Contract. In the event the Contracting Officer
656 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the
657 Contractor of said determination as soon as practicable.

658 (b) If there is a Condition of Shortage because of errors in physical operations of
659 the Project, drought, other physical causes beyond the control of the Contracting Officer or actions
660 taken by the Contracting Officer to meet legal obligations then, except as provided in subdivision (a)
661 of Article 18 of this Contract, no liability shall accrue against the United States or any of its officers,
662 agents, or employees for any damage, direct or indirect, arising therefrom.

663 (c) Omitted.

664 (d) Project Water furnished under this Contract will be allocated in accordance
665 with the then-existing Project M&I Water Shortage Policy. Such policy shall be amended, modified,
666 or superseded only through a public notice and comment procedure.

667 13. Omitted.

668 RULES AND REGULATIONS

669 14. The parties agree that the delivery of M&I water or use of Federal facilities pursuant to
670 this Contract is subject to Federal Reclamation law, as amended and supplemented, and the rules and
671 regulations promulgated by the Secretary under Federal Reclamation law.

672 WATER AND AIR POLLUTION CONTROL

673 15. The Contractor, in carrying out this Contract, shall comply with all applicable water
674 and air pollution laws and regulations of the United States and the State of California, and shall
675 obtain all required permits or licenses from the appropriate Federal, State, or local authorities.

676 QUALITY OF WATER

677 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant to this
678 Contract shall be operated and maintained to enable the United States to deliver Project Water to the
679 Contractor in accordance with the water quality standards specified in subsection 2(b) of the Act of
680 August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October 27, 1986 (100 Stat.
681 3050), or other existing Federal laws. The United States is under no obligation to construct or furnish
682 water treatment facilities to maintain or to improve the quality of Water Delivered to the Contractor
683 pursuant to this Contract. The United States does not warrant the quality of Water Delivered to the
684 Contractor pursuant to this Contract.

685 (b) The O&M of Project facilities shall be performed in such manner as is practicable
686 to maintain the quality of raw water made available through such facilities at the highest level
687 reasonably attainable as determined by the Contracting Officer. The Contractor shall be responsible
688 for compliance with all State and Federal water quality standards applicable to surface and subsurface
689 agricultural drainage discharges, if any, generated through the use of Federal or Contractor facilities
690 or Project Water provided by the Contractor within the Contractor's Service Area.

691 (c) The Contracting Officer and the Contractor shall communicate, coordinate, and
692 cooperate with each other with respect to the O&M of the Project by the United States in accordance
693 with Articles 11 and 19 of this Contract.

694 WATER ACQUIRED BY THE CONTRACTOR
695 OTHER THAN FROM THE UNITED STATES

696 17. (a) Omitted.

697 (b) Water or water rights now owned or hereafter acquired by the Contractor, other
698 than from the United States may be stored, conveyed, and/or diverted through Project facilities,
699 subject to the completion of appropriate environmental documentation, with the approval of the
700 Contracting Officer and the execution of any contract determined by the Contracting Officer to be
701 necessary, consistent with the following provisions:

702 (1) The Contractor may introduce non-Project water into Project facilities
703 and deliver said water to lands within the Contractor's Service Area, subject to payment to the United
704 States of an appropriate rate as determined by the applicable Project ratesetting policy and the Project
705 use power policy, if such Project use power policy is applicable, each as amended, modified, or
706 superseded from time to time. In addition, if electrical power is required to pump non-Project water
707 through the facilities, the Contractor shall be responsible for obtaining the necessary power and
708 paying the necessary charges therefor.

709 (2) Delivery of such non-Project water in and through Project facilities
710 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project purposes as
711 determined by the Contracting Officer; (ii) reduce the quantity or quality of water available to other
712 Project contractors; (iii) interfere with the delivery of contractual water entitlements to any other
713 Project contractors; or (iv) interfere with the physical maintenance of the Project facilities; Provided,
714 That nothing in this Article is intended to preclude the United States from passing the Contractor's
715 Water Rights Water through Project storage facilities to the extent required to satisfy the Contractor's
716 water rights that are senior to those of the Project under the applicable provisions of California water
717 law. Provided further, That the United States has determined that the delivery of non-Project water in
718 and through Project facilities pursuant to Warren Act Contract No. 6-07-20-W1315 between the
719 United States and the Contractor, as it now exists and as it may be amended, extended, or renewed in
720 the future, satisfies the requirements of this Article.

721 (3) The United States shall not be responsible for control, care, or
722 distribution of the non-Project water before it is introduced into or after it is delivered from the
723 Project facilities. The Contractor hereby releases and agrees to defend and indemnify the United
724 States and their respective officers, agents, and employees, from any claim for damage to persons or
725 property, direct or indirect, resulting from the acts of the Contractor, its officers', employees, agents,
726 or assigns, act in (i) extracting or diverting non-Project water from any source, or (ii) diverting such
727 non-Project water into Project facilities.

728 (4) Diversion of such non-Project water into Project facilities shall be
729 consistent with all applicable laws, and if involving groundwater, consistent with any applicable
730 ground-water management plan applicable to the Contractor for the area from which it was extracted.

731 (5) After Project purposes are met, as determined by the Contracting
732 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity of
733 the facilities declared to be available by the Contracting Officer for conveyance and transportation of
734 non-Project water prior to any such remaining capacity being made available to non-Project
735 Contractors.

736 OPINIONS AND DETERMINATIONS

737 18. (a) Where the terms of this Contract provide for actions to be based upon the
738 opinion or determination of either party to this Contract, said terms shall not be construed as
739 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
740 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly reserve
741 the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or
742 unreasonable opinion or determination. Each opinion or determination by either party shall be
743 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is intended to
744 or shall affect or alter the standard of judicial review applicable under Federal law to any opinion or
745 determination implementing a specific provision of Federal law embodied in statute or regulation.

746 (b) The Contracting Officer shall have the right to make determinations necessary
747 to administer this Contract that are consistent with the provisions of this Contract, the laws of the
748 United States and of the State of California, and the rules and regulations promulgated by the
749 Secretary. Such determinations shall be made in consultation with the Contractor to the extent
750 reasonably practicable.

751 COORDINATION AND COOPERATION

752 19. (a) In order to further their mutual goals and objectives, the Contracting Officer
753 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other

754 affected Project Contractors, in order to improve the O&M of the Project. The communication,
755 coordination, and cooperation regarding operations and management shall include, but not be limited
756 to, any action which will or may materially affect the quantity or quality of Project Water supply, the
757 allocation of Project Water supply, and Project financial matters including, but not limited to, budget
758 issues. The communication, coordination, and cooperation provided for hereunder shall extend to all
759 provisions of this Contract. Each party shall retain exclusive decision making authority for all
760 actions, opinions, and determinations to be made by the respective party.

761 (b) Within 120 days following the effective date of this Contract, the Contractor,
762 other affected Project Contractors, and the Contracting Officer shall arrange to meet with interested
763 Project Contractors to develop a mutually agreeable, written Project-wide process, which may be
764 amended as necessary separate and apart from this Contract. The goal of this process shall be to
765 provide, to the extent practicable, the means of mutual communication and interaction regarding
766 significant decisions concerning Project O&M on a real-time basis.

767 (c) In light of the factors referred to in subdivision (b) of Article 3 of this Contract,
768 it is the intent of the Secretary to improve water supply reliability. To carry out this intent:

769 (1) The Contracting Officer will, at the request of the Contractor, assist in
770 the development of integrated resource management plans for the Contractor. Further, the
771 Contracting Officer will, as appropriate, seek authorizations for implementation of partnerships to
772 improve water supply, water quality, and reliability.

773 (2) The Secretary will, as appropriate, pursue program and project
774 implementation and authorization in coordination with Project Contractors to improve the water
775 supply, water quality, and reliability of the Project for all Project purposes.

776 (3) The Secretary will coordinate with Project Contractors and the State of
777 California to seek improved water resource management.

778 (4) The Secretary will coordinate actions of agencies within the
779 Department of the Interior that may impact the availability of water for Project purposes.

780 (5) The Contracting Officer shall periodically, but not less than annually,
781 hold division level meetings to discuss Project operations, division level water management activities,
782 and other issues as appropriate.

783 (d) Without limiting the contractual obligations of the Contracting Officer under
784 the other Articles of this Contract, nothing in this Article shall be construed to limit or constrain the
785 Contracting Officer's ability to communicate, coordinate, and cooperate with the Contractor or other
786 interested stakeholders or to make decisions in a timely fashion as needed to protect health, safety, or
787 the physical integrity of structures or facilities.

788 CHARGES FOR DELINQUENT PAYMENTS

789 20. (a) The Contractor shall be subject to interest, administrative, and penalty charges
790 on delinquent installments or payments. When a payment is not received by the due date, the
791 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.
792 When a payment becomes 60 days delinquent, the Contractor shall pay an administrative charge to
793 cover additional costs of billing and processing the delinquent payment. When a payment is
794 delinquent 90 days or more, the Contractor shall pay an additional penalty charge of six percent per
795 year for each day the payment is delinquent beyond the due date. Further, the Contractor shall pay
796 any fees incurred for debt collection services associated with a delinquent payment.

797 (b) The interest charge rate shall be the greater of the rate prescribed quarterly in
798 the Federal Register by the Department of the Treasury for application to overdue payments, or the
799 interest rate of one-half of one percent per month prescribed by Section 6 of the Reclamation Project
800 Act of 1939 (Public Law 76-260). The interest charge rate shall be determined as of the due date and
801 remain fixed for the duration of the delinquent period.

802 (c) When a partial payment on a delinquent account is received, the amount
803 received shall be applied, first to the penalty, second to the administrative charges, third to the
804 accrued interest, and finally to the overdue payment.

805 EQUAL OPPORTUNITY

806 21. During the performance of this Contract, the Contractor agrees as follows:

807 (a) The Contractor will not discriminate against any employee or applicant for
808 employment because of race, color, religion, sex, or national origin. The Contractor will take
809 affirmative action to ensure that applicants are employed, and that employees are treated during
810 employment, without regard to their race, color, religion, sex, or national origin. Such action shall
811 include, but not be limited to, the following: Employment, upgrading, demotion, or transfer;

812 recruitment or recruitment advertising; layoff or termination, rates of payment or other forms of
813 compensation; and selection for training, including apprenticeship. The Contractor agrees to post in
814 conspicuous places, available to employees and applicants for employment, notices to be provided by
815 the Contracting Officer setting forth the provisions of this nondiscrimination clause.

816 (b) The Contractor will, in all solicitations or advertisements for employees placed
817 by or on behalf of the Contractor, state that all qualified applicants will receive consideration for
818 employment without discrimination because of race, color, religion, sex, or national origin.

819 (c) The Contractor will send to each labor union or representative of workers with
820 which it has a collective bargaining agreement or other contract or understanding, a notice, to be
821 provided by the Contracting Officer, advising the said labor union or workers' representative of the
822 Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and
823 shall post copies of the notice in conspicuous places available to employees and applicants for
824 employment.

825 (d) The Contractor will comply with all provisions of Executive Order No. 11246
826 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary
827 of Labor.

828 (e) The Contractor will furnish all information and reports required by said
829 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or
830 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting Officer
831 and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules,
832 regulations, and orders.

833 (f) In the event of the Contractor's noncompliance with the nondiscrimination
834 clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be
835 canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared ineligible
836 for further Government contracts in accordance with procedures authorized in said amended
837 Executive Order, and such other sanctions may be imposed and remedies invoked as provided in said
838 Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided
839 by law.

840 (g) The Contractor will include the provisions of paragraphs (a) through (g) in
841 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
842 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
843 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action
844 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a
845 means of enforcing such provisions, including sanctions for noncompliance: Provided, however,
846 That in the event the Contractor becomes involved in, or is threatened with, litigation with a
847 subcontractor or vendor as a result of such direction, the Contractor may request the United States to
848 enter into such litigation to protect the interests of the United States.

849 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

850 22. (a) The obligation of the Contractor to pay the United States as provided in this
851 Contract is a general obligation of the Contractor notwithstanding the manner in which the obligation
852 may be distributed among the Contractor's water users and notwithstanding the default of individual
853 water users in their obligations to the Contractor.

854 (b) The payment of charges becoming due hereunder is a condition precedent to
855 receiving benefits under this Contract. The United States shall not make water available to the
856 Contractor through Project facilities during any period in which the Contractor may be in arrears in
857 the advance payment of water rates due the United States. The Contractor shall not furnish water
858 made available pursuant to this Contract for lands or parties which are in arrears in the advance
859 payment of water rates levied or established by the Contractor.

860 (c) With respect to subdivision (b) of this Article, the Contractor shall have no
861 obligation to require advance payment for water rates which it levies.

862 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

863 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
864 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the Age
865 Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws, as
866 well as with their respective implementing regulations and guidelines imposed by the U.S.
867 Department of the Interior and/or Bureau of Reclamation.

868 (b) These statutes require that no person in the United States shall, on the grounds
869 of race, color, national origin, handicap, or age, be excluded from participation in, be denied the
870 benefits of, or be otherwise subjected to discrimination under any program or activity receiving
871 financial assistance from the Bureau of Reclamation. By executing this Contract, the Contractor
872 agrees to immediately take any measures necessary to implement this obligation, including permitting
873 officials of the United States to inspect premises, programs, and documents.

874 (c) The Contractor makes this agreement in consideration of and for the purpose of
875 obtaining any and all Federal grants, loans, contracts, property discounts, or other Federal financial
876 assistance extended after the date hereof to the Contractor by the Bureau of Reclamation, including
877 installment payments after such date on account of arrangements for Federal financial assistance
878 which were approved before such date. The Contractor recognizes and agrees that such Federal
879 assistance will be extended in reliance on the representations and agreements made in this Article,
880 and that the United States reserves the right to seek judicial enforcement thereof.

881 24. Omitted.

882

883

CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

884

25. In addition to all other payments to be made by the Contractor pursuant to this

885

Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and

886

detailed statement submitted by the Contracting Officer to the Contractor for such specific items of

887

direct cost incurred by the United States for work requested by the Contractor associated with this

888

Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and

889

procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in

890

writing in advance by the Contractor. This Article shall not apply to costs for routine contract

891

administration.

892

WATER CONSERVATION

893

26. (a) Prior to the delivery of water provided from or conveyed through Federally-

894

constructed or Federally-financed facilities pursuant to this Contract, the Contractor shall be

895

implementing an effective water conservation and efficiency program based on the Contractor's water

896

conservation plan that has been determined by the Contracting Officer to meet the conservation and

897

efficiency criteria for evaluating water conservation plans established under Federal law. The water

898

conservation and efficiency program shall contain definite water conservation objectives, appropriate

899

economically feasible water conservation measures, and time schedules for meeting those objectives.

900

Continued Project Water delivery pursuant to this Contract shall be contingent upon the Contractor's

901

continued implementation of such water conservation program. In the event the Contractor's water

902

conservation plan or any revised water conservation plan completed pursuant to subdivision (d) of

903

Article 26 of this Contract have not yet been determined by the Contracting Officer to meet such

904

criteria, due to circumstances which the Contracting Officer determines are beyond the control of the

905

Contractor, water deliveries shall be made under this Contract so long as the Contractor diligently

906

works with the Contracting Officer to obtain such determination at the earliest practicable date, and

907

thereafter the Contractor immediately begins implementing its water conservation and efficiency

908

program in accordance with the time schedules therein.

909 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
910 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall implement the
911 Best Management Practices identified by the time frames issued by the California Urban Water
912 Conservation Council for such M&I Water unless any such practice is determined by the Contracting
913 Officer to be inappropriate for the Contractor.

914 (c) The Contractor shall submit to the Contracting Officer a report on the status of
915 its implementation of the water conservation plan on the reporting dates specified in the then existing
916 conservation and efficiency criteria established under Federal law.

917 (d) At five-year intervals, the Contractor shall revise its water conservation plan to
918 reflect the then-current conservation and efficiency criteria for evaluating water conservation plans
919 established under Federal law and submit such revised water management plan to the Contracting
920 Officer for review and evaluation. The Contracting Officer will then determine if the water
921 conservation plan meets Bureau of Reclamation's then-current conservation and efficiency criteria for
922 evaluating water conservation plans established under Federal law.

923 (e) If the Contractor is engaged in indirect ground-water recharge, such activity
924 shall be described in the Contractor's water conservation plan.

925 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

926 27. Except as specifically provided in Article 17 of this Contract, the provisions of this
927 Contract shall not be applicable to or affect non-Project water or water rights now owned or hereafter
928 acquired by the Contractor or any user of such water within the Contractor's Service Area. Any such
929 water shall not be considered Project Water under this Contract. In addition, this Contract shall not
930 be construed as limiting or curtailing any rights which the Contractor or any water user within the
931 Contractor's Service Area acquires or has available under any other contract pursuant to Federal
932 Reclamation law.

933 28. Omitted.

934 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

935 29. The expenditure or advance of any money or the performance of any obligation of the
936 United States under this Contract shall be contingent upon appropriation or allotment of funds.
937 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations
938 under this Contract. No liability shall accrue to the United States in case funds are not appropriated
939 or allotted.

940 BOOKS, RECORDS, AND REPORTS

941 30. (a) The Contractor shall establish and maintain accounts and other books and
942 records pertaining to administration of the terms and conditions of this Contract, including: the
943 Contractor's financial transactions, water supply data, and Project land and right-of-way agreements;
944 water use data; and other matters that the Contracting Officer may require. Reports thereon shall be
945 furnished to the Contracting Officer in such form and on such date or dates as the Contracting Officer
946 may require. Subject to applicable Federal laws and regulations, each party to this Contract shall
947 have the right during office hours to examine and make copies of the other party's books and records
948 relating to matters covered by this Contract.

949 (b) Notwithstanding the provisions of subdivision (a) of this Article; no books,
950 records, or other information shall be requested from the Contractor by the Contracting Officer unless
951 such books, records, or information are reasonably related to the administration or performance of
952 this Contract. Any such request shall allow the Contractor a reasonable period of time within which
953 to provide the requested books, records, or information.

954 (c) Omitted.

955 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

956 31. (a) The provisions of this Contract shall apply to and bind the successors and
957 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
958 therein shall be valid until approved in writing by the Contracting Officer.

959 (b) The assignment of any right or interest in this Contract by either party shall not
960 interfere with the rights or obligations of the other party to this Contract absent the written
961 concurrence of said other party.

962 (c) The Contracting Officer shall not unreasonably condition or withhold approval
963 of any proposed assignment.

964 SEVERABILITY

965 32. In the event that a person or entity who is neither (i) a party to a Project contract, nor
966 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an
967 association or other form of organization whose primary function is to represent parties to Project
968 contracts, brings an action in a court of competent jurisdiction challenging the legality or
969 enforceability of a provision included in this Contract and said person, entity, association, or
970 organization obtains a final court decision holding that such provision is legally invalid or
971 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the
972 parties to this Contract shall use their best efforts to (i) within 30 days of the date of such final court
973 decision identify by mutual agreement the provisions in this Contract which must be revised and (ii)
974 within three months thereafter promptly agree on the appropriate revision(s). The time periods
975 specified above may be extended by mutual agreement of the parties. Pending the completion of the
976 actions designated above, to the extent it can do so without violating any applicable provisions of
977 law, the United States shall continue to make the quantities of Project Water and/or Contractor's
978 Water Rights Water specified in this Contract available to the Contractor pursuant to the provisions
979 of this Contract which were not found to be legally invalid or unenforceable in the final court
980 decision.

981 RESOLUTION OF DISPUTES

982 33. Should any dispute arise concerning any provisions of this Contract, or the parties'
983 rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the
984 dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring
985 any matter to Department of Justice, the party shall provide to the other party 30 days' written notice
986 of the intent to take such action; Provided, That such notice shall not be required where a delay in
987 commencing an action would prejudice the interests of the party that intends to file suit. During the
988 30-day notice period, the Contractor and the Contracting Officer shall meet and confer in an attempt

989 to resolve the dispute. Except as specifically provided, nothing herein is intended to waive or abridge
990 any right or remedy that the Contractor or the United States may have.

991 OFFICIALS NOT TO BENEFIT

992 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
993 Contractor shall benefit from this Contract other than as a water user or landowner in the same
994 manner as other water users or landowners.

995 CHANGES IN CONTRACTOR'S SERVICE AREA

996 35. (a) While this Contract is in effect, no change may be made in the Contractor's
997 Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger, or otherwise,
998 except upon the Contracting Officer's written consent.

999 (b) Within 30 days of receipt of a request for such a change, the Contracting
1000 Officer will notify the Contractor of any additional information required by the Contracting Officer
1001 for processing said request, and both parties will meet to establish a mutually agreeable schedule for
1002 timely completion of the process. Such process will analyze whether the proposed change is likely to:
1003 (i) result in the use of Project Water contrary to the terms of this Contract; (ii) impair the ability of the
1004 Contractor to pay for Project Water furnished under this Contract or to pay for any Federally-
1005 constructed facilities for which the Contractor is responsible; and (iii) have an impact on any Project
1006 Water rights applications, permits, or licenses. In addition, the Contracting Officer shall comply with
1007 the NEPA and ESA. The Contractor will be responsible for all costs incurred by the Contracting
1008 Officer in this process, and such costs will be paid in accordance with Article 25 of this Contract.

1009 FEDERAL LAWS

1010 36. By entering into this Contract, the Contractor does not waive its rights to contest the
1011 validity or application in connection with the performance of the terms and conditions of this
1012 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the
1013 terms and conditions of this Contract unless and until relief from application of such Federal law or

1014 regulation to the implementing provision of the Contract is granted by a court of competent
1015 jurisdiction.

1016 NOTICES

1017 37. Any notice, demand, or request authorized or required by this Contract shall be
1018 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered
1019 to the Area Manager, Bureau of Reclamation, 7794 Folsom Dam Road, Folsom, California 95630-
1020 1799, and on behalf of the United States, when mailed, postage prepaid, or delivered to the Board of
1021 Directors of the San Juan Water District, 9935 Auburn Folsom Road, Granite Bay, California 95746.
1022 The designation of the addressee or the address may be changed by notice given in the same manner
1023 as provided in this Article for other notices.

1024 CONFIRMATION OF CONTRACT

1025 38. The Contractor, after the execution of this Contract, shall furnish to the Contracting
1026 Officer evidence that pursuant to the laws of the State of California, the Contractor is a legally
1027 constituted entity, and the Contract is lawful, valid, and binding on the Contractor. This Contract
1028 shall not be binding on the United States until such evidence has been provided to the Contracting
1029 Officer's satisfaction.

1030 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day
1031 and year first above written.

1032 THE UNITED STATES OF AMERICA

APPROVED AS TO LEGAL
FORM AND SUFFICIENCY
James E. Turner
OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

By: *John F. Davis*
Regional Director, Mid-Pacific Region
Bureau of Reclamation

1033
1034
1035

1036 (SEAL)

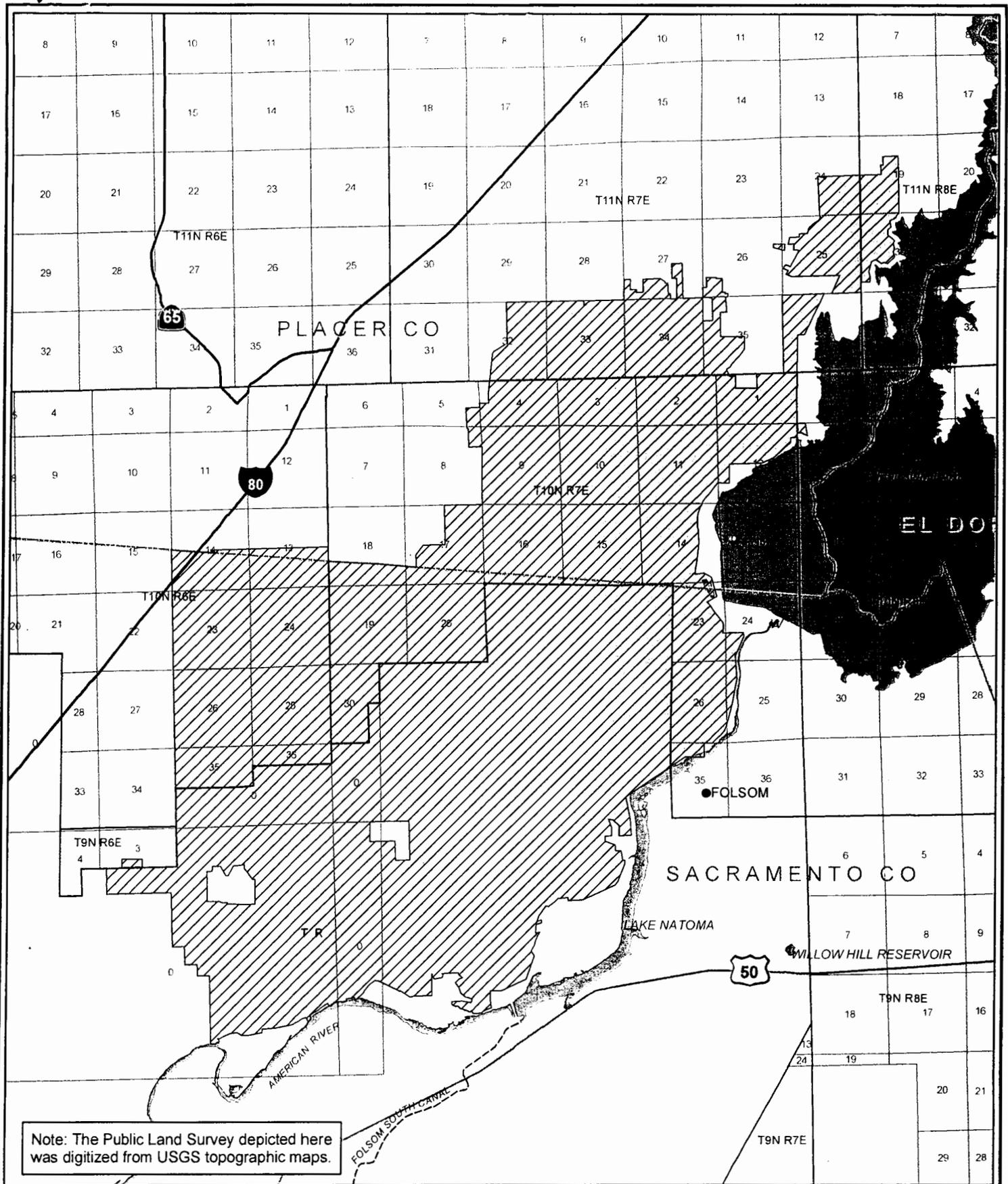
1037 SAN JUAN WATER DISTRICT

By: *Edmund "Yol" Castro*
President of the Board of Directors

1038
1039

1040 Attest:

1041 By: *Aue Makimoto*
1042 Secretary of the Board of Directors



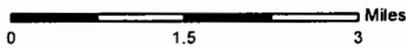
Note: The Public Land Survey depicted here was digitized from USGS topographic maps.

-  Contractor's Service Area
-  District Boundary

San Juan Water District

Contract No. 6-07-20-W1373-LTR1
Exhibit A

Date: October 13, 2004
File Name: N:\districts\contracts\san_juan\san_juan.mxd



647-208-222

EXHIBIT B
SAN JUAN WATER DISTRICT – FOLSOM LAKE

Note: These are 2004 rates and charges. 2005 water rates will be furnished when available.

	<u>2004 Water Rates Per</u> <u>Acre-Foot</u>
COST-OF-SERVICE RATES:	<u>M&I Water</u>
Capital Rates:	\$6.01
O&M Rates:	
Water Marketing	\$5.01
Storage	\$6.38
Conveyance	\$0.00
Direct Pumping	\$0.00
Deficit Rates:	
Non-Interest Bearing	\$0.00
Interest Bearing	\$0.00
CFO/PFR Adj. Rate: *	\$5.24
CONTRACT RATE:	\$22.64
Tiered Pricing Component >80% <=90% of Contract Total (Full Cost Rate – COS Rate)/2)	\$1.87
Tiered Pricing Component >90% of Contract Total (Full Cost Rate – COS Rate)	\$3.74
SURCHARGES UNDER P.L. 102-575 TO RESTORATION FUND**	
M&I Surcharge	\$32.58
Restoration Payments [3407(d)(2)(A)]	\$15.64

* Rate represents the Chief Financial Officer adjustment and Provision for Replacement credit for option 2 cost deferment to be distributed over a 5-year period beginning with 2003 water rates.

** The surcharges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund surcharges under P.L. 102-575 are on a fiscal year basis (10/1-9/30).