

Irrigation and Other
Contract No. I75r-4309D

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

CONTRACT BETWEEN THE UNITED STATES
AND
PORTERVILLE IRRIGATION DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM FRIANT DIVISION AND
FOR FACILITIES REPAYMENT

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

5 CONTRACT BETWEEN THE UNITED STATES
6 AND
7 PORTERVILLE IRRIGATION DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE
9 FROM FRIANT DIVISION AND
10 FACILITIES REPAYMENT

11 THIS CONTRACT, made this 29th day of December, 2010, is entered
12 into pursuant to the Act of June 17, 1902, (32 Stat. 388), and acts amendatory or supplementary
13 thereto, including but not limited to: the Act of August 26, 1937 (50 Stat. 844), as amended and
14 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70
15 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1262), October 27, 1986 (100
16 Stat. 3050), as amended, Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), and Title
17 X, Subtitle A, of the Act of March 30, 2009 (123 Stat. 1349), also referred to as the San Joaquin
18 River Restoration Settlement Act hereinafter referred to as SJRRSA, all collectively hereinafter
19 referred to as Federal Reclamation law, between THE UNITED STATES OF AMERICA,
20 hereinafter referred to as the United States and PORTERVILLE IRRIGATION DISTRICT,
21 hereinafter referred to as the Contractor, a public agency of the State of California, duly
22 organized, existing, and acting pursuant to the laws thereof, with its principal place of business in
23 California;

24 WITNESSETH, That

EXPLANATORY RECITALS

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[1st] WHEREAS, the United States has constructed and is operating the Central Valley Project, California, for diversion, storage, carriage, distribution and beneficial use, for flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration, generation and distribution of electric energy, salinity control, navigation and other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River and their tributaries; and

[2nd] WHEREAS, the United States constructed Friant Dam (thereby creating Millerton Lake) and the Friant-Kern and Madera Canals, hereinafter collectively referred to as the Friant Division Facilities, which will be used in part for the furnishing of water to the Contractor pursuant to the terms of this Contract; and

[3rd] WHEREAS, the United States and the Contractor entered into Contract Number I75r-4309 as amended, which established terms for the delivery to the Contractor of Project Water from the Friant Division from January 28, 1952 through February 29, 1992; and

[4th] WHEREAS, the Contractor and the United States have entered into a renewal contract and, pursuant to subsection 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into an interim renewal contract(s), identified as Contract Number (s) I75r-4309R and I75r-4309-IR1, which provided for the continued water service to Contractor from March 1, 1992 through February 28, 2001, and subsequently entered into a long-term renewal contract identified as Contract Number I75r-4309-LTR1, which provided for

45 continued water service to Contractor through February 28, 2026, which was amended January
46 18, 2007, and is herein referred to as the "Existing Contract"; and

47 [5th] WHEREAS, pursuant to Section 8 of the Act of June 17, 1902 (32 Stat. 388), the
48 United States has acquired water rights and other rights to the flows of the San Joaquin River,
49 including without limitation the permits issued as the result of Decision 935 by the California
50 State Water Resource Control Board and the contracts described in subdivision (n) of Article 3
51 of this Contract, pursuant to which the Contracting Officer develops, diverts, stores and delivers
52 Project Water stored or flowing through Millerton Lake in accordance with State and Federal law
53 for the benefit of Project Contractors in the Friant Division and for other specified Project
54 purposes; and

55 [6th] WHEREAS, the water supplied to the Contractor pursuant to this Contract is
56 Project Water developed through the exercise of the rights described in the fifth (5th) Explanatory
57 Recital of this Contract; and

58 [7th] WHEREAS, as a result of litigation entitled "Natural Resources Defense Council,
59 et al. v Kirk Rogers, et al." No. CIV-S-88-1658LLK/GGH, certain contractors from the Friant
60 Division entered into a Stipulation of Settlement dated September 13, 2006, (the "Settlement"),
61 which settlement prescribes a Restoration Goal and a Water Management Goal and which
62 Settlement was subsequently confirmed and implemented through the SJRRSA; and

63 [8th] WHEREAS, the SJRRSA authorizes and directs the Secretary to convert the
64 Existing Contract to a repayment contract under subsection (d) of Section 9 of the Act of August
65 4, 1939, no later than December 31, 2010, and further directs that such contract shall require the

66 accelerated repayment of the Contractor's allocated share of construction costs, either as a lump
67 sum payment by January 31, 2011 or in annual installments by January 31, 2014, which funds
68 will in turn be made available for implementation of the Settlement and SJRRSA, and which
69 costs otherwise would have been payable through annual water rates, with full repayment by
70 2030; and

71 [9th] WHEREAS, such repayment of costs will assist the United States with
72 implementation of actions required under the Settlement and the SJRRSA and provide the
73 Contractor the benefits provided in Section 10010 of the SJRRSA; and

74 [10th] WHEREAS, subsection (4) of Section 1 of the Act of July 2, 1956 (1956 Act)
75 directs the Secretary to provide that the other party to any contract entered into pursuant to
76 subsection (d) of Section 9 of the Act of August 4, 1939 (repayment contract) or pursuant to
77 subsection (e) of Section 9 of the Act of August 4, 1939 (water service contract) shall "have the
78 first right (to which the rights of the holders of any other type of irrigation water contract shall be
79 subordinate) to a stated share or quantity of the project's available water supply for beneficial
80 use on the irrigable lands within the boundaries of, or owned by, the party and a permanent right
81 to such share or quantity upon completion of payment of the amount assigned for ultimate
82 return" by the contractor subject to fulfillment of all obligations under the contract; and

83 [11th] WHEREAS, among other things, this Contract includes provisions granting the
84 Contractor the permanent right described in the tenth (10th) Explanatory Recital; and

85 [12th] WHEREAS, the Contractor has demonstrated to the satisfaction of the
86 Contracting Officer that the Contractor has utilized the Project Water supplies available to it for

87 reasonable and beneficial use and/or has demonstrated projected future demand for water use
88 such that the Contractor has the capability and expects to utilize fully for reasonable and
89 beneficial use the quantity of Project Water to be made available to it pursuant to this Contract;
90 and

91 [13th] WHEREAS, water obtained from the Central Valley Project has been relied upon
92 by urban and agricultural areas within California for more than fifty (50) years and is considered
93 by the Contractor as an essential portion of its water supply; and

94 [14th] WHEREAS, the economies of regions within the Central Valley Project,
95 including the Contractor's, depend upon the continued availability of water, including water
96 service from the Central Valley Project; and

97 [15th] WHEREAS, the Secretary intends through coordination, cooperation, and
98 partnerships to pursue measures to improve water supply, water quality, and reliability of the
99 Project for all Project purposes; and

100 [16th] WHEREAS, the mutual goals of the United States and the Contractor include: to
101 provide for reliable Project Water supplies; to control costs of those supplies; to achieve
102 repayment of the Central Valley Project as required by law; to guard reasonably against Project
103 Water shortages; to achieve a reasonable balance among competing demands for use of Project
104 Water; and to comply with all applicable environmental statutes, all consistent with the legal
105 obligations of the United States relative to the Central Valley Project; and

106 [17th] WHEREAS, any time during the Year the Contracting Officer determines that a
107 need exists to evacuate water from Millerton Lake in order to prevent or minimize spill or to

108 meet flood control criteria (currently referred to as “uncontrolled season”), taking into
109 consideration, among other things, anticipated upstream reservoir operations and the most
110 probable forecast of snowmelt and runoff projections for the upper San Joaquin River, Friant
111 Division Project Contractors utilize a portion of their undependable Class 2 Water in their
112 service areas to, among other things, assist in the management and alleviation of groundwater
113 overdraft in the Friant Division service area, provide opportunities for restoration of the San
114 Joaquin River below Friant Dam, minimize flooding along the San Joaquin River, encourage
115 optimal water management, and maximize the reasonable and beneficial use of the water; and

116 [18th] WHEREAS, the parties desire and intend that this Contract not provide a
117 disincentive to the Friant Division Project Contractors continuing to carry out the beneficial
118 activities set out in the Explanatory Recital immediately above; and

119 [19th] WHEREAS, the United States has determined that the Contractor has fulfilled all
120 of its obligations under the Existing Contract.

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

123 DEFINITIONS

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

126 (a) “Additional Capital Obligation” shall mean any additional construction
127 costs or other capitalized costs incurred after the effective date of this Contract or not reflected in
128 the Existing Capital Obligation as provided in Section 10010(a)(3)(B) of the SJRRSA and any

129 amounts payable by Contractor as determined through the final adjustment described and
130 required by Section 10010(b) of the SJRRSA;

131 (b) "Calendar Year" shall mean the period January 1 through December 31,
132 both dates inclusive;

133 (c) "Charges" shall mean the payments required by Federal Reclamation law
134 in addition to the Rates and Tiered Pricing Components specified in this Contract as determined
135 annually by the Contracting Officer pursuant to this Contract and consistent with the SJRRSA;

136 (d) "Class 1 Water" shall mean that supply of water stored in or flowing
137 through Millerton Lake which, subject to the contingencies hereinafter described in Articles 3,
138 12, and 13 of this Contract, will be available for delivery from Millerton Lake and the
139 Friant-Kern and Madera Canals as a dependable water supply during each Year;

140 (e) "Class 2 Water" shall mean that supply of water which can be made
141 available subject to the contingencies hereinafter described in Articles 3, 12, and 13 of this
142 Contract for delivery from Millerton Lake and the Friant-Kern and Madera Canals in addition to
143 the supply of Class 1 Water. Because of its uncertainty as to availability and time of occurrence,
144 such water will be undependable in character and will be furnished only if, as, and when it can be
145 made available as determined by the Contracting Officer;

146 (f) "Condition of Shortage" shall mean a condition respecting the Project
147 during any Year such that the Contracting Officer is unable to deliver sufficient water to meet the
148 Contract Total;

149 (g) “Contracting Officer” shall mean the Secretary of the Interior’s duly
150 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law
151 or regulation;

152 (h) “Contract Total” shall mean the maximum amount of Class 1 Water plus
153 the maximum amount of Class 2 Water specified in subdivision (a) of Article 3 of this Contract
154 and is the stated share or quantity of the Project’s available water supply to which the Contractor
155 will have a permanent right in accordance with the 1956 Act and the terms of this Contract, upon
156 the Contractor’s complete payment of the Repayment Obligation, notwithstanding any
157 Additional Capital Obligation that may later be established, which right shall not be disturbed so
158 long as the Contractor fulfills all of its obligations under this Contract;

159 (i) “Contractor’s Service Area” shall mean the area to which the Contractor is
160 permitted to provide Project Water under this Contract as described in Exhibit “A” attached
161 hereto, which may be modified from time to time in accordance with Article 36 of this Contract
162 without amendment of this Contract;

163 (j) “CVPIA” shall mean the Central Valley Project Improvement Act, Title
164 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

165 (k) “Eligible Lands” shall mean all lands to which Irrigation Water may be
166 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982
167 (96 Stat. 1263), as amended, hereinafter referred to as RRA;

168 (l) "Excess Lands" shall mean all lands in excess of the limitations contained
169 in Section 204 of the RRA, other than those lands exempt from acreage limitation under Federal
170 Reclamation law;

171 (m) "Existing Capital Obligation" shall mean the remaining amount of
172 construction costs of the Contractor identified in the Central Valley Project Irrigation Water
173 Rates and/or Municipal and Industrial Water Rates, respectively, dated January 25, 2007, as
174 adjusted to reflect payments not reflected in such schedule, pursuant to Section 10010(a)(3)(A)
175 of the SJRRSA. The Contracting Officer has computed the Existing Capital Obligation in a
176 manner consistent with the SJRRSA and such amount is set forth in Exhibits "C-1" and "C-2",
177 incorporated herein by reference;

178 (n) "Financing Costs", for purposes of computing the reduction of certain
179 charges as specified in subdivision (c) of Article 7 of this Contract, shall mean the difference
180 between the net present value of the Existing Capital Obligation discounted using the full
181 Treasury rate and the Existing Capital Obligation discounted using one-half the Treasury rate, as
182 set forth in Section 10010(d)(3) of the SJRRRA;

183 (o) "Full Cost Rate" shall mean that water rate described in Sections 205(a)(3)
184 or 202(3) of the RRA, whichever is applicable;

185 (p) "Ineligible Lands" shall mean all lands to which Irrigation Water may not
186 be delivered in accordance with Section 204 of the RRA;

187 (q) "Irrigation Full Cost Water Rate" shall have the same meaning as "full
188 cost" as that term is used in Paragraph (3) of Section 202 of the RRA;

189 (r) “Irrigation Water” shall mean water made available from the Project that
190 is used primarily in the production of agricultural crops or livestock, including domestic use
191 incidental thereto, and watering of livestock. Irrigation water shall not include water used for the
192 purposes such as the watering of landscaping or pasture for animals (e.g., horses) which are kept
193 for personal enjoyment or water delivered to landholdings operated in units of less than five (5)
194 acres unless the Contractor establishes to the satisfaction of the Contracting Officer that the use
195 of the water delivered to any such landholding is a use described in this subdivision of this
196 Article of this Contract;

197 (s) “Landholder” shall mean a party that directly or indirectly owns or leases
198 nonexempt land, as provided in 43 CFR 426.2;

199 (t) “Long Term Historic Average” shall mean the average of the final forecast
200 of Water Made Available to the Contractor pursuant to this Contract and the contracts referenced
201 in the third (3rd) and fourth (4th) Explanatory Recitals of this Contract;

202 (u) Omitted;

203 (v) “Municipal & Industrial (M&I) Full Cost Water Rate” shall mean the
204 annual rate, which, as determined by the Contracting Officer, shall amortize the expenditures for
205 construction allocable to Project M&I facilities in service, including, O&M deficits funded, less
206 payments, over such periods as may be required under Federal Reclamation law with interest
207 accruing from the dates such costs were first incurred plus the applicable rate for the O&M of
208 such Project facilities. Interest rates used in the calculation of the M&I Full Cost Rate shall
209 comply with the Interest Rate methodology contained in Section 202(3) (B) and (C) of the RRA;

210 (w) "Operation and Maintenance" or "O&M" shall mean normal and
211 reasonable care, control, operation, repair, replacement (other than Capital replacement), and
212 maintenance of Project facilities;

213 (x) "Operating Non-Federal Entity" shall mean the Friant Water Authority, or
214 its successor, a Non-Federal entity, which has the obligation to operate and maintain all or a
215 portion of the Friant Division Facilities pursuant to an agreement with the United States and
216 which may have funding obligations with respect thereto;

217 (y) "Other Water" shall mean water from the Project other than Irrigation
218 Water as described in subdivision (r) of this Article of this Contract, which is used for a purpose
219 that is considered to be an irrigation use pursuant to State law such as the watering of
220 landscaping or pasture for animals (e.g., horse) which are kept for the personal enjoyment. For
221 purposes of this Contract, Other Water shall be paid for at Rates and Charges identical to those
222 established for M&I water pursuant to the then-existing M&I Ratesetting Policy;

223 (z) "Project" shall mean the Central Valley Project owned by the United
224 States and managed by the Department of the Interior, Bureau of Reclamation;

225 (aa) "Project Contractors" shall mean all parties who have a long-term water
226 service contract or repayment contract for Project Water from the Project with the United States
227 pursuant to Federal Reclamation law;

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

231 (cc) “Rates” shall mean the payments for O&M costs as determined annually
232 by the Contracting Officer in accordance with the then-existing applicable water ratesetting
233 policies for the Project, as described in subdivision (a) of Article 7 of this Contract and
234 illustrated in Exhibit “B”, attached hereto;

235 (dd) “Recovered Water Account” shall mean the program, as defined in the
236 Settlement, to make water available to all of the Friant Division Project Contractors who provide
237 water to meet interim flows or restoration flows for the purpose of reducing or avoiding the
238 impact of the interim flows and restoration flows on such contractors;

239 (ee) “Repayment Obligation”, as provided in subdivision (a)(2)(A) of Article 7
240 of this Contract, shall be the Existing Capital Obligation, as defined herein, discounted by
241 one-half of the Treasury rate and computed consistent with the provisions of Section
242 10010(a)(3)(A) of the SJRRSA to be paid as either a lump sum payment by January 31, 2011 or
243 in approximately equal annual installments by January 31, 2014;

244 (ff) “Secretary” shall mean the Secretary of the Interior, a duly appointed
245 successor, or an authorized representative acting pursuant to any authority of the Secretary and
246 through any agency of the Department of the Interior;

247 (gg) “Settlement” shall mean the Stipulation of Settlement dated September 13,
248 2006, the Order Approving Stipulation of Settlement, and the Judgment and further orders issued
249 by the Court pursuant to the terms and conditions of the Settlement in Natural Resources
250 Defense Council, et al. v. Rodgers, et al., No. CIV-S-88-1658 LLJ/GGH;

251 (hh) "Tiered Pricing Component" shall be the incremental amount to be paid
252 for each acre-foot of Water Delivered as described in subdivision (l)(1) of Article 7 of this
253 Contract;

254 (ii) "Water Delivered" or "Delivered Water" shall mean Project Water
255 diverted for use by the Contractor at the point(s) of delivery approved by the Contracting
256 Officer;

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

260 (kk) "Water Management Goal" shall mean the goal of the Settlement to
261 reduce or avoid adverse water supply impacts to all the Friant Division Project Contractors that
262 may result from the interim flows and restoration flows provided for in the Settlement;

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

266 (mm) "Year" shall mean the period from and including March 1 of each
267 Calendar Year through the last day of February of the following Calendar Year.

268 EFFECTIVE DATE OF CONTRACT

269 2. (a) This Contract shall become effective on the date first hereinabove written
270 and shall continue so long as the Contractor is making the annual payments required herein and
271 paying any other amounts owing under this Contract and applicable law, unless it is terminated

272 by the Contracting Officer by reason of a material uncured breach by the Contractor; Provided,
273 That the Contracting Officer shall not seek to terminate this Contract by reason of an asserted
274 material uncured breach by the Contractor unless it has first provided at least sixty (60) days
275 written notice of the asserted breach to the Contractor and the Contractor has failed to cure such
276 breach (or to diligently commence curative actions satisfactory to the Contracting Officer for a
277 breach that cannot be fully cured within sixty (60) days) within the sixty (60)-day notice period;
278 Provided further, That this Contract may be terminated at any time by mutual consent of the
279 parties hereto.

280 (b) Upon complete payment of the Repayment Obligation by the Contractor,
281 and notwithstanding any Additional Capital Obligation that may later be established, the Tiered
282 Pricing Component as that term is utilized in this Contract, the acreage limitations, reporting, and
283 Full Cost pricing provisions of Federal Reclamation law, and subdivisions (k), (l), (o) through
284 (q), (s), and (v) of Article 1, subdivisions (a)(2)(A), (l)(1), (l)(2), and (l)(3) of Article 7, Article
285 14, subdivision (a) of Article 18, and Article 25, all of this Contract, shall no longer be
286 applicable to the Contractor. Upon complete payment of the Repayment Obligation by the
287 Contractor, and notwithstanding any Additional Capital Obligation that may later be established,
288 the terms of this Contract shall be as provided in the restated contract attached hereto as Exhibit
289 "E", which has been prepared solely as a matter of administrative convenience. Exhibit "E"
290 makes no substantive revisions other than those required by this subdivision of this Article of
291 this Contract. Accordingly, upon complete payment of the Repayment Obligation by the

292 Contractor, and notwithstanding any Additional Capital Obligation that may later be established,
293 the parties shall refer to Exhibit "E" as their entire agreement under this Contract.

294 (c) This Contract supersedes in its entirety and is intended to replace in full
295 the Existing Contract; Provided, That if this Contract is terminated or determined to be invalid or
296 unenforceable for any reason other than a material uncured breach of this Contract by the
297 Contractor, the Existing Contract shall not be superseded and shall be in full force and effect.

298 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

299 3. (a) During each Year, consistent with all applicable State water rights,
300 permits, and licenses, Federal law, the Settlement including the SJRRSA, and subject to the
301 provisions set forth in Articles 12 and 13 of this Contract, the Contracting Officer shall make
302 available for delivery to the Contractor from the Project 16,000 acre-feet of Class 1 Water and
303 30,000 acre-feet of Class 2 Water for irrigation purposes. The quantity of Water Delivered to the
304 Contractor in accordance with this subdivision shall be scheduled and paid for pursuant to the
305 provisions of Articles 4 and 7 of this Contract.

306 (b) Upon complete payment of the Repayment Obligation by the Contractor,
307 and notwithstanding any Additional Capital Obligation that may later be established, the
308 Contractor shall have a permanent right to the Contract Total in accordance with the 1956 Act
309 and the terms of this Contract. This right shall not be disturbed so long as the Contractor fulfills
310 all of its obligations hereunder. The quantity of water made available for delivery in any given
311 Year shall remain subject to the terms and conditions of subdivision (a) of this Article of this
312 Contract.

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

315 (d) The Contractor shall make reasonable and beneficial use of all Project
316 Water or other water furnished pursuant to this Contract. Groundwater recharge programs,
317 groundwater banking programs, surface water storage programs, and other similar programs
318 utilizing Project Water or other water furnished pursuant to this Contract conducted within the
319 Contractor's Service Area which are consistent with applicable State law and result in use
320 consistent with applicable Federal Reclamation law will be allowed; Provided, That any direct
321 recharge program(s) is (are) described in the Contractor's Water Conservation Plan submitted
322 pursuant to Article 27 of this Contract; Provided further, That such Water Conservation Plan
323 demonstrates sufficient lawful uses exist in the Contractor's Service Area so that using a
324 long-term average, the quantity of Delivered Water is demonstrated to be reasonable for such
325 uses and in compliance with Federal Reclamation law. Groundwater recharge programs,
326 groundwater banking programs, surface water storage programs, and other similar programs
327 utilizing Project Water or other water furnished pursuant to this Contract conducted outside the
328 Contractor's Service Area may be permitted upon written approval of the Contracting Officer,
329 which approval will be based upon environmental documentation, Project Water rights, and
330 Project operational concerns. The Contracting Officer will address such concerns in regulations,
331 policies, or guidelines.

332 (e) The Contractor, through this Contract, shall comply with requirements
333 applicable to the Contractor in biological opinion(s) prepared as a result of the consultation

334 regarding the execution of the Existing Contract undertaken pursuant to Section 7 of the
335 Endangered Species Act of 1973, as amended, as well as the requirements of any other biological
336 opinions applicable to Project Water delivery under this Contract, that are within the
337 Contractor's legal authority to implement. The Contractor shall comply with the limitations or
338 requirements imposed by environmental documentation applicable to the Contractor and within
339 its legal authority to implement regarding specific activities. Nothing herein shall be construed
340 to prevent the Contractor from challenging or seeking judicial relief in a court of competent
341 jurisdiction with respect to any biological opinion or other environmental documentation referred
342 to in this Article of this Contract.

343 (f) Subject to subdivisions (l) and (n) of this Article of this Contract,
344 following the declaration of Water Made Available under Article 4 of this Contract, the
345 Contracting Officer will make a determination whether Project Water, or other water available to
346 the Project, can be made available to the Contractor in addition to the Contract Total in this
347 Article of this Contract during the Year without adversely impacting the Project or other Project
348 Contractors and consistent with the Secretary's legal obligations. At the request of the
349 Contractor, the Contracting Officer will consult with the Contractor prior to making such a
350 determination. Subject to subdivisions (l) and (n) of this Article of this Contract, if the
351 Contracting Officer determines that Project Water, or other water available to the Project, can be
352 made available to the Contractor, the Contracting Officer will announce the availability of such
353 water and shall so notify the Contractor as soon as practical. The Contracting Officer will
354 thereafter meet with the Contractor and other Project Contractors capable of taking such water to

355 determine the most equitable and efficient allocation of such water. If the Contractor requests
356 the delivery of any quantity of such water, the Contracting Officer shall make such water
357 available to the Contractor in accordance with applicable statutes, regulations, guidelines, and
358 policies.

359 (g) The Contractor may request permission to reschedule for use during the
360 subsequent Year some or all of the Water Made Available to the Contractor during the current
361 Year referred to as "carryover." The Contractor may request permission to use during the
362 current Year a quantity of Project Water which may be made available by the United States to
363 the Contractor during the subsequent Year referred to as "pre-use." The Contracting Officer's
364 written approval may permit such uses in accordance with applicable statutes, regulations,
365 guidelines, and policies.

366 (h) The Contractor's right pursuant to Federal Reclamation law and applicable
367 State law to the reasonable and beneficial use of the Water Delivered pursuant to this Contract
368 shall not be disturbed so long as the Contractor shall fulfill all of its obligations under this
369 Contract. Nothing in the preceding sentence shall affect the Contracting Officer's ability to
370 impose shortages under Article 12 or subdivision (b) of Article 13 of this Contract.

371 (i) Project Water furnished to the Contractor pursuant to this Contract may be
372 delivered for purposes other than those described in subdivisions (r) and (y) of Article 1 of this
373 Contract upon written approval by the Contracting Officer in accordance with the terms and
374 conditions of such approval.

375 (j) The Contracting Officer shall make reasonable efforts to protect the water
376 rights and other rights described in the fifth (5th) Explanatory Recital of this Contract and to
377 provide the water available under this Contract. The Contracting Officer shall not object to
378 participation by the Contractor, in the capacity and to the extent permitted by law, in
379 administrative proceedings related to the water rights and other rights described in the fifth (5th)
380 Explanatory Recital of this Contract; Provided however, That the Contracting Officer retains the
381 right to object to the substance of the Contractor's position in such a proceeding. Provided
382 further, that in such proceedings the Contracting Officer shall recognize the Contractor has a
383 legal right under the terms of this Contract to use Project Water.

384 (k) Project Water furnished to the Contractor during any month designated in
385 a schedule or revised schedule submitted by the Contractor and approved by the Contracting
386 Officer shall be deemed to have been accepted by the Contractor as Class 1 Water to the extent
387 that Class 1 Water is called for in such schedule for such month and shall be deemed to have
388 been accepted as Class 2 Water to the extent Class 2 Water is called for in such schedule for such
389 month. If in any month the Contractor diverts a quantity of water in addition to the total amount
390 of Class 1 Water and Class 2 Water set forth in the Contractor's approved schedule or revised
391 schedule for such month, such additional diversions shall be charged first against the
392 Contractor's remaining Class 2 Water supply available in the current Year. To the extent the
393 Contractor's remaining Class 2 Water supply available in the current Year is not sufficient to
394 account for such additional diversions, such additional diversions shall be charged against the
395 Contractor's remaining Class 1 Water supply available in the current Year. To the extent the

396 Contractor's remaining Class 1 Water and Class 2 Water supplies available in the current Year
397 are not sufficient to account for such additional diversions, such additional diversions shall be
398 charged first against the Contractor's available Class 2 Water supply and then against the
399 Contractor's available Class 1 Water supply, both for the following Year. Payment for all
400 additional diversions of water shall be made in accordance with Article 7 of this Contract.

401 (l) If the Contracting Officer determines there is a Project Water supply
402 available at Friant Dam as the result of an unusually large water supply not otherwise storable for
403 Project purposes or infrequent and otherwise unmanaged flood flows of short duration, such
404 water will be made available to the Contractor and others under Section 215 of the Act of
405 October 12, 1982, pursuant to the priorities specified below if the Contractor enters into a
406 temporary contract with the United States not to exceed one (1) year for the delivery of such
407 water or as otherwise provided for in Federal Reclamation law and associated regulations. Such
408 water may be identified by the Contractor either (i) as additional water to supplement the supply
409 of Class 1 Water and/or Class 2 Water made available to it pursuant to this Contract or, (ii) upon
410 written notification to the Contracting Officer, as water to be credited against the Contractor's
411 Class 2 Water supply available pursuant to this Contract. The Contracting Officer shall make
412 water determined to be available pursuant to this subsection according to the following priorities:
413 first, to contractors for Class 1 Water and/or Class 2 Water within the Friant Division; second, to
414 contractors in the Cross Valley Division of the Project. The Contracting Officer will consider
415 requests from other parties for Section 215 Water for use within the area identified as the Friant

416 Division service area in the environmental assessment developed in connection with the
417 execution of the Existing Contract.

418 (m) Nothing in this Contract, nor any action or inaction of the Contractor or
419 Contracting Officer in connection with the implementation of this Contract, is intended to
420 override, modify, supersede or otherwise interfere with any term or condition of the water rights
421 and other rights referred in the fifth (5th) Explanatory Recital of this Contract.

422 (n) The rights of the Contractor under this Contract are subject to the terms of
423 the contract for exchange waters, dated July 27, 1939, between the United States and the San
424 Joaquin and Kings River Canal and Irrigation Company, Incorporated, et al., (hereinafter referred
425 to as the Exchange Contractors), Contract No. I1r-1144, as amended. The United States agrees
426 that it will not deliver to the Exchange Contractors thereunder waters of the San Joaquin River
427 unless and until required by the terms of said contract, and the United States further agrees that it
428 will not voluntarily and knowingly determine itself unable to deliver to the Exchange
429 Contractors entitled thereto from water that is available or that may become available to it from
430 the Sacramento River and its tributaries or the Sacramento-San Joaquin Delta those quantities
431 required to satisfy the obligations of the United States under said Exchange Contract and under
432 Schedule 2 of the Contract for Purchase of Miller and Lux Water Rights (Contract I1r-1145,
433 dated July 27, 1939).

434 (o) Pursuant to and consistent with section 10004 of SJRRSA and Paragraph
435 16 of the Settlement, the Contracting Officer is required to develop and implement a plan for
436 recirculation, recapture, reuse, exchange or transfer of water released for restoration flows or

437 interim flows, as those terms are defined in the Settlement, to reduce or avoid impacts to water
438 deliveries caused by said restoration flows or interim flows and water developed through such
439 activities may be made available (i) to the Contractor without the need of an additional contract,
440 and/or (ii) to others on behalf of the Contractor under terms mutually acceptable to the
441 Contractor and the Contracting Officer that are consistent with the Water Management Goal.

442 TIME FOR DELIVERY OF WATER

443 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer
444 shall announce the Contracting Officer's initial declaration of the Water Made Available. The
445 declaration will be updated monthly and more frequently if necessary, based on then-current
446 operational and hydrologic conditions and a new declaration with changes, if any, to the Water
447 Made Available will be made. The Contracting Officer shall provide forecasts of Project
448 operations and the basis of the estimate, with relevant supporting information, upon the written
449 request of the Contractor. Concurrently with the declaration of the Water Made Available, the
450 Contracting Officer shall provide the Contractor with the updated Long Term Historic Average.
451 The declaration of Project operations will be expressed in terms of both Water Made Available
452 and the Long Term Historic Average.

453 (b) On or before each March 1 and at such other times as necessary, the
454 Contractor shall submit to the Contracting Officer a written schedule, satisfactory to the
455 Contracting Officer, showing the monthly quantities of Project Water to be delivered by the
456 United States to the Contractor pursuant to this Contract for the Year commencing on such

457 March 1. The Contracting Officer shall use all reasonable means to deliver Project Water
458 according to the approved schedule for the Year commencing on such March 1.

459 (c) The Contractor shall not schedule Project Water in excess of the quantity
460 of Project Water the Contractor intends to put to reasonable and beneficial use within the
461 Contractor's Service Area, or to sell, transfer or exchange pursuant to Article 10 of this Contract
462 or bank pursuant to subdivision (d) of Article 3 of this Contract during any Year.

463 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
464 Contract, the United States shall deliver Project Water to the Contractor in accordance with the
465 initial schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any
466 written revision(s), satisfactory to the Contracting Officer, thereto submitted within a reasonable
467 time prior to the date(s) on which the requested change(s) is/are to be implemented; Provided,
468 That the total amount of water requested in that schedule or revision does not exceed the
469 quantities announced by the Contracting Officer pursuant to the provisions of subdivision (a) of
470 Article 3 of this Contract, and the Contracting Officer determines that there will be sufficient
471 capacity available in the appropriate Friant Division Facilities to deliver the water in accordance
472 with that schedule; Provided further, That the Contractor shall not schedule the delivery of any
473 water during any period as to which the Contractor is notified by the Contracting Officer or
474 Operating Non-Federal Entity that Project facilities required to make deliveries to the Contractor
475 will not be in operation because of scheduled O&M.

476 (e) The Contractor may, during the period from and including November 1 of
477 each Year through and including the last day of February of that Year, request delivery of any

478 amount of the Class 1 Water estimated by the Contracting Officer to be made available to it
479 during the following Year. The Contractor may, during the period from and including January 1
480 of each Year (or such earlier date as may be determined by the Contracting Officer) through and
481 including the last day of February of that Year, request delivery of any amount of Class 2 Water
482 estimated by the Contracting Officer to be made available to it during the following Year. Such
483 water shall hereinafter be referred to as pre-use water. Such request must be submitted in writing
484 by the Contractor for a specified quantity of pre-use and shall be subject to the approval of the
485 Contracting Officer. Payment for pre-use water so requested shall be at the appropriate Rate(s)
486 for the following Year in accordance with Article 7 of this Contract and shall be made in
487 advance of delivery of any pre-use water. The Contracting Officer shall deliver such pre-use
488 water in accordance with a schedule or any revision thereof submitted by the Contractor and
489 approved by the Contracting Officer, to the extent such water is available and to the extent such
490 deliveries will not interfere with the delivery of Project Water entitlements to other Friant
491 Division contractors or the physical maintenance of the Project facilities. The quantities of
492 pre-use Water Delivered pursuant to this subdivision shall be deducted from the quantities of
493 water that the Contracting Officer would otherwise be obligated to make available to the
494 Contractor during the following Year; Provided, That the quantity of pre-use water to be
495 deducted from the quantities of either Class 1 Water or Class 2 Water to be made available to the
496 Contractor in the following Year shall be specified by the Contractor at the time the pre-use
497 water is requested or as revised in its first schedule for the following Year submitted in

498 accordance with subdivision (b) of this Article of this Contract, based on the availability of the
499 following Year water supplies as determined by the Contracting Officer.

500 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

501 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
502 Contract shall be delivered to the Contractor at a point or points of delivery either on Project
503 facilities or another location or locations mutually agreed to in writing by the Contracting Officer
504 and the Contractor.

505 (b) The Contracting Officer, the Operating Non-Federal Entity, or other
506 appropriate entity shall make all reasonable efforts to maintain sufficient flows and levels of
507 water in the Friant-Kern Canal to deliver Project Water to the Contractor at specific turnouts
508 established pursuant to subdivision (a) of this Article of this Contract.

509 (c) The Contractor shall not deliver Project Water to land outside the
510 Contractor's Service Area unless approved in advance by the Contracting Officer. Until
511 complete payment of the Repayment Obligation by the Contractor, and notwithstanding any
512 Additional Capital Obligation that may later be established, the Contractor shall deliver Project
513 Water in accordance with applicable acreage limitations, reporting, and Full Cost pricing
514 provisions of Federal Reclamation law and any applicable land classification provisions of the
515 associated regulations.

516 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
517 measured and recorded with equipment furnished, installed, operated, and maintained by the
518 United States, the Operating Non-Federal Entity or other appropriate entity as designated by the

519 Contracting Officer (hereafter “other appropriate entity”) at the point or points of delivery
520 established pursuant to subdivision (a) of this Article of this Contract. Upon the request of either
521 party to this Contract, the Contracting Officer shall investigate, or cause to be investigated by the
522 responsible Operating Non-Federal Entity, the accuracy of such measurements and shall take any
523 necessary steps to adjust any errors appearing therein. For any period of time when accurate
524 measurements have not been made, the Contracting Officer shall consult with the Contractor and
525 the responsible Operating Non-Federal Entity prior to making a final determination of the
526 quantity delivered for that period of time.

527 (e) Neither the Contracting Officer nor any Operating Non-Federal Entity
528 shall be responsible for the control, carriage, handling, use, disposal, or distribution of Project
529 Water Delivered to the Contractor pursuant to this Contract beyond the delivery points specified
530 in subdivision (a) of this Article of this Contract. The Contractor shall indemnify the United
531 States, its officers, employees, agents, and assigns on account of damage or claim of damage of
532 any nature whatsoever for which there is legal responsibility, including property damage,
533 personal injury, or death arising out of or connected with the control, carriage, handling, use,
534 disposal, or distribution of such Project Water beyond such delivery points, except for any
535 damage or claim arising out of: (i) acts or omissions of the Contracting Officer or any of its
536 officers, employees, agents, or assigns, including any responsible Operating Non-Federal Entity,
537 with the intent of creating the situation resulting in any damage or claim; (ii) willful misconduct
538 of the Contracting Officer or any of its officers, employees, agents, or assigns, including any
539 responsible Operating Non-Federal Entity; (iii) negligence of the Contracting Officer or any of

540 its officers, employees, agents, or assigns including any responsible Operating Non-Federal
541 Entity; or (iv) damage or claims resulting from a malfunction of facilities owned and/or operated
542 by the United States or responsible Operating Non-Federal Entity; Provided, That the Contractor
543 is not the Operating Non-Federal Entity that owned or operated the malfunctioning facility(ies)
544 from which the damage claim arose.

545 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

546 6. (a) The Contractor has established a measurement program satisfactory to the
547 Contracting Officer; all surface water delivered for irrigation purposes within the Contractor's
548 Service Area is measured at each agricultural turnout; and Other Water delivered by the
549 Contractor is measured at each service connection. The water measuring devices or water
550 measuring methods of comparable effectiveness must be acceptable to the Contracting Officer.
551 The Contractor shall be responsible for installing, operating, and maintaining and repairing all
552 such measuring devices and implementing all such water measuring methods at no cost to the
553 United States. The Contractor shall use the information obtained from such water measuring
554 devices or water measuring methods to ensure its proper management of the water and to bill
555 water users for water delivered by the Contractor. Nothing herein contained, however, shall
556 preclude the Contractor from establishing and collecting any charges, assessments, or other
557 revenues authorized by California law.

558 (b) To the extent the information has not otherwise been provided, upon
559 execution of this Contract, the Contractor shall provide to the Contracting Officer a written
560 report describing the measurement devices or water measuring methods being used or to be used

561 to implement subdivision (a) of this Article of this Contract and identifying the agricultural
562 turnouts and the Other Water service connections or alternative measurement programs approved
563 by the Contracting Officer, at which such measurement devices or water measuring methods are
564 being used, and, if applicable, identifying the locations at which such devices and/or methods are
565 not yet being used including a time schedule for implementation at such locations. The
566 Contracting Officer shall advise the Contractor in writing within sixty (60) days as to the
567 adequacy of, and necessary modifications, if any, of the measuring devices or water measuring
568 methods identified in the Contractor's report and if the Contracting Officer does not respond in
569 such time, they shall be deemed adequate. If the Contracting Officer notifies the Contractor that
570 the measuring devices or methods are inadequate, the parties shall within sixty (60) days
571 following the Contracting Officer's response, negotiate in good faith the earliest practicable date
572 by which the Contractor shall modify said measuring devices and/or measuring methods as
573 required by the Contracting Officer to ensure compliance with subdivision (a) of this Article of
574 this Contract.

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

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

581 (e) The Contractor shall inform the Contracting Officer and the Operating
582 Non-Federal Entity on or before the twentieth (20th) calendar day of each month of the quantity
583 of Irrigation and Other Water taken during the preceding month.

584 RATES, METHOD OF PAYMENT FOR WATER,
585 AND ACCELERATED REPAYMENT OF FACILITIES

586 7. (a) The Contractor's cost obligations for all Delivered Water shall be
587 determined in accordance with: (i) the Secretary's ratesetting policy for Irrigation Water adopted
588 in 1988 and the Secretary's then-existing ratesetting policy for M&I Water, consistent with the
589 SJRRSA, and such ratesetting policies shall be amended, modified, or superseded only through a
590 public notice and comment procedure; (ii) applicable Federal Reclamation law and associated
591 rules and regulations, or policies; and (iii) other applicable provisions of this Contract.

592 (1) The Contractor shall pay the United States as provided for in this
593 Article of this Contract for the Delivered Water at Rates and Charges determined in accordance
594 with policies for Irrigation Water and M&I Water. The Contractor's Rates shall be established to
595 recover its estimated reimbursable costs included in the O&M component of the Rate and
596 amounts established to recover other charges and deficits, other than the construction costs. The
597 Rates for O&M costs and Charges shall be adjusted, as appropriate, in accordance with the
598 provisions of the SJRRSA.

599 (2) In accordance with the SJRRSA, the Contractor's allocable share
600 of Project construction costs will be repaid pursuant to the provisions of this Contract.

601 (A) The amount due and payable to the United States, pursuant
602 to the SJRRSA, shall be the Repayment Obligation. The Repayment Obligation has been

603 computed by the Contracting Officer in a manner consistent with the SJRRSA and is set forth,
604 both as a lump sum payment and as four (4) approximately equal annual installments, which
605 amounts together with the manner in which such amounts were calculated are set forth in
606 Exhibits "C-1" and "C-2". The Repayment Obligation is due in lump sum by January 31, 2011
607 or in approximate equal annual installments no later than January 31, 2014, as provided by the
608 SJRRSA. The Contractor must provide appropriate notice to the Contracting Officer in writing
609 not later than thirty (30) days prior to January 31, 2011 if electing to repay the amount due using
610 the lump sum alternative. If such notice is not provided by such date, the Contractor shall be
611 deemed to have elected the installment payment alternative, in which case, the first such payment
612 shall be made no later than May 1, 2011, the second payment shall be made no later than the first
613 anniversary of the first payment date, the third payment shall be made no later than the second
614 anniversary of the first payment date, and the final payment shall be made no later than January
615 31, 2014. If the installment payment option is elected by the Contractor, the Contractor may
616 pre-pay the remaining portion of the Repayment Obligation by giving the Contracting Officer
617 sixty (60) days written notice, in which case, the Contracting Officer shall re-compute the
618 remaining amount due to reflect the pre-payment using the same methodology as was used to
619 compute the initial annual installment payment amount, which is illustrated in Exhibit "C-2".
620 Notwithstanding any Additional Capital Obligation that may later be established, receipt of the
621 Contractor's payment of the Repayment Obligation by the United States shall fully and
622 permanently satisfy the Existing Capital Obligation.

623 **(B) Project construction costs or other capitalized costs**
624 attributable to capital additions to the Project incurred after the effective date of this Contract or
625 that are not reflected in the schedules referenced in Exhibits “C-1” and “C-2” and properly
626 assignable to the Contractor, shall be repaid as prescribed by the SJRRSA without interest except
627 as required by law. Consistent with Federal Reclamation law, interest shall continue to accrue
628 on the M&I portion of unpaid Project construction costs or other capitalized cost assigned to the
629 Contractor until such costs are paid. Increases or decreases in Project construction costs or other
630 capitalized costs assigned to the Contractor caused solely by annual adjustment of Project
631 construction costs or other capitalized costs assigned to each Central Valley Project contractor by
632 the Secretary shall not be considered in determining the amounts to be paid pursuant to this
633 subdivision (a)(2)(B), but will be considered under subdivision (b) of this Article. A separate
634 repayment agreement shall be established by the Contractor and the Contracting Officer to
635 accomplish repayment of all additional Project construction costs or other capitalized costs
636 assigned to the Contractor within the timeframe prescribed by the SJRRSA subject to the
637 following:

638 **(1) If the collective annual Project construction costs or**
639 other capitalized costs that are incurred after the effective date of this Contract and properly
640 assignable to the contractors are less than \$5,000,000, then the portion of such costs properly
641 assignable to the Contractor shall be repaid in not more than five (5) years after notification of
642 the allocation. This amount is the result of a collective annual allocation of Project construction

643 costs to the contractors exercising contract conversions; Provided, That the reference to the
644 amount of \$5,000,000 shall not be a precedent in any other context.

645 (2) If the collective annual Project construction costs or
646 other capitalized costs that are incurred after the effective date of this Contract and properly
647 assignable to the contractors are \$5,000,000 or greater, then the portion of such costs properly
648 assignable to the Contractor shall be repaid as provided by applicable Federal Reclamation law.
649 This amount is the result of a collective annual allocation of Project construction costs to the
650 contractors exercising contract conversions; Provided, That the reference to the amount of
651 \$5,000,000 shall not be a precedent in any other context.

652 (b) Consistent with Section 10010(b) of the SJRRSA, following a final cost
653 allocation by the Secretary upon completion of the construction of the Central Valley Project, the
654 amounts paid by the Contractor shall be subject to adjustment to reflect the effect of any
655 reallocation of Project construction costs or other capitalized costs assigned to the Contractor
656 that may have occurred between the determination of Contractor's Existing Capital Obligation
657 and the final cost allocation. In the event that the final cost allocation, as determined by the
658 Secretary, indicates that the costs properly assignable to the Contractor, as determined by the
659 Contracting Officer, are greater than the Existing Capital Obligation and other amounts of
660 Project construction costs or other capitalized costs paid by the Contractor, then the Contractor
661 shall be obligated to pay the remaining allocated costs. The term of such additional repayment
662 contract shall be no less than one (1) year and no more than ten (10) years, however, mutually
663 agreeable provisions regarding the rate of repayment of such amount may be developed by the

664 parties. In the event that the final cost allocation, as determined by the Secretary, indicates that
665 the costs properly assignable to the Contractor, as determined by the Contracting Officer, are less
666 than the Existing Capital Obligation and other amounts of Project construction costs or other
667 capitalized costs paid by the Contractor, then the Contracting Officer shall credit such
668 overpayment as an offset against any outstanding or future obligation of the Contractor,
669 consistent with the SJRRSA. This Contract shall be implemented in a manner consistent with
670 Section 10010(f) of the SJRRSA.

671 (c) Prior to July 1 of each Calendar Year, the Contracting Officer shall
672 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
673 period October 1, of the current Calendar Year, through September 30, of the following Calendar
674 Year, and the basis for such estimate. The Contractor shall be allowed not less than two (2)
675 months to review and comment on such estimates. On or before September 15 of each Calendar
676 Year, the Contracting Officer shall notify the Contractor in writing of the Charges to be in effect
677 during the period October 1 of the current Calendar Year, through September 30 of the following
678 Calendar Year, and such notification shall revise Exhibit "B". Charges shall be subject to
679 reduction consistent with the SJRRSA based upon the average annual delivery amount agreed to
680 by the Contracting Officer and the Contractor.

681 (1) Upon complete payment of the Repayment Obligation by the
682 Contractor, and notwithstanding any Additional Capital Obligation that may later be established,
683 for the years 2020 through 2039 inclusive, Charges shall reflect the reduction on a per acre-foot
684 basis consistent with Section 10010(d)(1) of the SJRRSA. Exhibit "D" sets forth the reduction in

685 Charges to offset the Financing Costs as prescribed in Section 10010(d)(1) of the SJRRSA;
686 Provided, That if the Secretary determines such Charges are otherwise needed, an equivalent
687 reduction will be made to O&M costs consistent with such provisions of the SJRRSA.
688 Consistent with Section 10010(d)(1) of the SJRRSA and as shown in Exhibit "D", the Friant
689 Surcharge reduction has been calculated based upon the anticipated average annual water
690 deliveries, for the purpose of this reduction only, mutually agreed upon by the Secretary and the
691 Contractor for the period from January 1, 2020 through December 31, 2039. The Friant
692 Surcharge reduction shall remain fixed and shall only be applied to Water Delivered pursuant to
693 this Contract to which the Friant Surcharge applies (including but not limited to water
694 transferred, banked, or exchanged), commencing on January 1, 2020 until such volume of Water
695 Delivered equals 356,000 acre-feet or December 31, 2039, whichever occurs first.

696 (2) Further, to fully offset the Financing Costs, Contractor shall be
697 entitled to a reduction in other outstanding or future obligations of the Contractor in accordance
698 with Section 10010(d)(2) of the SJRRSA. The amount of such further reduction in outstanding
699 or future obligations of the Contractor after October 1, 2019 has been computed by the
700 Contracting Officer, and as computed, such amount is set forth in Exhibit "D".

701 (d) Prior to October 1 of each Calendar Year, the Contracting Officer shall
702 make available to the Contractor an estimate of the Rates and Tiered Pricing Component for
703 Project Water for the following Year and the computations and cost allocations upon which those
704 Rates are based. The Contractor shall be allowed not less than two (2) months to review and
705 comment on such computations and cost allocations. By December 31 of each Calendar Year,

706 the Contracting Officer shall provide the Contractor with the final Rates and Tiered Pricing
707 Component to be in effect for the upcoming Year, and such notification shall revise Exhibit "B".
708 The O&M component of the Rate may be reduced as provided in the SJRRSA.

709 (e) At the time the Contractor submits the initial schedule for the delivery of
710 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the
711 Contractor shall make an advance payment to the United States equal to the total amount payable
712 pursuant to the applicable Rate(s) set under subdivision (a) of this Article of this Contract, for the
713 Project Water scheduled to be delivered pursuant to this Contract during the first two (2)
714 calendar months of the Year. Before the end of the first month and before the end of each
715 calendar month thereafter, the Contractor shall make an advance payment to the United States, at
716 the Rate(s) set under subdivision (a) of this Article of this Contract, for the Water Scheduled to
717 be delivered pursuant to this Contract during the second month immediately following.

718 Adjustments between advance payments for Water Scheduled and payments at Rates due for
719 Water Delivered shall be made before the end of the following month; Provided, That any
720 revised schedule submitted by the Contractor pursuant to Article 4 of this Contract which
721 increases the amount of Water Delivered pursuant to this Contract during any month shall be
722 accompanied with appropriate advance payment, at the Rates then in effect, to assure that Project
723 Water is not delivered to the Contractor in advance of such payment. In any month in which the
724 quantity of Water Delivered to the Contractor pursuant to this Contract equals the quantity of
725 Water Scheduled and paid for by the Contractor, no additional Project Water shall be delivered
726 to the Contractor unless and until an advance payment at the Rates then in effect for such

727 additional Project Water is made. Final adjustment between the advance payments for the Water
728 Scheduled and payments for the quantities of Water Delivered during each Year pursuant to this
729 Contract shall be made as soon as practicable but no later than April 30th of the following Year,
730 or sixty (60) days after the delivery of Project Water carried over under subdivision (g) of Article
731 3 of this Contract if such water is not delivered by the last day of February.

732 (f) The Contractor shall also make a payment in addition to the Rate(s) in
733 subdivision (e) of this Article of this Contract to the United States for Water Delivered, at the
734 Charges and the appropriate Tiered Pricing Component then in effect, before the end of the
735 month following the month of delivery; Provided, That the Contractor may be granted an
736 exception from the Tiered Pricing Component pursuant to subdivision (l)(2) of this Article of this
737 Contract. The payments shall be consistent with the quantities of Irrigation Water and Other
738 Water Delivered as shown in the water delivery report for the subject month prepared by the
739 Contracting Officer. Such water delivery report shall be the basis for payment of Charges and
740 Tiered Pricing Components by the Contractor, and shall be provided to the Contractor by the
741 Contracting Officer (as applicable) within five (5) days after the end of the month of delivery.
742 The water delivery report shall be deemed a bill basis for payment of Charges and the applicable
743 Tiered Pricing Component for Water Delivered. Adjustment for overpayment or underpayment
744 of Charges shall be made through the adjustment of payments due to the United States for
745 Charges for the next month. Any amount to be paid for past due payment of Charges shall be
746 computed pursuant to Article 21 of this Contract.

747 (g) The Contractor shall pay for any Water Delivered under subdivision (d),
748 (f), or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to
749 applicable statutes, associated regulations, any applicable provisions of guidelines or ratesetting
750 policies; Provided, That the Rate for Water Delivered under subdivision (d) of Article 3 of this
751 Contract shall be no more than the otherwise applicable Rate for Irrigation Water or Other Water
752 under subdivision (a) of this Article of this Contract.

753 (h) Payments to be made by the Contractor to the United States under this
754 Contract may be paid from any revenues available to the Contractor.

755 (i) All revenues received by the United States from the Contractor relating to
756 the delivery of Project Water or the delivery of non-project water through Project facilities shall
757 be allocated and applied in accordance with Federal Reclamation law and the associated rules or
758 regulations, the then-existing Project Ratesetting policies for M&I Water or Irrigation Water, and
759 consistent with the SJRRSA.

760 (j) The Contracting Officer shall keep its accounts, pertaining to the
761 administration of the financial terms and conditions of its long-term contracts, in accordance
762 with applicable Federal standards so as to reflect the application of Project costs and revenues.
763 The Contracting Officer shall, each Year upon request of the Contractor, provide to the
764 Contractor a detailed accounting of all Project and Contractor expense allocations, the
765 disposition of all Project and Contractor revenues, and a summary of all water delivery
766 information. The Contracting Officer and the Contractor shall enter into good faith negotiations
767 to resolve any discrepancies or disputes relating to accountings, reports, or information.

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

775 (l) (1) Beginning at such time as the total of the deliveries of Class 1
776 Water and Class 2 Water in a Year exceed eighty (80) percent of the Contract Total, then before
777 the end of the month following the month of delivery the Contractor shall make an additional
778 payment to the United States equal to the applicable Tiered Pricing Component. The Tiered
779 Pricing Component for the total of the deliveries of Class 1 Water and Class 2 Water in excess of
780 eighty (80) percent of the Contract Total, but less than or equal to ninety (90) percent of the
781 Contract Total, shall equal the one-half of the difference between the Rate established under
782 subdivision (a) of this Article of this Contract and the Irrigation Full Cost Water Rate, or M&I
783 Full Cost Water Rate, whichever is applicable. The Tiered Pricing Component for the total of
784 the deliveries of Class 1 Water and Class 2 Water which exceeds ninety (90) percent of the
785 Contract Total shall equal the difference between (i) the Rate established under subdivision (a) of
786 this Article of this Contract and (ii) the Irrigation Full Cost Water Rate or M&I Full Cost Water
787 Rate, whichever is applicable.

788 (2) Subject to the Contracting Officer's written approval, the
789 Contractor may request and receive an exemption from such Tiered Pricing Components for
790 Project Water Delivered to produce a crop which the Contracting Officer determines will provide
791 significant and quantifiable habitat values for waterfowl in fields where the water is used and the
792 crops are produced; Provided, That the exemption from the Tiered Pricing Components for
793 Irrigation Water shall apply only if such habitat values can be assured consistent with the
794 purposes of CVPIA through binding agreements executed with or approved by the Contracting
795 Officer prior to use of such water.

796 (3) For purposes of determining the applicability of the Tiered Pricing
797 Components pursuant to this Article of this Contract, Water Delivered shall include Project
798 Water that the Contractor transfers to others but shall not include Project Water transferred and
799 delivered to the Contractor.

800 (m) Rates under the respective ratesetting policies will be established to
801 recover only reimbursable O&M (including any deficits) costs of the Project, as those terms are
802 used in the then-existing Project ratesetting policies, and consistent with the SJRSA, and
803 interest, where appropriate, except in instances where a minimum Rate is applicable in
804 accordance with the relevant Project ratesetting policy. Changes of significance in practices
805 which implement the Contracting Officer's ratesetting policies will not be implemented until the
806 Contracting Officer has provided the Contractor an opportunity to discuss the nature, need, and
807 impact of the proposed change.

808 (n) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the
809 CVPIA, the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates
810 adjusted upward or downward to reflect the changed costs of delivery (if any) incurred by the
811 Contracting Officer in the delivery of the transferred Project Water to the transferee's point of
812 delivery in accordance with the then-existing Central Valley Project Ratesetting Policy.

813 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

814 8. The Contractor and the Contracting Officer concur that, as of the effective date of
815 this Contract, the Contractor has no non-interest bearing operation and maintenance deficits and
816 therefore shall have no further liability.

817 RECOVERED WATER ACCOUNT

818 9. (a) Notwithstanding any other provisions of this Contract, water delivered to
819 the Contractor under its Recovered Water Account as provided at Paragraph 16(b) of the
820 Settlement and affirmed by Section 10004(a)(5) of the SJRRSA shall be at the total cost of
821 \$10.00 per acre foot. Recovered Water Account water provided to the Contractor shall be
822 administered at a priority for delivery lower than Class 2 Water and higher than Section 215
823 Water.

824 (b) The manner in which the Recovered Water Account will be administered
825 will be developed in accordance with subdivision (k) of Article 7 of this Contract, the SJRRSA,
826 and Paragraph 16 of the Settlement.

SALES, TRANSFERS, AND EXCHANGES OF WATER

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10. (a) The right to receive Project Water provided for in this Contract may be sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of California if such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this Contract may take place without the prior written approval of the Contracting Officer, except as provided for in subdivisions (b) and (c) of this Article of this Contract. No such Project Water sales, transfers, or exchanges shall be approved, where approval is required, absent compliance with appropriate environmental documentation including but not limited to the National Environmental Policy Act and the Endangered Species Act. Such environmental documentation must include, as appropriate, an analysis of groundwater impacts and economic and social effects, including environmental justice, of the proposed Project Water sales, transfers and exchanges on both the transferor/exchanger and transferee/exchange recipient.

(b) In order to facilitate efficient water management by means of Project Water sales, transfers, or exchanges of the type historically carried out among Project Contractors located within the same geographical area and to allow the Contractor to participate in an accelerated water transfer program, the Contracting Officer has prepared, as appropriate, necessary environmental documentation including, but not limited to, the National Environmental Policy Act and the Endangered Species Act analyzing annual Project Water sales, transfers, or exchanges among Contractors within the same geographical area and the

847 Contracting Officer has determined that such Project Water sales, transfers, and exchanges
848 comply with applicable law.

849 (c) Project Water sales, transfers, and exchanges analyzed in the
850 environmental documentation referenced in subdivision (b) of this Article of this Contract, shall
851 be conducted with advance notice to the Contracting Officer and the Contracting Officer's
852 written acknowledgement of the transaction, but shall not require prior written approval by the
853 Contracting Officer.

854 (d) For Project Water sales, transfers, or exchanges to qualify under
855 subdivision (b) of this Article of this Contract such Project Water sale, transfer, or exchange
856 must: (i) be for irrigation purposes for lands irrigated within the previous three (3) years, for
857 M&I use, groundwater recharge, groundwater banking, similar groundwater activities, surface
858 water storage, or fish and wildlife resources; not lead to land conversion; and be delivered to
859 established cropland, wildlife refuges, groundwater basins or municipal and industrial use;
860 (ii) occur within a single Year; (iii) occur between a willing seller and a willing buyer or willing
861 exchangers; (iv) convey water through existing facilities with no new construction or
862 modifications to facilities and be between existing Project Contractors and/or the Contractor and
863 the United States, Department of the Interior; and (v) comply with all applicable Federal, State,
864 and local or tribal laws and requirements imposed for protection of the environment and Indian
865 Trust Assets, as defined under Federal law.

866 (e) The environmental documentation and the Contracting Officer's
867 compliance determination for transactions described in subdivision (b) of this Article of this

868 Contract shall be reviewed every five (5) years and updated, as necessary, prior to the expiration
869 of the then-existing five (5) year period. All subsequent environmental documentation shall
870 include an alternative to evaluate not less than the quantity of Project Water historically sold,
871 transferred, or exchanged within the same geographical area.

872 (f) Consistent with Section 10010(e)(l) of the SJRRSA, any agreement
873 providing for sale, transfer, or exchange of Project Water that is not used for interim flows or
874 restoration flows pursuant to Paragraphs 13 and 15 of the Settlement, shall be deemed to satisfy
875 the requirements of CVPIA section 3405(a)(1)(A) and (I); Provided, That such sales, transfers, or
876 exchanges comply with sub-division (f)(1) and (f)(2) below.

877 (1) Project Water sales, transfers, and exchanges conducted under the
878 provisions of subdivision (f) of this Article of this Contract shall not require the Contracting
879 Officer's concurrence as to compliance with CVPIA 3405(a)(1)(A) and (I); Provided, That the
880 Contractor shall, for Project Water sales, transfers, or exchanges, with a term greater than one (1)
881 year, provide ninety (90) days written advance notification to the Contracting Officer and
882 similarly thirty (30) days written advance notification of any Project Water sale, transfer, or
883 exchange with a term of less than one (1) year. The Contracting Officer shall promptly make
884 such notice publicly available.

885 (2) The Contractor's thirty (30) days or ninety (90) days advance
886 written notification pursuant to subdivision (f)(1) of this Article of this Contract shall explain
887 how the proposed Project Water sales, transfers, or exchanges are intended to reduce, avoid, or
888 mitigate impacts to Project Water deliveries caused by interim or restoration flows or is

889 otherwise intended to facilitate the Water Management Goal as described in the SJRRSA. The
890 Contracting Officer shall promptly make such notice publicly available.

891 (3) In addition, the Contracting Officer shall, at least annually, make
892 available publicly a compilation of the number of Project Water sales, transfers, and exchange
893 agreements implemented in accordance with sub-divisions (f)(1) and (f)(2) of this Article of this
894 Contract.

895 (4) Project Water sold, transferred, or exchanged under an agreement
896 that meets the terms of subdivisions (f)(1) and (f)(2) of this Article of this Contract shall not be
897 counted as a replacement or an offset for purposes of determining reductions to Project Water
898 deliveries to any Friant Division Project Contractor except as provided in Paragraph 16(b) of the
899 Settlement.

900 (g) Upon complete payment of the Repayment Obligation by the Contractor,
901 and notwithstanding any Additional Capital Obligation that may later be established, in the case
902 of a sale or transfer of Irrigation Water to another contractor which is otherwise subject to the
903 acreage limitations, reporting, and Full Cost pricing provisions of the RRA, such sold or
904 transferred Irrigation Water shall not be subject to such RRA provisions, however, in the case of
905 a sale or transfer of Irrigation Water to the Contractor from another contractor which is subject to
906 RRA provisions, such RRA provisions shall apply to delivery of such water.

907 APPLICATION OF PAYMENTS AND ADJUSTMENTS

908 11. (a) The amount of any overpayment by the Contractor of the Contractor's
909 O&M, Capital, and deficit (if any) obligations for the Year shall be applied first to any current

910 liabilities of the Contractor arising out of this Contract then due and payable. Overpayments of
911 more than One Thousand Dollars (\$1,000) shall be refunded at the Contractor's request. In lieu
912 of a refund, any amount of such overpayment, at the option of the Contractor, may be credited
913 against amounts to become due to the United States by the Contractor. With respect to
914 overpayment, such refund or adjustment shall constitute the sole remedy of the Contractor or
915 anyone having or claiming to have the right to the use of any of the Project Water supply
916 provided for herein. All credits and refunds of overpayments shall be made within thirty (30)
917 days of the Contracting Officer obtaining direction as to how to credit or refund such
918 overpayment in response to the notice to the Contractor that it has finalized the accounts for the
919 Year in which the overpayment was made.

920 (b) All advances for miscellaneous costs incurred for work requested by the
921 Contractor pursuant to Article 26 of this Contract shall be adjusted to reflect the actual costs
922 when the work has been completed. If the advances exceed the actual costs incurred, the
923 difference will be refunded to the Contractor. If the actual costs exceed the Contractor's
924 advances, the Contractor will be billed for the additional costs pursuant to Article 26 of this
925 Contract.

926 TEMPORARY REDUCTIONS—RETURN FLOWS

927 12. (a) The Contracting Officer shall make all reasonable efforts to optimize
928 delivery of the Contract Total subject to: (i) the authorized purposes and priorities of the Project;
929 (ii) the requirements of Federal law and the Settlement; and (iii) the obligations of the United

930 States under existing contracts, or renewals thereof, providing for water deliveries from the
931 Project.

932 (b) The Contracting Officer or Operating Non-Federal Entity may temporarily
933 discontinue or reduce the quantity of Water Delivered to the Contractor as herein provided for
934 the purposes of investigation, inspection, maintenance, repair, or replacement of any of the
935 Project facilities or any part thereof necessary for the delivery of Project Water to the Contractor,
936 but so far as feasible the Contracting Officer or Operating Non-Federal Entity will give the
937 Contractor due notice in advance of such temporary discontinuance or reduction, except in case
938 of emergency, in which case no notice need be given; Provided, That the United States shall use
939 its best efforts to avoid any discontinuance or reduction in such service. Upon resumption of
940 service after such reduction or discontinuance, and if requested by the Contractor, the United
941 States will, if possible, deliver the quantity of Project Water which would have been delivered
942 hereunder in the absence of such discontinuance or reduction.

943 (c) The United States reserves the right to all seepage and return flow water
944 derived from Water Delivered to the Contractor hereunder which escapes or is discharged
945 beyond the Contractor's Service Area; Provided, That this shall not be construed as claiming for
946 the United States any right as seepage or return flow to water being used pursuant to this
947 Contract for surface irrigation or underground storage either being put to reasonable and
948 beneficial use pursuant to this Contract within the Contractor's Service Area by the Contractor or
949 those claiming by, through, or under the Contractor. For purposes of this subdivision,

950 groundwater recharge, groundwater banking and all similar groundwater activities will be
951 deemed to be underground storage.

952 CONSTRAINTS ON THE AVAILABILITY OF WATER

953 13. (a) In its operation of the Project, the Contracting Officer will use all
954 reasonable means to guard against a Condition of Shortage in the quantity of water to be made
955 available to the Contractor pursuant to this Contract. In the event the Contracting Officer
956 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the
957 Contractor of said determination as soon as practicable.

958 (b) If there is a Condition of Shortage because of errors in physical operations
959 of the Project, drought, other physical causes beyond the control of the Contracting Officer or
960 actions taken by the Contracting Officer to meet legal obligations, including but not limited to
961 obligations pursuant to the Settlement then, except as provided in subdivision (a) of Article 19 of
962 this Contract, no liability shall accrue against the United States or any of its officers, agents, or
963 employees for any damage, direct or indirect, arising therefrom.

964 (c) The United States shall not execute contracts which together with this
965 Contract, shall in the aggregate provide for furnishing Class 1 Water in excess of 800,000
966 acre-feet per Year or Class 2 Water in excess of 1,401,475 acre-feet per Year; Provided, That,
967 subject to subdivision (l) of Article 3 of this Contract, the limitation placed on Class 2 Water
968 contracts shall not prohibit the United States from entering into temporary contracts of one year
969 or less in duration for delivery of Project Water to other entities if such water is not necessary to
970 meet the schedules as may be submitted by all Friant Division Project Contractors entitled to

971 receive Class 1 Water and/or Class 2 Water under their contracts. Nothing in this subdivision
972 shall limit the Contracting Officer's ability to take actions that result in the availability of new
973 water supplies to be used for Project purposes and allocating such new supplies; Provided, That
974 the Contracting Officer shall not take such actions until after consultation with the Friant
975 Division Project Contractors.

976 (d) The Contracting Officer shall not deliver any Class 2 Water pursuant to
977 this or any other contract heretofore or hereafter entered into any Year unless and until the
978 Contracting Officer determines that the cumulative total quantity of Class 1 Water specified in
979 subdivision (c) of this Article of this Contract will be available for delivery in said Year. If the
980 Contracting Officer determines there is or will be a shortage in any Year in the quantity of
981 Class 1 Water available for delivery, the Contracting Officer shall apportion the available Class 1
982 Water among all Contractors entitled to receive such water that will be made available at Friant
983 Dam in accordance with the following:

984 (1) A determination shall be made of the total quantity of Class 1
985 Water at Friant Dam which is available for meeting Class 1 Water contractual commitments, the
986 amount so determined being herein referred to as the available supply.

987 (2) The total available Class 1 supply shall be divided by the Class 1
988 Water contractual commitments, the quotient thus obtained being herein referred to as the
989 Class 1 apportionment coefficient.

990 (3) The total quantity of Class 1 Water under Article 3 of this Contract
991 shall be multiplied by the Class 1 apportionment coefficient and the result shall be the quantity of

992 Class 1 Water required to be delivered by the Contracting Officer to the Contractor for the
993 respective Year, but in no event shall such amount exceed the total quantity of Class 1 Water
994 specified in subdivision (a) of Article 3 of this Contract.

995 (e) If the Contracting Officer determines there is less than the quantity of
996 Class 2 Water which the Contractor otherwise would be entitled to receive pursuant to Article 3
997 of this Contract, the quantity of Class 2 Water which shall be furnished to the Contractor by the
998 Contracting Officer will be determined in the manner set forth in paragraphs (1), (2), and (3), of
999 subdivision (d) of this Article of this Contract substituting the term "Class 2" for the term "Class
1000 1."

1001 (f) In the event that in any Year there is made available to the Contractor, by
1002 reason of any shortage or apportionment as provided in subdivisions (a), (d), or (e) of this Article
1003 of this Contract, or any discontinuance or reduction of service as set forth in subdivision (b) of
1004 Article 12 of this Contract, less than the quantity of water which the Contractor otherwise would
1005 be entitled to receive hereunder, there shall be made an adjustment on account of the amounts
1006 already paid to the Contracting Officer by the Contractor for Class 1 Water and Class 2 Water
1007 for said Year in accordance with Article 11 of this Contract.

1008 UNAVOIDABLE GROUNDWATER PERCOLATION

1009 14. To the extent applicable, the Contractor shall not be deemed to have delivered
1010 Irrigation Water to Excess Lands and Ineligible Lands within the meaning of this Contract if
1011 such lands are irrigated with groundwater that reaches the underground strata as an unavoidable
1012 result of the delivery of Irrigation Water by the Contractor to Eligible Lands.

ACREAGE LIMITATION

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1014 15. (a) Notwithstanding the application of the acreage limitation provisions to
1015 activities referred to in subdivision (b) of this Article, subdivision (a) of Article 16, and Article
1016 18 of this Contract, upon complete payment of the Repayment Obligation by the Contractor, and
1017 notwithstanding any Additional Capital Obligation that may later be established, the provisions
1018 of section 213(a) and (b) of the RRA shall apply to lands in the Contractor's Service Area, with
1019 the effect that acreage limitations, reporting, and Full Cost pricing provisions of the RRA shall
1020 no longer apply to lands in the Contractor's Service Area with respect to Water Delivered
1021 pursuant to this Contract. Upon receiving the complete payment of the Repayment Obligation
1022 from the Contractor, Reclamation will conduct a final water district review for the purpose of
1023 determining compliance with the acreage limitations, reporting, and Full Cost pricing provisions
1024 of the RRA from the date of the last water district review until the date when payment to
1025 Reclamation of the Repayment Obligation is completed.

1026 (b) Project Water to which the Contractor is entitled through a separate
1027 contract, other than this Contract, that is subject to Federal Reclamation law, may be delivered to
1028 lands within the Contractor's Service Area. Upon complete payment of the Repayment
1029 Obligation by the Contractor, and notwithstanding any Additional Capital Obligation that may
1030 later be established, Project Water Delivered under this Contract may be mixed with Project
1031 Water Delivered pursuant to a contract with the United States, other than this Contract, to which
1032 acreage limitations, reporting, and Full Cost pricing provisions of Federal Reclamation law apply
1033 without causing the application of the acreage limitations, reporting, and the Full Cost pricing

1034 provisions of Federal Reclamation law to the Water Delivered pursuant to this Contract;
1035 Provided, The terms and conditions in such other contract shall continue to apply, and if such
1036 terms and conditions so require, the lands to receive Project Water under such other contract
1037 shall be properly designated by the Contractor and such Project Water is to be delivered in
1038 accordance with the RRA including any applicable acreage limitations, reporting, and Full Cost
1039 pricing provisions.

1040 COMPLIANCE WITH FEDERAL RECLAMATION LAWS

1041 16. (a) The parties agree that the delivery of irrigation water or use of Federal
1042 facilities pursuant to this Contract is subject to Federal Reclamation law, including but not
1043 limited to the Reclamation Reform Act of 1982 (43 U.S.C. 390 aa *et seq.*), as amended and
1044 supplemented, and the rules and regulations promulgated by the Secretary of the Interior under
1045 Federal Reclamation law.

1046 (b) The terms of this Contract are subject to the Settlement and the SJRRSA.
1047 Nothing in this Contract shall be interpreted to limit or interfere with the full implementation of
1048 the Settlement and the SJRRSA.

1049 PROTECTION OF WATER AND AIR QUALITY

1050 17. (a) Project facilities used to make available and deliver water to the
1051 Contractor shall be operated and maintained in the most practical manner to maintain the quality
1052 of the water at the highest level possible as determined by the Contracting Officer: Provided,
1053 *That* the United States does not warrant the quality of the water delivered to the Contractor and is
1054 under no obligation to furnish or construct water treatment facilities to maintain or improve the
1055 quality of water delivered to the Contractor.

1056 (b) The Contractor shall comply with all applicable water and air pollution
1057 laws and regulations of the United States and the State of California; and shall obtain all required
1058 permits or licenses from the appropriate Federal, State, or local authorities necessary for the
1059 delivery of water by the Contractor; and shall be responsible for compliance with all Federal,
1060 State, and local water quality standards applicable to surface and subsurface drainage and/or
1061 discharges generated through the use of Federal or Contractor facilities or project water provided
1062 by the Contractor within the Contractor's Project Water Service Area.

1063 (c) This article shall not affect or alter any legal obligations of the Secretary
1064 to provide drainage or other discharge services.

1065 WATER ACQUIRED BY THE CONTRACTOR
1066 OTHER THAN FROM THE UNITED STATES

1067 18. (a) Until complete payment of the Repayment Obligation by the Contractor,
1068 and notwithstanding any Additional Capital Obligation that may later be established, water or
1069 water rights now owned or hereafter acquired by the Contractor other than from the United
1070 States and Irrigation Water furnished pursuant to the terms of this Contract may be
1071 simultaneously transported through the same distribution facilities of the Contractor subject to
1072 the following: (i) if the facilities utilized for commingling Irrigation Water and non-project
1073 water were constructed without funds made available pursuant to Federal Reclamation law, the
1074 acreage limitations, reporting, and Full Cost pricing provisions of Federal Reclamation law will
1075 be applicable only to the Landholders of lands which receive Irrigation Water; (ii) the eligibility
1076 of land to receive Irrigation Water must be established through the certification requirements as
1077 specified in the Acreage Limitation Rules and Regulations (43 CFR Part 426); and (iii) the water
1078 requirements of Eligible Lands within the Contractor's Service Area can be established and the
1079 quantity of Irrigation Water to be utilized is less than or equal to the quantity necessary to
1080 irrigate such Eligible Lands. The Contractor and the Contracting Officer concur that the
1081 Contractor's distribution system was constructed without funds made available pursuant to
1082 Federal Reclamation law. The use of this distribution system is not subject to the provisions of
1083 this subdivision of this Article.

1084 (b) Upon complete payment of the Repayment Obligation by the Contractor,
1085 and notwithstanding any Additional Capital Obligation that may later be established, water or
1086 water rights now owned or hereafter acquired by the Contractor other than from the United
1087 States pursuant to this Contract and Irrigation Water furnished pursuant to the terms of this
1088 Contract may be simultaneously transported through the same distribution facilities of the
1089 Contractor without the payment of fees to the United States and without application of Federal
1090 Reclamation law to Water Delivered pursuant to this Contract or to lands which receive Water
1091 Delivered to Contractor pursuant to this Contract.

1092 (c) Water or water rights now owned or hereafter acquired by the Contractor,
1093 other than from the United States or adverse to the Project or its contractors (i.e., non-project
1094 water), may be stored, conveyed and/or diverted through Project facilities, other than Friant
1095 Division Facilities, subject to the completion of appropriate environmental documentation, with
1096 the approval of the Contracting Officer and the execution of any contract determined by the
1097 Contracting Officer to be necessary, consistent with the following provisions:

1098 (1) The Contractor may introduce non-project water into Project
1099 facilities and deliver said water to lands within the Contractor's Service Area, including
1100 Ineligible Lands, subject to payment to the United States and/or to any applicable Operating
1101 Non-Federal Entity of an appropriate rate as determined by the Contracting Officer. In addition,
1102 if electrical power is required to pump non-project water, the Contractor shall be responsible for
1103 obtaining the necessary power and paying the necessary charges therefor.

1104 (2) Delivery of such non-project water in and through Project facilities
1105 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project
1106 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water
1107 available to other Project Contractors; (iii) interfere with the delivery of contractual water
1108 entitlements to any other Project Contractors; (iv) interfere with the physical maintenance of the
1109 Project facilities; or (v) result in the United States incurring any liability or unreimbursed costs
1110 or expenses thereby.

1111 (3) Neither the United States nor the Operating Non-Federal Entity
1112 shall be responsible for control, care or distribution of the non-project water before it is
1113 introduced into or after it is delivered from the Project facilities. The Contractor hereby releases
1114 and agrees to defend and indemnify the United States and the Operating Non-Federal Entity, and
1115 their respective officers, agents, and employees, from any claim for damage to persons or
1116 property, direct or indirect, resulting from Contractor's diversion or extraction of non-project
1117 water from any source.

1118 (4) Diversion of such non-project water into Project facilities shall be
1119 consistent with all applicable laws, and if involving groundwater, consistent with any
1120 groundwater management plan for the area from which it was extracted.

1121 (5) After Project purposes are met, as determined by the Contracting
1122 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity
1123 of the facilities declared to be available by the Contracting Officer for conveyance and

1124 transportation of non-project water prior to any such remaining capacity being made available to
1125 non-project contractors.

1126 (d) Non-project water may be stored, conveyed and/or diverted through Friant
1127 Division Facilities, subject to the prior completion of appropriate environmental documentation
1128 and approval of the Contracting Officer without execution of a separate contract, consistent with
1129 subdivisions (c)(1) through (c)(5) of this Article and any other condition determined to be
1130 appropriate by the Contracting Officer.

1131 OPINIONS AND DETERMINATIONS

1132 19. (a) Where the terms of this Contract provide for actions to be based upon the
1133 opinion or determination of either party to this Contract, said terms shall not be construed as
1134 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
1135 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly
1136 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious,
1137 or unreasonable opinion or determination. Each opinion or determination by either party shall be
1138 provided in a timely manner. Nothing in this Article of this Contract is intended to or shall affect
1139 or alter the standard of judicial review applicable under Federal law to any opinion or
1140 determination implementing a specific provision of Federal law embodied in statute or
1141 regulation.

1142 (b) The Contracting Officer shall have the right to make determinations
1143 necessary to administer this Contract that are consistent with the provisions of this Contract, the
1144 laws of the United States and the State of California, and the rules and regulations promulgated

1145 by the Secretary. Such determinations shall be made in consultation with the Contractor to the
1146 extent reasonably practicable.

1147 COORDINATION AND COOPERATION

1148 20. (a) In order to further their mutual goals and objectives, the Contracting
1149 Officer and the Contractor shall communicate, coordinate, and cooperate with each other, and
1150 with other affected Project Contractors, in order to improve the operation and management of the
1151 Project. The communication, coordination, and cooperation regarding operations and
1152 management shall include, but not limited to, any action which will or may materially affect the
1153 quantity or quality of Project Water supply, the allocation of Project Water supply, and Project
1154 financial matters including, but not limited to, budget issues. The communication, coordination,
1155 and cooperation provided for hereunder shall extend to all provisions of this Contract. Each
1156 party shall retain exclusive decision making authority for all actions, opinions, and
1157 determinations to be made by the respective party.

1158 (b) It is the intent of the Secretary to improve water supply reliability. To
1159 carry out this intent:

1160 (1) The Contracting Officer will, at the request of the Contractor,
1161 assist in the development of integrated resource management plans for the Contractor. Further,
1162 the Contracting Officer will, as appropriate, seek authorizations for implementation of
1163 partnerships to improve water supply, water quality, and reliability.

1164 (2) The Secretary will, as appropriate, pursue program and project
1165 implementation and authorization in coordination with Project Contractors to improve the water
1166 supply, water quality, and reliability of the Project for all Project purposes.

1167 (3) The Secretary will coordinate with Project Contractors and the
1168 State of California to seek improved water resource management.

1169 (4) The Secretary will coordinate actions of agencies within the
1170 Department of the Interior that may impact the availability of water for Project purposes.

1171 (5) The Contracting Officer shall periodically, but not less than
1172 annually, hold division level meetings to discuss Project operations, division level water
1173 management activities, and other issues as appropriate.

1174 (c) Without limiting the contractual obligations of the Contracting Officer
1175 hereunder, nothing in this Contract shall be construed to limit or constrain the Contracting
1176 Officer's ability to communicate, coordinate, and cooperate with the Contractor or other
1177 interested stakeholders or to make decisions in a timely fashion as needed to protect health,
1178 safety, physical integrity of structures or facilities, or the Contracting Officer's ability to comply
1179 with applicable laws.

1180 **CHARGES FOR DELINQUENT PAYMENTS**

1181 21. (a) The Contractor shall be subject to interest, administrative and penalty
1182 charges on delinquent installments or payments. When a payment is not received by the due
1183 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
1184 the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an
1185 administrative charge to cover additional costs of billing and processing the delinquent payment.
1186 When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional
1187 penalty charge of six (6) percent per year for each day the payment is delinquent beyond the due

1188 date. Further, the Contractor shall pay any fees incurred for debt collection services associated
1189 with a delinquent payment.

1190 (b) The interest charge rate shall be the greater of the rate prescribed quarterly
1191 in the Federal Register by the Department of the Treasury for application to overdue payments,
1192 or the interest rate of one-half of one (0.5) percent per month prescribed by Section 6 of the
1193 Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be
1194 determined as of the due date and remain fixed for the duration of the delinquent period.

1195 (c) When a partial payment on a delinquent account is received, the amount
1196 received shall be applied, first to the penalty, second to the administrative charges, third to the
1197 accrued interest, and finally to the overdue payment.

1198 EQUAL EMPLOYMENT OPPORTUNITY

1199 22. During the performance of this Contract, the Contractor agrees as follows:

1200 (a) The Contractor will not discriminate against any employee or applicant for
1201 employment because of race, color, religion, sex, disability, or national origin. The Contractor
1202 will take affirmative action to ensure that applicants are employed, and that employees are
1203 treated during employment, without regard to their race, color, religion, sex, disability, or
1204 national origin. Such action shall include, but not be limited to the following: employment,
1205 upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination;
1206 rates of pay or other forms of compensation; and selection for training, including apprenticeship.
1207 The Contractor agrees to post in conspicuous places, available to employees and applicants for
1208 employment, notices to be provided by the Contracting Officer setting forth the provisions of this
1209 nondiscrimination clause.

1210 (b) The Contractor will, in all solicitations or advertisements for employees
1211 placed by or on behalf of the Contractor, state that all qualified applicants will receive
1212 consideration for employment without regard to race, color, religion, sex, disability, or national
1213 origin.

1214 (c) The Contractor will send to each labor union or representative of workers
1215 with which it has a collective bargaining agreement or other contract or understanding, a notice,
1216 to be provided by the Contracting Officer, advising the labor union or workers' representative of
1217 the Contractor's commitments under Section 202 of Executive Order 11246 of September 24,
1218 1965, and shall post copies of the notice in conspicuous places available to employees and
1219 applicants for employment.

1220 (d) The Contractor will comply with all provisions of Executive Order No.
1221 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary
1222 of Labor.

1223 (e) The Contractor will furnish all information and reports required by
1224 Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the
1225 Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and
1226 accounts by the Contracting Agency and the Secretary of Labor for purposes of investigation to
1227 ascertain compliance with such rules, regulations, and orders.

1228 (f) In the event of the Contractor's noncompliance with the nondiscrimination
1229 clauses of this contract or with any of such rules, regulations, or orders, this contract may be
1230 canceled, terminated or suspended in whole or in part and the Contractor may be declared
1231 ineligible for further Government contracts in accordance with procedures authorized in
1232 Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and
1233 remedies invoked as provided in Executive Order 11246 of September 24, 1965 or by rule,
1234 regulation, or order of the Secretary of Labor, or as otherwise provided by law.

1235 (g) The Contractor will include the provisions of paragraphs (1) through (7) in
1236 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
1237 Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24,
1238 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor
1239 will take such action with respect to any subcontract or purchase order as may be directed by the
1240 Secretary of Labor as a means of enforcing such provisions, including sanctions for
1241 noncompliance: *Provided, however*, that in the event the Contractor becomes involved in, or is
1242 threatened with, litigation with a subcontractor or vendor as a result of such direction, the
1243 Contractor may request the United States to enter into such litigation to protect the interests of
1244 the United States.

1245 GENERAL OBLIGATION—BENEFITS CONDITIONED UPON PAYMENT

1246 23. (a) The obligation of the Contractor to pay the United States as provided in
1247 this Contract is a general obligation of the Contractor notwithstanding the manner in which the
1248 obligation may be distributed among the Contractor's water users and notwithstanding the
1249 default of individual water users in their obligations to the Contractor.

1250 (b) The payment of charges becoming due hereunder is a condition precedent
1251 to receiving benefits under this Contract. The United States shall not make water available to the
1252 Contractor through Project facilities during any period in which the Contractor may be in arrears
1253 in the advance payment of water rates due the United States. The Contractor shall not furnish
1254 water made available pursuant to this Contract for lands or parties which are in arrears in the
1255 advance payment of water rates levied or established by the Contractor.

1256 (c) With respect to subdivision (b) of this Article of this Contract, the
1257 Contractor shall have no obligation to require advance payment for water rates which it levies.

1258 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

1259 24. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
1260 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
1261 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
1262 laws, as well as with their respective implementing regulations and guidelines imposed by the
1263 U.S. Department of the Interior and/or Bureau of Reclamation.

1264 (b) These statutes require that no person in the United States shall, on the
1265 grounds of race, color, national origin, handicap, or age, be excluded from participation in, be
1266 denied the benefits of, or be otherwise subjected to discrimination under any program or activity
1267 receiving financial assistance from the Bureau of Reclamation. By executing this Contract, the
1268 Contractor agrees to immediately take any measures necessary to implement this obligation,
1269 including permitting officials of the United States to inspect premises, programs, and documents.

1270 (c) The Contractor makes this agreement in consideration of and for the
1271 purpose of obtaining any and all Federal grants, loans, contracts, property discounts, or other
1272 Federal financial assistance extended after the date hereof to the Contractor by the Bureau of
1273 Reclamation, including installment payments after such date on account of arrangements for
1274 Federal financial assistance which were approved before such date. The Contractor recognizes
1275 and agrees that such Federal assistance will be extended in reliance on the representations and
1276 agreements made in this Article, and that the United States reserves the right to seek judicial
1277 enforcement thereof.

1278 PRIVACY ACT COMPLIANCE

1279 25. (a) The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C. 552a)
1280 (the Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45 et
1281 seq.) in maintaining Landholder acreage certification and reporting records, required to be
1282 submitted to the Contractor for compliance with Sections 206 and 228 of the Reclamation
1283 Reform Act of 1982 (96 Stat. 1266), and pursuant to 43 CFR 426.18.

1284 (b) With respect to the application and administration of the criminal penalty
1285 provisions of the Act (5 U.S.C. 552a(i)), the Contractor and the Contractor's employees
1286 responsible for maintaining the certification and reporting records referenced in (a) above are
1287 considered to be employees of the Department of the Interior. See 5 U.S.C. 552a(m).

1288 (c) The Contracting Officer or a designated representative shall provide the
1289 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau
1290 of Reclamation Federal Register Privacy Act System of Records Notice (Acreage
1291 Limitation—Interior, Reclamation-31) which govern the maintenance, safeguarding, and
1292 disclosure of information contained in the Landholder’s certification and reporting records.

1293 (d) The Contracting Officer shall designate a full-time employee of the
1294 Bureau of Reclamation to be the System Manager who shall be responsible for making decisions
1295 on denials pursuant to 43 CFR 2.61 and 2.64 amendment requests pursuant to 43 CFR 2.72. The
1296 Contractor is authorized to grant requests by individuals for access to their own records.

1297 (e) The Contractor shall forward promptly to the System Manager each
1298 proposed denial of access under 43 CFR 2.64; and each request for amendment of records filed
1299 under 43 CFR 2.71; notify the requester accordingly of such referral; and provide the System
1300 Manager with information and records necessary to prepare an appropriate response to the
1301 requester. These requirements do not apply to individuals seeking access to their own
1302 certification and reporting forms filed with the Contractor pursuant to 43 CFR 426.18, unless the
1303 requester elects to cite the Privacy Act as a basis for the request.

1304 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

1305 26. In addition to all other payments to be made by the Contractor pursuant to this
1306 Contract, the Contractor shall pay to the United States, within sixty (60) days after receipt of a
1307 bill and detailed statement submitted by the Contracting Officer to the Contractor for such
1308 specific items of direct cost incurred by the United States for work requested by the Contractor
1309 associated with this Contract plus indirect costs in accordance with applicable Bureau of
1310 Reclamation policies and procedures. All such amounts referred to in this Article of this
1311 Contract shall not exceed the amount agreed to in writing in advance by the Contractor. This
1312 Article of this Contract shall not apply to costs for routine contract administration.

1313 WATER CONSERVATION

1314 27. (a) Prior to the delivery of water provided from or conveyed through
1315 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor

1316 shall be implementing an effective water conservation and efficiency program based on the
1317 Contractor's water conservation plan that has been determined by the Contracting Officer to
1318 meet the conservation and efficiency criteria for evaluating water conservation plans established
1319 under Federal law. The water conservation and efficiency program shall contain definite water
1320 conservation objectives, appropriate economically feasible water conservation measures, and
1321 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this
1322 Contract shall be contingent upon the Contractor's continued implementation of such water
1323 conservation program. In the event the Contractor's water conservation plan or any revised
1324 water conservation plan completed pursuant to subdivision (d) of this Article of this Contract
1325 have not yet been determined by the Contracting Officer to meet such criteria, due to
1326 circumstances which the Contracting Officer determines are beyond the control of the
1327 Contractor, water deliveries shall be made under this Contract so long as the Contractor
1328 diligently works with the Contracting Officer to obtain such determination at the earliest
1329 practicable date, and thereafter the Contractor immediately begins implementing its water
1330 conservation and efficiency program in accordance with the time schedules therein.

1331 (b) Omitted.

1332 (c) The Contractor shall submit to the Contracting Officer a report on the
1333 status of its implementation of the water conservation plan on the reporting dates specified in the
1334 then-existing conservation and efficiency criteria established under Federal law.

1335 (d) At five (5) -year intervals, the Contractor shall revise its water
1336 conservation plan to reflect the then-existing conservation and efficiency criteria for evaluating

1337 water conservation plans established under Federal law and submit such revised water
1338 management plan to the Contracting Officer for review and evaluation. The Contracting Officer
1339 will then determine if the
1340 water conservation plan meets Reclamation's then-existing conservation and efficiency criteria
1341 for evaluating water conservation plans established under Federal law.

1342 (e) If the Contractor is engaged in direct groundwater recharge, such activity
1343 shall be described in the Contractor's water conservation plan.

1344 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1345 28. Except as specifically provided in Article 18 of this Contract, the provisions of
1346 this Contract shall not be applicable to or affect non-project water or water rights now owned or
1347 hereafter acquired by the Contractor or any user of such water within the Contractor's Service
1348 Area. Any such water shall not be considered Project Water under this Contract. In addition,
1349 this Contract shall not be construed as limiting or curtailing any rights which the Contractor or
1350 any water user within the Contractor's Service Area acquires or has available under any other
1351 contract pursuant to Federal Reclamation law.

1352 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

1353 29. (a) The O&M of a portion of the Project facilities which serve the Contractor,
1354 and responsibility for funding a portion of the costs of such O&M, have been transferred to the
1355 Operating Non-Federal Entity by separate agreement between the United States and the
1356 Operating Non-Federal Entity. That separate agreement shall not interfere with or affect the
1357 rights or obligations of the Contractor or the United States hereunder.

1358 (b) The Contracting Officer has previously notified the Contractor in writing
1359 that the O&M of a portion of the Project facilities which serve the Contractor has been
1360 transferred to the Operating Non-Federal Entity, and therefore, the Contractor shall pay directly
1361 to the Operating Non-Federal Entity, or to any successor approved by the Contracting Officer
1362 under the terms and conditions of the separate agreement between the United States and the
1363 Operating Non-Federal Entity described in subdivision (a) of this Article of this Contract, all
1364 rates, charges or assessments of any kind, including any assessment for reserve funds, which the
1365 Operating Non-Federal Entity or such successor determines, sets or establishes for (i) the O&M
1366 of the portion of the Project facilities operated and maintained by the Operating Non-Federal
1367 Entity or such successor, or (ii) the Friant Division's share of the operation, maintenance and
1368 replacement costs for physical works and appurtenances associated with the Tracy Pumping
1369 Plant, the Delta-Mendota Canal, the O'Neill Pumping/Generating Plant, the federal share of the
1370 O'Neill Forebay, the Mendota Pool, and the federal share of San Luis Unit joint use conveyance
1371 and conveyance pumping facilities. Such direct payments to the Operating Non-Federal Entity
1372 or such successor shall not relieve the Contractor of its obligation to pay directly to the United
1373 States the Contractor's share of the Project Rates, Charges, and Tiered Pricing Components
1374 except to the extent the Operating Non-Federal Entity collects payments on behalf of the United
1375 States in accordance with the separate agreement identified in subdivision (a) of this Article of
1376 this Contract.

1377 (c) For so long as the O&M of any portion of the Project facilities serving the
1378 Contractor is performed by the Operating Non-Federal Entity, or any successor thereto, the

1379 Contracting Officer shall adjust those components of the Rates for Water Delivered under this
1380 Contract representing the cost associated with the activity being performed by the Operating
1381 Non-Federal Entity or its successor.

1382 (d) In the event the O&M of the Project facilities operated and maintained by
1383 the Operating Non-Federal Entity is re-assumed by the United States during the term of this
1384 Contract, the Contracting Officer shall so notify the Contractor, in writing, and present to the
1385 Contractor a revised Exhibit "B" which shall include the portion of the Rates to be paid by the
1386 Contractor for Project Water under this Contract representing the O&M costs of the portion of
1387 such Project facilities which have been re-assumed. The Contractor shall, thereafter, in the
1388 absence of written notification from the Contracting Officer to the contrary, pay the Rates,
1389 Charges, and Tiered Pricing Component(s) specified in the revised Exhibit "B" directly to the
1390 United States in compliance with Article 7 of this Contract.

1391 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1392 30. The expenditure or advance of any money or the performance of any obligation of
1393 the United States under this Contract shall be contingent upon appropriation or allotment of
1394 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any
1395 obligations under this Contract. No liability shall accrue to the United States in case funds are
1396 not appropriated or allotted.

1397 BOOKS, RECORDS, AND REPORTS

1398 31. (a) The Contractor shall establish and maintain accounts and other books and
1399 records pertaining to administration of the terms and conditions of this Contract, including: the
1400 Contractor's financial transactions, water supply data, and Project land and right-of-way
1401 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
1402 data; and other matters that the Contracting Officer may require. Reports thereon shall be
1403 furnished to the Contracting Officer in such form and on such date or dates as the Contracting
1404 Officer may require. Subject to applicable Federal laws and regulations, each party to this

1405 Contract shall have the right during office hours to examine and make copies of the other party's
1406 books and records relating to matters covered by this Contract.

1407 (b) Notwithstanding the provisions of subdivision (a) of this Article of this
1408 Contract, no books, records, or other information shall be requested from the Contractor by the
1409 Contracting Officer unless such books, records, or information are reasonably related to the
1410 administration or performance of this Contract. Any such request shall allow the Contractor a
1411 reasonable period of time within which to provide the requested books, records, or information.

1412 (c) At such time as the Contractor provides information to the Contracting
1413 Officer pursuant to subdivision (a) of this Article of this Contract, a copy of such information
1414 shall be provided to the Operating Non-Federal Entity.

1415 ASSIGNMENT LIMITED—SUCCESSORS AND ASSIGNS OBLIGATED

1416 32. (a) The provisions of this Contract shall apply to and bind the successors and
1417 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1418 therein shall be valid until approved in writing by the Contracting Officer.

1419 (b) The assignment of any right or interest in this Contract by either party
1420 shall not interfere with the rights or obligations of the other party to this Contract absent the
1421 written concurrence of said other party.

1422 (c) The Contracting Officer shall not unreasonably condition or withhold
1423 approval of any proposed assignment.

1424 SEVERABILITY

1425 33. In the event that a person or entity who is neither (i) a party to a Project contract,
1426 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor

1427 (iii) an association or other form of organization whose primary function is to represent parties to
1428 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or
1429 enforceability of a provision included in this Contract and said person, entity, association, or
1430 organization obtains a final court decision holding that such provision is legally invalid or
1431 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s),
1432 the parties to this Contract shall use their best efforts to (i) within thirty (30) days of the date of
1433 such final court decision identify by mutual agreement the provisions in this Contract which
1434 must be revised and (ii) within three (3) months thereafter promptly agree on the appropriate
1435 revision(s). The time periods specified above may be extended by mutual agreement of the
1436 parties. Pending the completion of the actions designated above, to the extent it can do so
1437 without violating any applicable provisions of law, the United States shall continue to make the
1438 quantities of Project Water specified in this Contract available to the Contractor pursuant to the
1439 provisions of this Contract which were not found to be legally invalid or unenforceable in the
1440 final court decision.

1441 RESOLUTION OF DISPUTES

1442 34. Should any dispute arise concerning any provisions of this Contract, or the
1443 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to
1444 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting
1445 Officer referring any matter to Department of Justice, the party shall provide to the other party
1446 thirty (30) days written notice of the intent to take such action; Provided, That such notice shall
1447 not be required where a delay in commencing an action would prejudice the interests of the party

1448 that intends to file suit. During the thirty (30) day notice period, the Contractor and the
1449 Contracting Officer shall meet and confer in an attempt to resolve the dispute. Except as
1450 specifically provided, nothing herein is intended to waive or abridge any right or remedy that the
1451 Contractor or the United States may have.

1452 OFFICIALS NOT TO BENEFIT

1453 35. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1454 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1455 manner as other water users or landowners.

1456 CHANGES IN CONTRACTOR'S SERVICE AREA

1457 36. (a) While this Contract is in effect, no change may be made in the
1458 Contractor's Service Area or boundaries, by inclusion or exclusion of lands, dissolution,
1459 consolidation, merger, or otherwise, except upon the Contracting Officer's written consent.

1460 (b) Within thirty (30) days of receipt of a request for such a change, the
1461 Contracting Officer will notify the Contractor of any additional information required by the
1462 Contracting Officer for processing said request, and both parties will meet to establish a mutually
1463 agreeable schedule for timely completion of the process. Such process will analyze whether the
1464 proposed change is likely to: (i) result in the use of Project Water contrary to the terms of this
1465 Contract; (ii) impair the ability of the Contractor to pay for Project Water furnished under this
1466 Contract or to pay for any Federally-constructed facilities for which the Contractor is
1467 responsible; and (iii) have an impact on any Project Water rights applications, permits, or
1468 licenses. In addition, the Contracting Officer shall comply with the National Environmental
1469 Policy Act and the Endangered Species Act. The Contractor will be responsible for all costs

1470 incurred by the Contracting Officer in this process, and such costs will be paid in accordance
1471 with Article 26 of this Contract.

1472 FEDERAL LAWS

1473 37. By entering into this Contract, the Contractor does not waive its rights to contest
1474 the validity or application in connection with the performance of the terms and conditions of this
1475 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with
1476 the terms and conditions of this Contract unless and until relief from application of such Federal
1477 law or regulation to the implementing provision of the Contract is granted by a court of
1478 competent jurisdiction.

1479 EMERGENCY RESERVE FUND

1480 38. The Contractor and Contracting Officer acknowledge that the requirements to
1481 establish and maintain a minimum reserve fund account to finance extraordinary O&M costs of
1482 Friant Division Facilities is and will continue to be administered under Contract No.
1483 8-07-20-X0356 titled Agreement To Transfer The Operation, Maintenance And Replacement
1484 And Certain Financial And Administrative Activities Related To The Friant-Kern Canal And
1485 Associated Works, dated March 1, 1998 as amended, supplemented, assigned, or renewed.

1486 MEDIUM FOR TRANSMITTING PAYMENT

1487 39. (a) All payments from the Contractor to the United States under this contract
1488 shall be by the medium requested by the United States on or before the date payment is due. The
1489 required method of payment may include checks, wire transfers, or other types of payment
1490 specified by the United States.

1491 (b) Upon execution of the contract, the Contractor shall furnish the
1492 Contracting Officer with the Contractor's taxpayer's identification number (TIN). The purpose

1493 for requiring the Contractor's TIN is for collecting and reporting any delinquent amounts arising
1494 out of the Contractor's relationship with the United States.

1495 NOTICES

1496 40. Any notice, demand, or request authorized or required by this Contract shall be
1497 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
1498 delivered to the Area Manager, South-Central California Area Office, 1243 "N" Street, Fresno,
1499 California 93721, and on behalf of the United States, when mailed, postage prepaid, or delivered
1500 to the Board of Directors of Porterville Irrigation District, 22086 Avenue 160, Porterville,
1501 California 93257. The designation of the addressee or the address may be changed by notice
1502 given in the same manner as provided in this Article of this Contract for other notices.

1503 CONFIRMATION OF CONTRACT

1504 41. The Contractor, after the execution of this Contract, shall promptly provide to the
1505 Contracting Officer a decree of a court of competent jurisdiction of the State of California,
1506 confirming the execution of this Contract. The Contractor shall furnish the United States a
1507 certified copy of the final decree, the validation proceedings, and all pertinent supporting records
1508 of the court approving and confirming this Contract, and decreeing and adjudging it to be lawful,
1509 valid, and binding on the Contractor.

1510 CONTRACT DRAFTING CONSIDERATIONS

1511 42. Articles 1 through 15, subdivision (c) of Article 16, Articles 18 through 20,
1512 subdivision (c) of Article 23, Articles 26 through 29, subdivisions (b) and (c) of Article 31,
1513 subdivisions (b) and (c) of Article 32, Articles 33 through 34, subdivision (b) of Article 36, and
1514 Articles 37 through 38 of this Contract have been drafted, negotiated, and reviewed by the
1515 parties hereto, each of whom is sophisticated in the matters to which this Contract pertains, and
1516 no one party shall be considered to have drafted the stated Articles.

1517 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day
1518 and year first above written.

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

THE UNITED STATES OF AMERICA

By: *Potter R. Anzore*
Regional Director, Mid-Pacific Region
Bureau of Reclamation

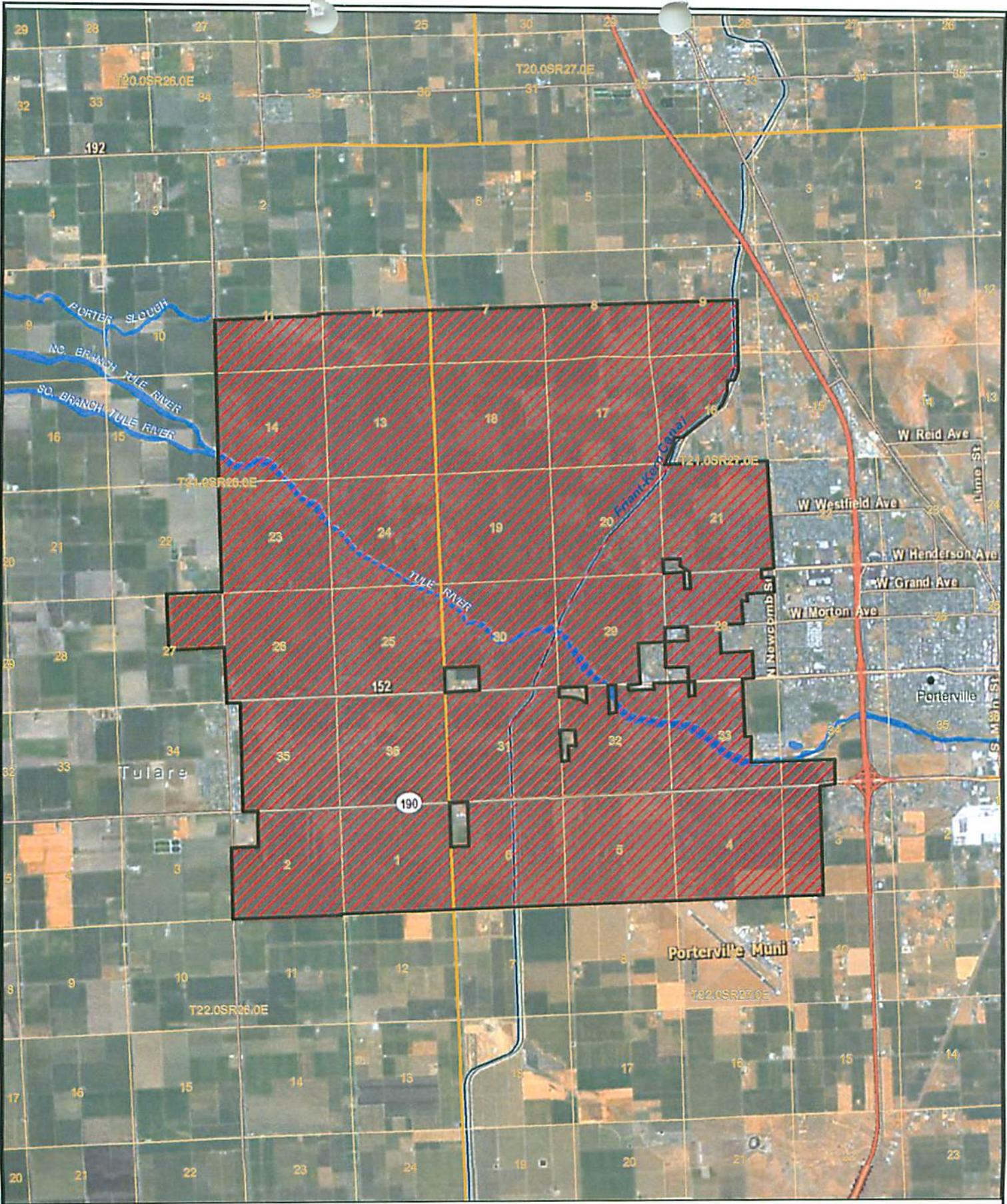
ACTING FOR

PORTERVILLE IRRIGATION DISTRICT

By: *Guido Lombardi*
President, Board of Directors

Attest:

By: *[Signature]*
Secretary



-  Contractor's Service Area (Irrigation and M&I)
-  Contractor's Service Area (Irrigation Only)
-  District Boundary

Porterville I.D.

Contract No. I75r-4309D
 Exhibit A
 Friant 9 (d) Repayment

Date: September 29, 2010
 File Name: N:\Districts\Contracts\Friant_9(d)\Contracts\Friant_9(d)\WithTRSP\Porterville.mxd



1785-202-72

EXHIBIT B

Rates and Charges

This is a placeholder page. The Rates and Charges will be transmitted to the Contractor at a later date.

Exhibit C-1
 Repayment Obligation - Lump Sum Option

Friant Contractor:

Porterville ID

San Joaquin River Restoration Act

Existing Capital Obligation (Article 1(m)) \$ **5,346,373.49**

Irrigation portion of Existing Capital Obligation \$ **5,346,373.49**

20yr CMT as of : **10/01/10** **3.400%**

Discount Rate (1/2 20yr CMT) **1.700%**

Discounted Irrigation Capital \$ **4,500,274.84**

Non-Discounted M&I Portion of Existing Capital Obligation

\$ **-**

Repayment Obligation - Lump Sum Option (per Article 7(a)(2)(A))			
		\$ 4,500,274.84	
	Irrigation Portion of Allocated Capital Cost		
	Beginning Balance	Straight Line Repayment	
Year			
2011	\$ 5,346,373	\$	267,319
2012	\$ 5,079,055	\$	267,319
2013	\$ 4,811,736	\$	267,319
2014	\$ 4,544,417	\$	267,319
2015	\$ 4,277,099	\$	267,319
2016	\$ 4,009,780	\$	267,319
2017	\$ 3,742,461	\$	267,319
2018	\$ 3,475,143	\$	267,319
2019	\$ 3,207,824	\$	267,319
2020	\$ 2,940,505	\$	267,319
2021	\$ 2,673,187	\$	267,319
2022	\$ 2,405,868	\$	267,319
2023	\$ 2,138,549	\$	267,319
2024	\$ 1,871,231	\$	267,319
2025	\$ 1,603,912	\$	267,319
2026	\$ 1,336,593	\$	267,319
2027	\$ 1,069,275	\$	267,319
2028	\$ 801,956	\$	267,319
2029	\$ 534,637	\$	267,319
2030	\$ 267,319	\$	267,319
		\$ 5,346,373	

Exhibit C-2
Repayment Obligation - Installment Payment Option

Primate Contractor: Porterville ID

Existing Capital Obligation (Article 1(m)) \$ 5,346,373.49

Irrigation Portion of Existing Capital Obligation \$ 5,346,373.49

20yr CMT - 10/1/2010 3.400%
Discount Rate (u/a 20yr cm) 1.700%

Non-Discounted M&I Existing Capital Obligation \$ -

Installment Schedule		Non-discounted M&I Portion of Existing Capital Obligation	
Payment Due Date	Irrigation Portion of Repayment Obligation	Non-discounted M&I Portion of Existing Capital Obligation	Repayment Obligation
1st Installment 5/1/2011	\$ 1,152,709.39	\$ -	\$ 1,152,709.39
2nd Installment 5/1/2012	\$ 1,152,535.25	\$ -	\$ 1,152,535.25
3rd Installment 5/1/2013	\$ 1,153,718.70	\$ -	\$ 1,153,718.70
4th Installment 1/31/2014	\$ 1,155,823.62	\$ -	\$ 1,155,823.62
Total Repayment Obligation - Installment Option (per Article 7(e)(2)(A))		\$ 4,614,786.97	\$ 4,614,786.97

Year	Irrigation Portion of Allocated Capital Cost		Discounted Capital Amount	Total Repayment Obligation - Installment Option (per Article 7(e)(2)(A))
	Beginning Balance	Straight Line Repayment		
2011	\$ 5,346,373	\$ 267,319	\$ 1,152,709.39	\$ 4,614,786.97
2012	\$ 5,079,055	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2013	\$ 4,811,736	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2014	\$ 4,544,417	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2015	\$ 4,277,099	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2016	\$ 4,009,780	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2017	\$ 3,742,461	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2018	\$ 3,475,143	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2019	\$ 3,207,824	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2020	\$ 2,940,505	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2021	\$ 2,673,187	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2022	\$ 2,405,868	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2023	\$ 2,138,549	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2024	\$ 1,871,231	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2025	\$ 1,603,912	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2026	\$ 1,336,593	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2027	\$ 1,069,275	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2028	\$ 801,956	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2029	\$ 534,637	\$ 267,319	\$ 62,419	\$ 4,614,786.97
2030	\$ 267,319	\$ 267,319	\$ 62,419	\$ 4,614,786.97
	\$ 5,346,373	\$ 1,333,920	\$ 1,334,722	\$ 1,340,603

Exhibit D
Friant Surcharge Reduction Calculation

Friant Contractor:
San Joaquin River Restoration Act

Porterville ID

Average Annual Delivery - Forecasted for 2020-2039*	17,800
Total Projected deliveries (over 20 yr period)**	356,000
Article 7(c)	3.400%
20 yr CMT as of 10/1/2010	1.700%
1/2 20 yr CMT as of 10/1/2010	
Irrigation Portion of Existing Capital Obligation	\$5,346,373
NPV at Half CMT (Repayment Obligation)	\$4,500,275
NPV at Full CMT	\$3,833,849
Financing Cost Offset: ^o (Article 7(c)(1))	\$666,426
NPV of FS Reduction	\$566,842
Difference between Financing Cost Offset and NPV of FS Reduction	\$99,584
2020 Other Obligation Credit (FV of difference) (Art. 7(c)(2))***	\$134,547

Year	Irrigation portion of Allocated Capital Cost			CVPIA Friant	Reduction in Friant Surcharge			
	Beginning Balance	Straight Line Repayment	Surcharge per Acre-Foot Before Reduction	Surcharges	Friant Surcharge Reduction per Article c(1)	Friant Surcharge due per A/F after Reduction	Projected Total Annual Credit	2020 Other Obligation Credit Calculation (Art. 7(c)(2))
2011	\$ 5,346,373	\$ 267,319	\$7.00			\$7.00	0	\$ 99,583.90
2012	\$ 5,079,055	\$ 267,319	\$7.00			\$7.00	0	\$ 102,969.76
2013	\$ 4,811,736	\$ 267,319	\$7.00			\$7.00	0	\$ 106,470.73
2014	\$ 4,544,417	\$ 267,319	\$7.00			\$7.00	0	\$ 110,090.73
2015	\$ 4,277,099	\$ 267,319	\$7.00			\$7.00	0	\$ 113,833.82
2016	\$ 4,009,780	\$ 267,319	\$7.00			\$7.00	0	\$ 117,704.17
2017	\$ 3,742,461	\$ 267,319	\$7.00			\$7.00	0	\$ 121,706.11
2018	\$ 3,475,143	\$ 267,319	\$7.00			\$7.00	0	\$ 125,844.12
2019	\$ 3,207,824	\$ 267,319	\$7.00			\$7.00	0	\$ 130,122.82
2020	\$ 2,940,505	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(\$53,400)	\$ 134,546.99
2021	\$ 2,673,187	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2022	\$ 2,405,868	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2023	\$ 2,138,549	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2024	\$ 1,871,231	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2025	\$ 1,603,912	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2026	\$ 1,336,593	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2027	\$ 1,069,275	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2028	\$ 801,956	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2029	\$ 534,637	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2030	\$ 267,319	\$ 267,319	\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2031			\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2032			\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2033			\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2034			\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2035			\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2036			\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2037			\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2038			\$7.00		(\$3.00)	\$ 4.00	(53,400)	
2039			\$7.00		(\$3.00)	\$ 4.00	(53,400)	
	\$ 5,346,373						(\$1,068,000)	

Exhibit D
Friant Surcharge Reduction Calculation

Footnotes

* Average annual delivery forecast indicated above is a mutually agreed upon estimate of deliveries during the period 2020-2039 for purposes of calculating the Friant Surcharge reduction and related credits only.

** This figure represents the total cumulative deliveries the reduced surcharge is applicable to, but not beyond 2039. If cumulative actual deliveries exceed this amount prior to 2039, the full Friant Surcharge is applicable to deliveries in excess of this amount.

*** The difference represents the amount of financing costs that are not offset through the reduced Friant Surcharge computed on this schedule. Pursuant to Section 7(c)(2), this amount shall offset the Contractor's other outstanding or future obligations. After 2020, the contractor's other obligations shall be reduced in the following order to fully offset this amount: 1) Payments or prepayments due for O&M expenses and, to the extent applicable, 2) Additional Capital Obligation.

@ Amount of reduction in Friant Surcharge is computed using FPV of Financing Costs adjusted to Yr 2020. Annual Friant Surcharge reduction to fully offset Financing costs is computed and presented on per a/f basis. Friant surcharge may be reduced up to \$3 per a/f.

Friant Surcharge (FS) Reduction Calculations

FV of Total Financing Cost for Offset	\$	931,016
Annual Credit Target	\$	(62,781)
FS Reduction w/o limit	\$	(3.53)
FS Reduction limit	\$	(3.00)

EXHIBIT E

Restated Contract¹

Irrigation and Other
Contract No. I75r-4309D

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

CONTRACT BETWEEN THE UNITED STATES
AND
PORTERVILLE IRRIGATION DISTRICT
PROVIDING FOR PROJECT WATER SERVICE FROM
FRIANT DIVISION AND
FOR FACILITIES REPAYMENT

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¹ Pursuant to subdivision (b) of Article 2 of the Contract to which this exhibit is attached, this Exhibit "E" makes no substantive revisions to the Contract to which it is attached and is prepared solely as a matter of administrative convenience. In this Exhibit "E", references to "Contract" or "this Contract" refers to this Restated Contract.

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

5 CONTRACT BETWEEN THE UNITED STATES
6 AND
7 PORTERVILLE IRRIGATION DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE
9 FROM FRIANT DIVISION AND
10 FACILITIES REPAYMENT

11 THIS CONTRACT, made this 29th day of December, 2010, is entered
12 into pursuant to the Act of June 17, 1902, (32 Stat. 388), and acts amendatory or supplementary
13 thereto, including but not limited to: the Act of August 26, 1937 (50 Stat. 844), as amended and
14 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70
15 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1262), October 27, 1986 (100
16 Stat. 3050), as amended, Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), and Title
17 X, Subtitle A, of the Act of March 30, 2009 (123 Stat. 1349), also referred to as the San Joaquin
18 River Restoration Settlement Act hereinafter referred to as SJRRSA, all collectively hereinafter
19 referred to as Federal Reclamation law, between THE UNITED STATES OF AMERICA,
20 hereinafter referred to as the United States and PORTERVILLE IRRIGATION DISTRICT,
21 hereinafter referred to as the Contractor, a public agency of the State of California, duly
22 organized, existing, and acting pursuant to the laws thereof, with its principal place of business in
23 California;

24 WITNESSETH, That

EXPLANATORY RECITALS

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[1st] WHEREAS, the United States has constructed and is operating the Central Valley Project, California, for diversion, storage, carriage, distribution and beneficial use, for flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration, generation and distribution of electric energy, salinity control, navigation and other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River and their tributaries; and

[2nd] WHEREAS, the United States constructed Friant Dam (thereby creating Millerton Lake) and the Friant-Kern and Madera Canals, hereinafter collectively referred to as the Friant Division Facilities, which will be used in part for the furnishing of water to the Contractor pursuant to the terms of this Contract; and

[3rd] WHEREAS, the United States and the Contractor entered into Contract Number I75r-4309 as amended, which established terms for the delivery to the Contractor of Project Water from the Friant Division from January 28, 1952 through February 29, 1992; and

[4th] WHEREAS, the Contractor and the United States have entered into a renewal contract and, pursuant to subsection 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into an interim renewal contract(s), identified as Contract Number (s) I75r-4309R and I75r-4309-IR1, which provided for the continued water service to Contractor from March 1, 1992 through February 28, 2001, and subsequently entered into a long-term renewal contract identified as Contract Number I75r-4309-LTR1, which provided for

45 continued water service to Contractor through February 28, 2026, which was amended January
46 18, 2007, and is herein referred to as the “Existing Contract”; and

47 [5th] WHEREAS, pursuant to Section 8 of the Act of June 17, 1902 (32 Stat. 388), the
48 United States has acquired water rights and other rights to the flows of the San Joaquin River,
49 including without limitation the permits issued as the result of Decision 935 by the California
50 State Water Resource Control Board and the contracts described in subdivision (n) of Article 3
51 of this Contract, pursuant to which the Contracting Officer develops, diverts, stores and delivers
52 Project Water stored or flowing through Millerton Lake in accordance with State and Federal law
53 for the benefit of Project Contractors in the Friant Division and for other specified Project
54 purposes; and

55 [6th] WHEREAS, the water supplied to the Contractor pursuant to this Contract is
56 Project Water developed through the exercise of the rights described in the fifth (5th) Explanatory
57 Recital of this Contract; and

58 [7th] WHEREAS, as a result of litigation entitled “Natural Resources Defense Council,
59 et al. v Kirk Rogers, et al.” No. CIV-S-88-1658LLK/GGH, certain contractors from the Friant
60 Division entered into a Stipulation of Settlement dated September 13, 2006, (the “Settlement”),
61 which settlement prescribes a Restoration Goal and a Water Management Goal and which
62 Settlement was subsequently confirmed and implemented through the SJRRSA; and

63 [8th] WHEREAS, the SJRRSA authorizes and directs the Secretary to convert the
64 Existing Contract to a repayment contract under subsection (d) of Section 9 of the Act of August
65 4, 1939, no later than December 31, 2010, and further directs that such contract shall require the

66 accelerated repayment of the Contractor's allocated share of construction costs, either as a lump
67 sum payment by January 31, 2011 or in annual installments by January 31, 2014, which funds
68 will in turn be made available for implementation of the Settlement and SJRRSA, and which
69 costs otherwise would have been payable through annual water rates, with full repayment by
70 2030; and

71 [9th] WHEREAS, such repayment of costs will assist the United States with
72 implementation of actions required under the Settlement and the SJRRSA and provide the
73 Contractor the benefits provided in Section 10010 of the SJRRSA; and

74 [10th] WHEREAS, subsection (4) of Section 1 of the Act of July 2, 1956 (1956 Act)
75 directs the Secretary to provide that the other party to any contract entered into pursuant to
76 subsection (d) of Section 9 of the Act of August 4, 1939 (repayment contract) or pursuant to
77 subsection (e) of Section 9 of the Act of August 4, 1939 (water service contract) shall "have the
78 first right (to which the rights of the holders of any other type of irrigation water contract shall be
79 subordinate) to a stated share or quantity of the project's available water supply for beneficial
80 use on the irrigable lands within the boundaries of, or owned by, the party and a permanent right
81 to such share or quantity upon completion of payment of the amount assigned for ultimate
82 return" by the contractor subject to fulfillment of all obligations under the contract; and

83 [11th] WHEREAS, among other things, this Contract includes provisions granting the
84 Contractor the permanent right described in the tenth (10th) Explanatory Recital; and

85 [12th] WHEREAS, the Contractor has demonstrated to the satisfaction of the
86 Contracting Officer that the Contractor has utilized the Project Water supplies available to it for

87 reasonable and beneficial use and/or has demonstrated projected future demand for water use
88 such that the Contractor has the capability and expects to utilize fully for reasonable and
89 beneficial use the quantity of Project Water to be made available to it pursuant to this Contract;
90 and

91 [13th] WHEREAS, water obtained from the Central Valley Project has been relied upon
92 by urban and agricultural areas within California for more than fifty (50) years and is considered
93 by the Contractor as an essential portion of its water supply; and

94 [14th] WHEREAS, the economies of regions within the Central Valley Project,
95 including the Contractor's, depend upon the continued availability of water, including water
96 service from the Central Valley Project; and

97 [15th] WHEREAS, the Secretary intends through coordination, cooperation, and
98 partnerships to pursue measures to improve water supply, water quality, and reliability of the
99 Project for all Project purposes; and

100 [16th] WHEREAS, the mutual goals of the United States and the Contractor include: to
101 provide for reliable Project Water supplies; to control costs of those supplies; to achieve
102 repayment of the Central Valley Project as required by law; to guard reasonably against Project
103 Water shortages; to achieve a reasonable balance among competing demands for use of Project
104 Water; and to comply with all applicable environmental statutes, all consistent with the legal
105 obligations of the United States relative to the Central Valley Project; and

106 [17th] WHEREAS, any time during the Year the Contracting Officer determines that a
107 need exists to evacuate water from Millerton Lake in order to prevent or minimize spill or to

108 meet flood control criteria (currently referred to as “uncontrolled season”), taking into
109 consideration, among other things, anticipated upstream reservoir operations and the most
110 probable forecast of snowmelt and runoff projections for the upper San Joaquin River, Friant
111 Division Project Contractors utilize a portion of their undependable Class 2 Water in their
112 service areas to, among other things, assist in the management and alleviation of groundwater
113 overdraft in the Friant Division service area, provide opportunities for restoration of the San
114 Joaquin River below Friant Dam, minimize flooding along the San Joaquin River, encourage
115 optimal water management, and maximize the reasonable and beneficial use of the water; and

116 [18th] WHEREAS, the parties desire and intend that this Contract not provide a
117 disincentive to the Friant Division Project Contractors continuing to carry out the beneficial
118 activities set out in the Explanatory Recital immediately above; and

119 [19th] WHEREAS, the United States has determined that the Contractor has fulfilled all
120 of its obligations under the Existing Contract.

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

123 DEFINITIONS

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

126 (a) “Additional Capital Obligation” shall mean any additional construction
127 costs or other capitalized costs incurred after the effective date of this Contract or not reflected in
128 the Existing Capital Obligation as provided in Section 10010(a)(3)(B) of the SJRRSA and any

129 amounts payable by Contractor as determined through the final adjustment described and
130 required by Section 10010(b) of the SJRRSA;

131 (b) "Calendar Year" shall mean the period January 1 through December 31,
132 both dates inclusive;

133 (c) "Charges" shall mean the payments required by Federal Reclamation law
134 in addition to the Rates specified in this Contract as determined annually by the Contracting
135 Officer pursuant to this Contract and consistent with the SJRRSA;

136 (d) "Class 1 Water" shall mean that supply of water stored in or flowing
137 through Millerton Lake which, subject to the contingencies hereinafter described in Articles 3,
138 12, and 13 of this Contract, will be available for delivery from Millerton Lake and the
139 Friant-Kern and Madera Canals as a dependable water supply during each Year;

140 (e) "Class 2 Water" shall mean that supply of water which can be made
141 available subject to the contingencies hereinafter described in Articles 3, 12, and 13 of this
142 Contract for delivery from Millerton Lake and the Friant-Kern and Madera Canals in addition to
143 the supply of Class 1 Water. Because of its uncertainty as to availability and time of occurrence,
144 such water will be undependable in character and will be furnished only if, as, and when it can be
145 made available as determined by the Contracting Officer;

146 (f) "Condition of Shortage" shall mean a condition respecting the Project
147 during any Year such that the Contracting Officer is unable to deliver sufficient water to meet the
148 Contract Total;

149 (g) “Contracting Officer” shall mean the Secretary of the Interior’s duly
150 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law
151 or regulation;

152 (h) “Contract Total” shall mean the maximum amount of Class 1 Water plus
153 the maximum amount of Class 2 Water specified in subdivision (a) of Article 3 of this Contract
154 and is the stated share or quantity of the Project’s available water supply to which the Contractor
155 has a permanent right in accordance with the 1956 Act and the terms of this Contract, due to the
156 Contractor’s complete payment of the Repayment Obligation, notwithstanding any Additional
157 Capital Obligation that may later be established, which right shall not be disturbed so long as the
158 Contractor fulfills all of its obligations under this Contract;

159 (i) “Contractor’s Service Area” shall mean the area to which the Contractor is
160 permitted to provide Project Water under this Contract as described in Exhibit “A” attached
161 hereto, which may be modified from time to time in accordance with Article 36 of this Contract
162 without amendment of this Contract;

163 (j) “CVPIA” shall mean the Central Valley Project Improvement Act, Title
164 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

165 (k) Omitted;

166 (l) Omitted;

167 (m) “Existing Capital Obligation” shall mean the remaining amount of
168 construction costs of the Contractor identified in the Central Valley Project Irrigation Water
169 Rates and/or Municipal and Industrial Water Rates, respectively, dated January 25, 2007, as

170 adjusted to reflect payments not reflected in such schedule, pursuant to Section 10010(a)(3)(A)
171 of the SJRRSA. The Contracting Officer has computed the Existing Capital Obligation in a
172 manner consistent with the SJRRSA and such amount is set forth in Exhibits "C-1" and "C-2",
173 incorporated herein by reference;

174 (n) "Financing Costs", for purposes of computing the reduction of certain
175 charges as specified in subdivision (c) of Article 7 of this Contract, shall mean the difference
176 between the net present value of the Existing Capital Obligation discounted using the full
177 Treasury rate and the Existing Capital Obligation discounted using one-half the Treasury rate, as
178 set forth in Section 10010(d)(3) of the SJRRRA;

179 (o) Omitted;

180 (p) Omitted;

181 (q) Omitted;

182 (r) "Irrigation Water" shall mean water made available from the Project that
183 is used primarily in the production of agricultural crops or livestock, including domestic use
184 incidental thereto, and watering of livestock. Irrigation water shall not include water used for the
185 purposes such as the watering of landscaping or pasture for animals (e.g., horses) which are kept
186 for personal enjoyment or water delivered to landholdings operated in units of less than five (5)
187 acres unless the Contractor establishes to the satisfaction of the Contracting Officer that the use
188 of the water delivered to any such landholding is a use described in this subdivision of this
189 Article of this Contract;

190 (s) Omitted;

191 (t) "Long Term Historic Average" shall mean the average of the final forecast
192 of Water Made Available to the Contractor pursuant to this Contract and the contracts referenced
193 in the third (3rd) and fourth (4th) Explanatory Recitals of this Contract;

194 (u) Omitted;

195 (v) Omitted;

196 (w) "Operation and Maintenance" or "O&M" shall mean normal and
197 reasonable care, control, operation, repair, replacement (other than Capital replacement), and
198 maintenance of Project facilities;

199 (x) "Operating Non-Federal Entity" shall mean the Friant Water Authority, or
200 its successor, a Non-Federal entity, which has the obligation to operate and maintain all or a
201 portion of the Friant Division Facilities pursuant to an agreement with the United States and
202 which may have funding obligations with respect thereto;

203 (y) "Other Water" shall mean water from the Project other than Irrigation
204 Water as described in subdivision (r) of this Article of this Contract, which is used for a purpose
205 that is considered to be an irrigation use pursuant to State law such as the watering of
206 landscaping or pasture for animals (e.g., horse) which are kept for the personal enjoyment. For
207 purposes of this Contract, Other Water shall be paid for at Rates and Charges identical to those
208 established for municipal and industrial water pursuant to the then-existing Municipal and
209 Industrial Ratesetting Policy;

210 (z) "Project" shall mean the Central Valley Project owned by the United
211 States and managed by the Department of the Interior, Bureau of Reclamation;

212 (aa) “Project Contractors” shall mean all parties who have a long-term water
213 service contract or repayment contract for Project Water from the Project with the United States
214 pursuant to Federal Reclamation law;

215 (bb) “Project Water” shall mean all water that is developed, diverted, stored, or
216 delivered by the Secretary in accordance with the statutes authorizing the Project and in
217 accordance with the terms and conditions of water rights acquired pursuant to California law;

218 (cc) “Rates” shall mean the payments for O&M costs as determined annually
219 by the Contracting Officer in accordance with the then-existing applicable water ratesetting
220 policies for the Project, as described in subdivision (a) of Article 7 of this Contract and
221 illustrated in Exhibit “B”, attached hereto;

222 (dd) “Recovered Water Account” shall mean the program, as defined in the
223 Settlement, to make water available to all of the Friant Division Project Contractors who provide
224 water to meet interim flows or restoration flows for the purpose of reducing or avoiding the
225 impact of the interim flows and restoration flows on such contractors;

226 (ee) “Repayment Obligation”, as provided in subdivision (a)(2)(A) of Article 7
227 of this Contract, shall be the Existing Capital Obligation, as defined herein, discounted by
228 one-half of the Treasury rate and computed consistent with the provisions of Section
229 10010(a)(3)(A) of the SJRRSA to be paid as either a lump sum payment by January 31, 2011 or
230 in approximately equal annual installments by January 31, 2014;

231 (ff) "Secretary" shall mean the Secretary of the Interior, a duly appointed
232 successor, or an authorized representative acting pursuant to any authority of the Secretary and
233 through any agency of the Department of the Interior;

234 (gg) "Settlement" shall mean the Stipulation of Settlement dated September 13,
235 2006, the Order Approving Stipulation of Settlement, and the Judgment and further orders issued
236 by the Court pursuant to the terms and conditions of the Settlement in Natural Resources
237 Defense Council, et al. v. Rodgers, et al., No. CIV-S-88-1658 LLJ/GGH;

238 (hh) Omitted;

239 (ii) "Water Delivered" or "Delivered Water" shall mean Project Water
240 diverted for use by the Contractor at the point(s) of delivery approved by the Contracting
241 Officer;

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

245 (kk) "Water Management Goal" shall mean the goal of the Settlement to
246 reduce or avoid adverse water supply impacts to all the Friant Division Project Contractors that
247 may result from the interim flows and restoration flows provided for in the Settlement;

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

251 (mm) "Year" shall mean the period from and including March 1 of each
252 Calendar Year through the last day of February of the following Calendar Year.

253 EFFECTIVE DATE OF CONTRACT

254 2. (a) This Contract shall become effective on the date first hereinabove written
255 and shall continue so long as the Contractor is making the annual payments required herein and
256 paying any other amounts owing under this Contract and applicable law, unless it is terminated
257 by the Contracting Officer by reason of a material uncured breach by the Contractor; Provided,
258 That the Contracting Officer shall not seek to terminate this Contract by reason of an asserted
259 material uncured breach by the Contractor unless it has first provided at least sixty (60) days
260 written notice of the asserted breach to the Contractor and the Contractor has failed to cure such
261 breach (or to diligently commence curative actions satisfactory to the Contracting Officer for a
262 breach that cannot be fully cured within sixty (60) days) within the sixty (60)-day notice period;
263 Provided further, That this Contract may be terminated at any time by mutual consent of the
264 parties hereto.

265 (b) The Contractor has paid the Repayment Obligation, and notwithstanding
266 any Additional Capital Obligation that may later be established, the tiered pricing component and
267 the acreage limitations, reporting, and Full Cost pricing provisions of Federal Reclamation law,
268 shall no longer be applicable to the Contractor.

269 (c) This Contract supersedes in its entirety and is intended to replace in full
270 the Existing Contract; Provided, That if this Contract is terminated or determined to be invalid or

271 unenforceable for any reason other than a material uncured breach of this Contract by the
272 Contractor, the Existing Contract shall not be superseded and shall be in full force and effect.

273 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

274 3. (a) During each Year, consistent with all applicable State water rights,
275 permits, and licenses, Federal law, the Settlement including the SJRRSA, and subject to the
276 provisions set forth in Articles 12 and 13 of this Contract, the Contracting Officer shall make
277 available for delivery to the Contractor from the Project 16,000 acre-feet of Class 1 Water and
278 30,000 acre-feet of Class 2 Water for irrigation purposes. The quantity of Water Delivered to the
279 Contractor in accordance with this subdivision shall be scheduled and paid for pursuant to the
280 provisions of Articles 4 and 7 of this Contract.

281 (b) The Contractor has paid the Repayment Obligation, and notwithstanding
282 any Additional Capital Obligation that may later be established, the Contractor has a permanent
283 right to the Contract Total in accordance with the 1956 Act and the terms of this Contract. This
284 right shall not be disturbed so long as the Contractor fulfills all of its obligations hereunder. The
285 quantity of water made available for delivery in any given Year shall remain subject to the terms
286 and conditions of subdivision (a) of this Article of this Contract.

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

289 (d) The Contractor shall make reasonable and beneficial use of all Project
290 Water or other water furnished pursuant to this Contract. Groundwater recharge programs,
291 groundwater banking programs, surface water storage programs, and other similar programs

292 utilizing Project Water or other water furnished pursuant to this Contract conducted within the
293 Contractor's Service Area which are consistent with applicable State law and result in use
294 consistent with applicable Federal Reclamation law will be allowed; Provided, That any direct
295 recharge program(s) is (are) described in the Contractor's Water Conservation Plan submitted
296 pursuant to Article 27 of this Contract; Provided further, That such Water Conservation Plan
297 demonstrates sufficient lawful uses exist in the Contractor's Service Area so that using a
298 long-term average, the quantity of Delivered Water is demonstrated to be reasonable for such
299 uses and in compliance with Federal Reclamation law. Groundwater recharge programs,
300 groundwater banking programs, surface water storage programs, and other similar programs
301 utilizing Project Water or other water furnished pursuant to this Contract conducted outside the
302 Contractor's Service Area may be permitted upon written approval of the Contracting Officer,
303 which approval will be based upon environmental documentation, Project Water rights, and
304 Project operational concerns. The Contracting Officer will address such concerns in regulations,
305 policies, or guidelines.

306 (e) The Contractor, through this Contract, shall comply with requirements
307 applicable to the Contractor in biological opinion(s) prepared as a result of the consultation
308 regarding the execution of the Existing Contract undertaken pursuant to Section 7 of the
309 Endangered Species Act of 1973, as amended, as well as the requirements of any other biological
310 opinions applicable to Project Water delivery under this Contract, that are within the
311 Contractor's legal authority to implement. The Contractor shall comply with the limitations or
312 requirements imposed by environmental documentation applicable to the Contractor and within

313 its legal authority to implement regarding specific activities. Nothing herein shall be construed
314 to prevent the Contractor from challenging or seeking judicial relief in a court of competent
315 jurisdiction with respect to any biological opinion or other environmental documentation referred
316 to in this Article of this Contract.

317 (f) Subject to subdivisions (l) and (n) of this Article of this Contract,
318 following the declaration of Water Made Available under Article 4 of this Contract, the
319 Contracting Officer will make a determination whether Project Water, or other water available to
320 the Project, can be made available to the Contractor in addition to the Contract Total in this
321 Article of this Contract during the Year without adversely impacting the Project or other Project
322 Contractors and consistent with the Secretary's legal obligations. At the request of the
323 Contractor, the Contracting Officer will consult with the Contractor prior to making such a
324 determination. Subject to subdivisions (l) and (n) of this Article of this Contract, if the
325 Contracting Officer determines that Project Water, or other water available to the Project, can be
326 made available to the Contractor, the Contracting Officer will announce the availability of such
327 water and shall so notify the Contractor as soon as practical. The Contracting Officer will
328 thereafter meet with the Contractor and other Project Contractors capable of taking such water to
329 determine the most equitable and efficient allocation of such water. If the Contractor requests
330 the delivery of any quantity of such water, the Contracting Officer shall make such water
331 available to the Contractor in accordance with applicable statutes, regulations, guidelines, and
332 policies.

333 (g) The Contractor may request permission to reschedule for use during the
334 subsequent Year some or all of the Water Made Available to the Contractor during the current
335 Year referred to as “carryover.” The Contractor may request permission to use during the
336 current Year a quantity of Project Water which may be made available by the United States to
337 the Contractor during the subsequent Year referred to as “pre-use.” The Contracting Officer’s
338 written approval may permit such uses in accordance with applicable statutes, regulations,
339 guidelines, and policies.

340 (h) The Contractor’s right pursuant to Federal Reclamation law and applicable
341 State law to the reasonable and beneficial use of the Water Delivered pursuant to this Contract
342 shall not be disturbed so long as the Contractor shall fulfill all of its obligations under this
343 Contract. Nothing in the preceding sentence shall affect the Contracting Officer’s ability to
344 impose shortages under Article 12 or subdivision (b) of Article 13 of this Contract.

345 (i) Project Water furnished to the Contractor pursuant to this Contract may be
346 delivered for purposes other than those described in subdivisions (r) and (y) of Article 1 of this
347 Contract upon written approval by the Contracting Officer in accordance with the terms and
348 conditions of such approval.

349 (j) The Contracting Officer shall make reasonable efforts to protect the water
350 rights and other rights described in the fifth (5th) Explanatory Recital of this Contract and to
351 provide the water available under this Contract. The Contracting Officer shall not object to
352 participation by the Contractor, in the capacity and to the extent permitted by law, in
353 administrative proceedings related to the water rights and other rights described in the fifth (5th)

354 Explanatory Recital of this Contract; Provided however, That the Contracting Officer retains the
355 right to object to the substance of the Contractor's position in such a proceeding. Provided
356 further, that in such proceedings the Contracting Officer shall recognize the Contractor has a
357 legal right under the terms of this Contract to use Project Water.

358 (k) Project Water furnished to the Contractor during any month designated in
359 a schedule or revised schedule submitted by the Contractor and approved by the Contracting
360 Officer shall be deemed to have been accepted by the Contractor as Class 1 Water to the extent
361 that Class 1 Water is called for in such schedule for such month and shall be deemed to have
362 been accepted as Class 2 Water to the extent Class 2 Water is called for in such schedule for such
363 month. If in any month the Contractor diverts a quantity of water in addition to the total amount
364 of Class 1 Water and Class 2 Water set forth in the Contractor's approved schedule or revised
365 schedule for such month, such additional diversions shall be charged first against the
366 Contractor's remaining Class 2 Water supply available in the current Year. To the extent the
367 Contractor's remaining Class 2 Water supply available in the current Year is not sufficient to
368 account for such additional diversions, such additional diversions shall be charged against the
369 Contractor's remaining Class 1 Water supply available in the current Year. To the extent the
370 Contractor's remaining Class 1 Water and Class 2 Water supplies available in the current Year
371 are not sufficient to account for such additional diversions, such additional diversions shall be
372 charged first against the Contractor's available Class 2 Water supply and then against the
373 Contractor's available Class 1 Water supply, both for the following Year. Payment for all
374 additional diversions of water shall be made in accordance with Article 7 of this Contract.

375 (l) If the Contracting Officer determines there is a Project Water supply
376 available at Friant Dam as the result of an unusually large water supply not otherwise storable for
377 Project purposes or infrequent and otherwise unmanaged flood flows of short duration, such
378 water will be made available to the Contractor and others under Section 215 of the Act of
379 October 12, 1982, pursuant to the priorities specified below if the Contractor enters into a
380 temporary contract with the United States not to exceed one (1) year for the delivery of such
381 water or as otherwise provided for in Federal Reclamation law and associated regulations. Such
382 water may be identified by the Contractor either (i) as additional water to supplement the supply
383 of Class 1 Water and/or Class 2 Water made available to it pursuant to this Contract or, (ii) upon
384 written notification to the Contracting Officer, as water to be credited against the Contractor's
385 Class 2 Water supply available pursuant to this Contract. The Contracting Officer shall make
386 water determined to be available pursuant to this subsection according to the following priorities:
387 first, to contractors for Class 1 Water and/or Class 2 Water within the Friant Division; second, to
388 contractors in the Cross Valley Division of the Project. The Contracting Officer will consider
389 requests from other parties for Section 215 Water for use within the area identified as the Friant
390 Division service area in the environmental assessment developed in connection with the
391 execution of the Existing Contract.

392 (m) Nothing in this Contract, nor any action or inaction of the Contractor or
393 Contracting Officer in connection with the implementation of this Contract, is intended to
394 override, modify, supersede or otherwise interfere with any term or condition of the water rights
395 and other rights referred in the fifth (5th) Explanatory Recital of this Contract.

396 (n) The rights of the Contractor under this Contract are subject to the terms of
397 the contract for exchange waters, dated July 27, 1939, between the United States and the San
398 Joaquin and Kings River Canal and Irrigation Company, Incorporated, et al., (hereinafter referred
399 to as the Exchange Contractors), Contract No. I1r-1144, as amended. The United States agrees
400 that it will not deliver to the Exchange Contractors thereunder waters of the San Joaquin River
401 unless and until required by the terms of said contract, and the United States further agrees that it
402 will not voluntarily and knowingly determine itself unable to deliver to the Exchange
403 Contractors entitled thereto from water that is available or that may become available to it from
404 the Sacramento River and its tributaries or the Sacramento-San Joaquin Delta those quantities
405 required to satisfy the obligations of the United States under said Exchange Contract and under
406 Schedule 2 of the Contract for Purchase of Miller and Lux Water Rights (Contract I1r-1145,
407 dated July 27, 1939).

408 (o) Pursuant to and consistent with section 10004 of SJRRSA and Paragraph
409 16 of the Settlement, the Contracting Officer is required to develop and implement a plan for
410 recirculation, recapture, reuse, exchange or transfer of water released for restoration flows or
411 interim flows, as those terms are defined in the Settlement, to reduce or avoid impacts to water
412 deliveries caused by said restoration flows or interim flows and water developed through such
413 activities may be made available (i) to the Contractor without the need of an additional contract,
414 and/or (ii) to others on behalf of the Contractor under terms mutually acceptable to the
415 Contractor and the Contracting Officer that are consistent with the Water Management Goal.

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TIME FOR DELIVERY OF WATER

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

(b) On or before each March 1 and at such other times as necessary, the Contractor shall submit to the Contracting Officer a written schedule, satisfactory to the Contracting Officer, showing the monthly quantities of Project Water to be delivered by the United States to the Contractor pursuant to this Contract for the Year commencing on such March 1. The Contracting Officer shall use all reasonable means to deliver Project Water according to the approved schedule for the Year commencing on such March 1.

(c) The Contractor shall not schedule Project Water in excess of the quantity of Project Water the Contractor intends to put to reasonable and beneficial use within the Contractor's Service Area, or to sell, transfer or exchange pursuant to Article 10 of this Contract or bank pursuant to subdivision (d) of Article 3 of this Contract during any Year.

437 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
438 Contract, the United States shall deliver Project Water to the Contractor in accordance with the
439 initial schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any
440 written revision(s), satisfactory to the Contracting Officer, thereto submitted within a reasonable
441 time prior to the date(s) on which the requested change(s) is/are to be implemented; Provided,
442 That the total amount of water requested in that schedule or revision does not exceed the
443 quantities announced by the Contracting Officer pursuant to the provisions of subdivision (a) of
444 Article 3 of this Contract, and the Contracting Officer determines that there will be sufficient
445 capacity available in the appropriate Friant Division Facilities to deliver the water in accordance
446 with that schedule; Provided further, That the Contractor shall not schedule the delivery of any
447 water during any period as to which the Contractor is notified by the Contracting Officer or
448 Operating Non-Federal Entity that Project facilities required to make deliveries to the Contractor
449 will not be in operation because of scheduled O&M.

450 (e) The Contractor may, during the period from and including November 1 of
451 each Year through and including the last day of February of that Year, request delivery of any
452 amount of the Class 1 Water estimated by the Contracting Officer to be made available to it
453 during the following Year. The Contractor may, during the period from and including January 1
454 of each Year (or such earlier date as may be determined by the Contracting Officer) through and
455 including the last day of February of that Year, request delivery of any amount of Class 2 Water
456 estimated by the Contracting Officer to be made available to it during the following Year. Such
457 water shall hereinafter be referred to as pre-use water. Such request must be submitted in writing

458 by the Contractor for a specified quantity of pre-use and shall be subject to the approval of the
459 Contracting Officer. Payment for pre-use water so requested shall be at the appropriate Rate(s)
460 for the following Year in accordance with Article 7 of this Contract and shall be made in
461 advance of delivery of any pre-use water. The Contracting Officer shall deliver such pre-use
462 water in accordance with a schedule or any revision thereof submitted by the Contractor and
463 approved by the Contracting Officer, to the extent such water is available and to the extent such
464 deliveries will not interfere with the delivery of Project Water entitlements to other Friant
465 Division contractors or the physical maintenance of the Project facilities. The quantities of
466 pre-use Water Delivered pursuant to this subdivision shall be deducted from the quantities of
467 water that the Contracting Officer would otherwise be obligated to make available to the
468 Contractor during the following Year; Provided, That the quantity of pre-use water to be
469 deducted from the quantities of either Class 1 Water or Class 2 Water to be made available to the
470 Contractor in the following Year shall be specified by the Contractor at the time the pre-use
471 water is requested or as revised in its first schedule for the following Year submitted in
472 accordance with subdivision (b) of this Article of this Contract, based on the availability of the
473 following Year water supplies as determined by the Contracting Officer.

474 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

475 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
476 Contract shall be delivered to the Contractor at a point or points of delivery either on Project
477 facilities or another location or locations mutually agreed to in writing by the Contracting Officer
478 and the Contractor.

479 (b) The Contracting Officer, the Operating Non-Federal Entity, or other
480 appropriate entity shall make all reasonable efforts to maintain sufficient flows and levels of
481 water in the Friant-Kern Canal to deliver Project Water to the Contractor at specific turnouts
482 established pursuant to subdivision (a) of this Article of this Contract.

483 (c) The Contractor shall not deliver Project Water to land outside the
484 Contractor's Service Area unless approved in advance by the Contracting Officer. The
485 Contractor shall deliver Project Water in accordance with applicable Federal Reclamation law.

486 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
487 measured and recorded with equipment furnished, installed, operated, and maintained by the
488 United States, the Operating Non-Federal Entity or other appropriate entity as designated by the
489 Contracting Officer (hereafter "other appropriate entity") at the point or points of delivery
490 established pursuant to subdivision (a) of this Article of this Contract. Upon the request of either
491 party to this Contract, the Contracting Officer shall investigate, or cause to be investigated by the
492 responsible Operating Non-Federal Entity, the accuracy of such measurements and shall take any
493 necessary steps to adjust any errors appearing therein. For any period of time when accurate
494 measurements have not been made, the Contracting Officer shall consult with the Contractor and
495 the responsible Operating Non-Federal Entity prior to making a final determination of the
496 quantity delivered for that period of time.

497 (e) Neither the Contracting Officer nor any Operating Non-Federal Entity
498 shall be responsible for the control, carriage, handling, use, disposal, or distribution of Project
499 Water Delivered to the Contractor pursuant to this Contract beyond the delivery points specified

500 in subdivision (a) of this Article of this Contract. The Contractor shall indemnify the United
501 States, its officers, employees, agents, and assigns on account of damage or claim of damage of
502 any nature whatsoever for which there is legal responsibility, including property damage,
503 personal injury, or death arising out of or connected with the control, carriage, handling, use,
504 disposal, or distribution of such Project Water beyond such delivery points, except for any
505 damage or claim arising out of: (i) acts or omissions of the Contracting Officer or any of its
506 officers, employees, agents, or assigns, including any responsible Operating Non-Federal Entity,
507 with the intent of creating the situation resulting in any damage or claim; (ii) willful misconduct
508 of the Contracting Officer or any of its officers, employees, agents, or assigns, including any
509 responsible Operating Non-Federal Entity; (iii) negligence of the Contracting Officer or any of
510 its officers, employees, agents, or assigns including any responsible Operating Non-Federal
511 Entity; or (iv) damage or claims resulting from a malfunction of facilities owned and/or operated
512 by the United States or responsible Operating Non-Federal Entity; Provided, That the Contractor
513 is not the Operating Non-Federal Entity that owned or operated the malfunctioning facility(ies)
514 from which the damage claim arose.

515 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

516 6. (a) The Contractor has established a measurement program satisfactory to the
517 Contracting Officer; all surface water delivered for irrigation purposes within the Contractor's
518 Service Area is measured at each agricultural turnout; and Other Water delivered by the
519 Contractor is measured at each service connection. The water measuring devices or water
520 measuring methods of comparable effectiveness must be acceptable to the Contracting Officer.

521 The Contractor shall be responsible for installing, operating, and maintaining and repairing all
522 such measuring devices and implementing all such water measuring methods at no cost to the
523 United States. The Contractor shall use the information obtained from such water measuring
524 devices or water measuring methods to ensure its proper management of the water and to bill
525 water users for water delivered by the Contractor. Nothing herein contained, however, shall
526 preclude the Contractor from establishing and collecting any charges, assessments, or other
527 revenues authorized by California law.

528 (b) To the extent the information has not otherwise been provided, upon
529 execution of this Contract, the Contractor shall provide to the Contracting Officer a written
530 report describing the measurement devices or water measuring methods being used or to be used
531 to implement subdivision (a) of this Article of this Contract and identifying the agricultural
532 turnouts and Other Water service connections or alternative measurement programs approved by
533 the Contracting Officer, at which such measurement devices or water measuring methods are
534 being used, and, if applicable, identifying the locations at which such devices and/or methods are
535 not yet being used including a time schedule for implementation at such locations. The
536 Contracting Officer shall advise the Contractor in writing within sixty (60) days as to the
537 adequacy of, and necessary modifications, if any, of the measuring devices or water measuring
538 methods identified in the Contractor's report and if the Contracting Officer does not respond in
539 such time, they shall be deemed adequate. If the Contracting Officer notifies the Contractor that
540 the measuring devices or methods are inadequate, the parties shall within sixty (60) days
541 following the Contracting Officer's response, negotiate in good faith the earliest practicable date

542 by which the Contractor shall modify said measuring devices and/or measuring methods as
543 required by the Contracting Officer to ensure compliance with subdivision (a) of this Article of
544 this Contract.

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

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

551 (e) The Contractor shall inform the Contracting Officer and the Operating
552 Non-Federal Entity on or before the twentieth (20th) calendar day of each month of the quantity
553 of Irrigation and Other Water taken during the preceding month.

554 RATES, METHOD OF PAYMENT FOR WATER,
555 AND ACCELERATED REPAYMENT OF FACILITIES

556 7. (a) The Contractor's cost obligations for all Delivered Water shall be
557 determined in accordance with: (i) the Secretary's ratesetting policy for Irrigation Water adopted
558 in 1988 and the Secretary's then-existing ratesetting policy for municipal and industrial water,
559 consistent with the SJRRSA, and such ratesetting policies shall be amended, modified, or
560 superseded only through a public notice and comment procedure; (ii) applicable Federal
561 Reclamation law and associated rules and regulations, or policies; and (iii) other applicable
562 provisions of this Contract.

563 (1) The Contractor shall pay the United States as provided for in this
564 Article of this Contract for the Delivered Water at Rates and Charges determined in accordance
565 with policies for Irrigation Water and municipal and industrial water. The Contractor's Rates
566 shall be established to recover its estimated reimbursable costs included in the O&M component
567 of the Rate and amounts established to recover other charges and deficits, other than the
568 construction costs. The Rates for O&M costs and Charges shall be adjusted, as appropriate, in
569 accordance with the provisions of the SJRRSA.

570 (2) Omitted.

571 (A) Omitted.

572 (B) Project construction costs or other capitalized costs
573 attributable to capital additions to the Project incurred after the effective date of this Contract or
574 that are not reflected in the schedules referenced in Exhibits "C-1" and "C-2" and properly
575 assignable to the Contractor, shall be repaid as prescribed by the SJRRSA without interest except
576 as required by law. Consistent with Federal Reclamation law, interest shall continue to accrue
577 on the municipal and industrial portion of unpaid Project construction costs or other capitalized
578 cost assigned to the Contractor until such costs are paid. Increases or decreases in Project
579 construction costs or other capitalized costs assigned to the Contractor caused solely by annual
580 adjustment of Project construction costs or other capitalized costs assigned to each Central
581 Valley Project contractor by the Secretary shall not be considered in determining the amounts to
582 be paid pursuant to this subdivision (a)(2)(B), but will be considered under subdivision (b) of this
583 Article. A separate repayment agreement shall be established by the Contractor and the

584 Contracting Officer to accomplish repayment of all additional Project construction costs or other
585 capitalized costs assigned to the Contractor within the timeframe prescribed by the SJRRSA
586 subject to the following:

587 (1) If the collective annual Project construction costs or
588 other capitalized costs that are incurred after the effective date of this Contract and properly
589 assignable to the contractors are less than \$5,000,000, then the portion of such costs properly
590 assignable to the Contractor shall be repaid in not more than five (5) years after notification of
591 the allocation. This amount is the result of a collective annual allocation of Project construction
592 costs to the contractors exercising contract conversions; Provided, That the reference to the
593 amount of \$5,000,000 shall not be a precedent in any other context.

594 (2) If the collective annual Project construction costs or
595 other capitalized costs that are incurred after the effective date of this Contract and properly
596 assignable to the contractors are \$5,000,000 or greater, then the portion of such costs properly
597 assignable to the Contractor shall be repaid as provided by applicable Federal Reclamation law.
598 This amount is the result of a collective annual allocation of Project construction costs to the
599 contractors exercising contract conversions; Provided, That the reference to the amount of
600 \$5,000,000 shall not be a precedent in any other context.

601 (b) Consistent with Section 10010(b) of the SJRRSA, following a final cost
602 allocation by the Secretary upon completion of the construction of the Central Valley Project, the
603 amounts paid by the Contractor shall be subject to adjustment to reflect the effect of any
604 reallocation of Project construction costs or other capitalized costs assigned to the Contractor

605 that may have occurred between the determination of Contractor's Existing Capital Obligation
606 and the final cost allocation. In the event that the final cost allocation, as determined by the
607 Secretary, indicates that the costs properly assignable to the Contractor, as determined by the
608 Contracting Officer, are greater than the Existing Capital Obligation and other amounts of
609 Project construction costs or other capitalized costs paid by the Contractor, then the Contractor
610 shall be obligated to pay the remaining allocated costs. The term of such additional repayment
611 contract shall be no less than one (1) year and no more than ten (10) years, however, mutually
612 agreeable provisions regarding the rate of repayment of such amount may be developed by the
613 parties. In the event that the final cost allocation, as determined by the Secretary, indicates that
614 the costs properly assignable to the Contractor, as determined by the Contracting Officer, are less
615 than the Existing Capital Obligation and other amounts of Project construction costs or other
616 capitalized costs paid by the Contractor, then the Contracting Officer shall credit such
617 overpayment as an offset against any outstanding or future obligation of the Contractor,
618 consistent with the SJRRSA. This Contract shall be implemented in a manner consistent with
619 Section 10010(f) of the SJRRSA.

620 (c) Prior to July 1 of each Calendar Year, the Contracting Officer shall
621 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
622 period October 1, of the current Calendar Year, through September 30, of the following Calendar
623 Year, and the basis for such estimate. The Contractor shall be allowed not less than two (2)
624 months to review and comment on such estimates. On or before September 15 of each Calendar
625 Year, the Contracting Officer shall notify the Contractor in writing of the Charges to be in effect

626 during the period October 1 of the current Calendar Year, through September 30 of the following
627 Calendar Year, and such notification shall revise Exhibit "B". Charges shall be subject to
628 reduction consistent with the SJRRSA based upon the average annual delivery amount agreed to
629 by the Contracting Officer and the Contractor.

630 (1) For the years 2020 through 2039 inclusive, Charges shall reflect
631 the reduction on a per acre-foot basis consistent with Section 10010(d)(1) of the SJRRSA.
632 Exhibit "D" sets forth the reduction in Charges to offset the Financing Costs as prescribed in
633 Section 10010(d)(1) of the SJRRSA; Provided, That if the Secretary determines such Charges are
634 otherwise needed, an equivalent reduction will be made to O&M costs consistent with such
635 provisions of the SJRRSA. Consistent with Section 10010(d)(1) of the SJRRSA and as shown in
636 Exhibit "D", the Friant Surcharge reduction has been calculated based upon the anticipated
637 average annual water deliveries, for the purpose of this reduction only, mutually agreed upon by
638 the Secretary and the Contractor for the period from January 1, 2020 through December 31,
639 2039. The Friant Surcharge reduction shall remain fixed and shall only be applied to Water
640 Delivered pursuant to this Contract to which the Friant Surcharge applies (including but not
641 limited to water transferred, banked, or exchanged), commencing on January 1, 2020 until such
642 volume of Water Delivered equals 356,000 acre-feet or December 31, 2039, whichever occurs
643 first.

644 (2) Further, to fully offset the Financing Costs, Contractor shall be
645 entitled to a reduction in other outstanding or future obligations of the Contractor in accordance
646 with Section 10010(d)(2) of the SJRRSA. The amount of such further reduction in outstanding

647 or future obligations of the Contractor after October 1, 2019 has been computed by the
648 Contracting Officer, and as computed, such amount is set forth in Exhibit "D".

649 (d) Prior to October 1 of each Calendar Year, the Contracting Officer shall
650 make available to the Contractor an estimate of the Rates for Project Water for the following
651 Year and the computations and cost allocations upon which those Rates are based. The
652 Contractor shall be allowed not less than two (2) months to review and comment on such
653 computations and cost allocations. By December 31 of each Calendar Year, the Contracting
654 Officer shall provide the Contractor with the final Rates to be in effect for the upcoming Year,
655 and such notification shall revise Exhibit "B". The O&M component of the Rate may be
656 reduced as provided in the SJRRSA.

657 (e) At the time the Contractor submits the initial schedule for the delivery of
658 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the
659 Contractor shall make an advance payment to the United States equal to the total amount payable
660 pursuant to the applicable Rate(s) set under subdivision (a) of this Article of this Contract, for the
661 Project Water scheduled to be delivered pursuant to this Contract during the first two (2)
662 calendar months of the Year. Before the end of the first month and before the end of each
663 calendar month thereafter, the Contractor shall make an advance payment to the United States, at
664 the Rate(s) set under subdivision (a) of this Article of this Contract, for the Water Scheduled to
665 be delivered pursuant to this Contract during the second month immediately following.
666 Adjustments between advance payments for Water Scheduled and payments at Rates due for
667 Water Delivered shall be made before the end of the following month; Provided, That any

668 revised schedule submitted by the Contractor pursuant to Article 4 of this Contract which
669 increases the amount of Water Delivered pursuant to this Contract during any month shall be
670 accompanied with appropriate advance payment, at the Rates then in effect, to assure that Project
671 Water is not delivered to the Contractor in advance of such payment. In any month in which the
672 quantity of Water Delivered to the Contractor pursuant to this Contract equals the quantity of
673 Water Scheduled and paid for by the Contractor, no additional Project Water shall be delivered
674 to the Contractor unless and until an advance payment at the Rates then in effect for such
675 additional Project Water is made. Final adjustment between the advance payments for the Water
676 Scheduled and payments for the quantities of Water Delivered during each Year pursuant to this
677 Contract shall be made as soon as practicable but no later than April 30th of the following Year,
678 or sixty (60) days after the delivery of Project Water carried over under subdivision (g) of Article
679 3 of this Contract if such water is not delivered by the last day of February.

680 (f) The Contractor shall also make a payment in addition to the Rate(s) in
681 subdivision (e) of this Article of this Contract to the United States for Water Delivered, at the
682 Charges then in effect, before the end of the month following the month of delivery. The
683 payments shall be consistent with the quantities of Irrigation Water and Other Water Delivered
684 as shown in the water delivery report for the subject month prepared by the Contracting Officer.
685 Such water delivery report shall be the basis for payment of Charges by the Contractor, and shall
686 be provided to the Contractor by the Contracting Officer (as applicable) within five (5) days after
687 the end of the month of delivery. The water delivery report shall be deemed a bill basis for
688 payment of Charges for Water Delivered. Adjustment for overpayment or underpayment of

689 Charges shall be made through the adjustment of payments due to the United States for Charges
690 for the next month. Any amount to be paid for past due payment of Charges shall be computed
691 pursuant to Article 21 of this Contract.

692 (g) The Contractor shall pay for any Water Delivered under subdivision (d),
693 (f), or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to
694 applicable statutes, associated regulations, any applicable provisions of guidelines or ratesetting
695 policies; Provided, That the Rate for Water Delivered under subdivision (d) of Article 3 of this
696 Contract shall be no more than the otherwise applicable Rate for Irrigation Water or Other Water
697 under subdivision (a) of this Article of this Contract.

698 (h) Payments to be made by the Contractor to the United States under this
699 Contract may be paid from any revenues available to the Contractor.

700 (i) All revenues received by the United States from the Contractor relating to
701 the delivery of Project Water or the delivery of non-project water through Project facilities shall
702 be allocated and applied in accordance with Federal Reclamation law and the associated rules or
703 regulations, the then-existing Project Ratesetting policies for municipal and industrial water or
704 Irrigation Water, and consistent with the SJRRSA.

705 (j) The Contracting Officer shall keep its accounts, pertaining to the
706 administration of the financial terms and conditions of its long-term contracts, in accordance
707 with applicable Federal standards so as to reflect the application of Project costs and revenues.
708 The Contracting Officer shall, each Year upon request of the Contractor, provide to the
709 Contractor a detailed accounting of all Project and Contractor expense allocations, the

710 disposition of all Project and Contractor revenues, and a summary of all water delivery
711 information. The Contracting Officer and the Contractor shall enter into good faith negotiations
712 to resolve any discrepancies or disputes relating to accountings, reports, or information.

713 (k) The parties acknowledge and agree that the efficient administration of this
714 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,
715 policies, and procedures used for establishing Rates, Charges, and/or for making and allocating
716 payments, other than those set forth in this Article of this Contract, may be in the mutual best
717 interest of the parties, it is expressly agreed that the parties may enter into agreements to modify
718 the mechanisms, policies, and procedures for any of those purposes while this Contract is in
719 effect without amending this Contract.

720 (l) (1) Omitted.

721 (2) Omitted.

722 (3) Omitted.

723 (m) Rates under the respective ratesetting policies will be established to
724 recover only reimbursable O&M (including any deficits) costs of the Project, as those terms are
725 used in the then-existing Project ratesetting policies, and consistent with the SJRRSA, and
726 interest, where appropriate, except in instances where a minimum Rate is applicable in
727 accordance with the relevant Project ratesetting policy. Changes of significance in practices
728 which implement the Contracting Officer's ratesetting policies will not be implemented until the
729 Contracting Officer has provided the Contractor an opportunity to discuss the nature, need, and
730 impact of the proposed change.

731 (n) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the
732 CVPIA, the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates
733 adjusted upward or downward to reflect the changed costs of delivery (if any) incurred by the
734 Contracting Officer in the delivery of the transferred Project Water to the transferee's point of
735 delivery in accordance with the then-existing Central Valley Project Ratesetting Policy.

736 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

737 8. The Contractor and the Contracting Officer concur that, as of the effective date of
738 this Contract, the Contractor has no non-interest bearing operation and maintenance deficits and
739 therefore shall have no further liability.

740 RECOVERED WATER ACCOUNT

741 9. (a) Notwithstanding any other provisions of this Contract, water delivered to
742 the Contractor under its Recovered Water Account as provided at Paragraph 16(b) of the
743 Settlement and affirmed by Section 10004(a)(5) of the SJRRSA shall be at the total cost of
744 \$10.00 per acre foot. Recovered Water Account water provided to the Contractor shall be
745 administered at a priority for delivery lower than Class 2 Water and higher than Section 215
746 Water.

747 (b) The manner in which the Recovered Water Account will be administered
748 will be developed in accordance with subdivision (k) of Article 7 of this Contract, the SJRRSA,
749 and Paragraph 16 of the Settlement.

750

SALES, TRANSFERS, AND EXCHANGES OF WATER

751

10. (a) The right to receive Project Water provided for in this Contract may be

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sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of

753

California if such sale, transfer, or exchange is authorized by applicable Federal and State laws,

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and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project

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Water under this Contract may take place without the prior written approval of the Contracting

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Officer, except as provided for in subdivisions (b) and (c) of this Article of this Contract. No

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such Project Water sales, transfers, or exchanges shall be approved, where approval is required,

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absent compliance with appropriate environmental documentation including but not limited to

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the National Environmental Policy Act and the Endangered Species Act. Such environmental

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documentation must include, as appropriate, an analysis of groundwater impacts and economic

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and social effects, including environmental justice, of the proposed Project Water sales, transfers

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and exchanges on both the transferor/exchanger and transferee/exchange recipient.

763

(b) In order to facilitate efficient water management by means of Project

764

Water sales, transfers, or exchanges of the type historically carried out among Project

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Contractors located within the same geographical area and to allow the Contractor to participate

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in an accelerated water transfer program, the Contracting Officer has prepared, as appropriate,

767

necessary environmental documentation including, but not limited to, the National

768

Environmental Policy Act and the Endangered Species Act analyzing annual Project Water sales,

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transfers, or exchanges among Contractors within the same geographical area and the

770 Contracting Officer has determined that such Project Water sales, transfers, and exchanges
771 comply with applicable law.

772 (c) Project Water sales, transfers, and exchanges analyzed in the
773 environmental documentation referenced in subdivision (b) of this Article of this Contract, shall
774 be conducted with advance notice to the Contracting Officer and the Contracting Officer's
775 written acknowledgement of the transaction, but shall not require prior written approval by the
776 Contracting Officer.

777 (d) For Project Water sales, transfers, or exchanges to qualify under
778 subdivision (b) of this Article of this Contract such Project Water sale, transfer, or exchange
779 must: (i) be for irrigation purposes for lands irrigated within the previous three (3) years, for
780 municipal and industrial use, groundwater recharge, groundwater banking, similar groundwater
781 activities, surface water storage, or fish and wildlife resources; not lead to land conversion; and
782 be delivered to established cropland, wildlife refuges, groundwater basins or municipal and
783 industrial use; (ii) occur within a single Year; (iii) occur between a willing seller and a willing
784 buyer or willing exchangers; (iv) convey water through existing facilities with no new
785 construction or modifications to facilities and be between existing Project Contractors and/or the
786 Contractor and the United States, Department of the Interior; and (v) comply with all applicable
787 Federal, State, and local or tribal laws and requirements imposed for protection of the
788 environment and Indian Trust Assets, as defined under Federal law.

789 (e) The environmental documentation and the Contracting Officer's
790 compliance determination for transactions described in subdivision (b) of this Article of this

791 Contract shall be reviewed every five (5) years and updated, as necessary, prior to the expiration
792 of the then-existing five (5) year period. All subsequent environmental documentation shall
793 include an alternative to evaluate not less than the quantity of Project Water historically sold,
794 transferred, or exchanged within the same geographical area.

795 (f) Consistent with Section 10010(e)(l) of the SJRRSA, any agreement
796 providing for sale, transfer, or exchange of Project Water that is not used for interim flows or
797 restoration flows pursuant to Paragraphs 13 and 15 of the Settlement, shall be deemed to satisfy
798 the requirements of CVPIA section 3405(a)(1)(A) and (I); Provided, That such sales, transfers, or
799 exchanges comply with sub-division (f)(1) and (f)(2) below.

800 (1) Project Water sales, transfers, and exchanges conducted under the
801 provisions of subdivision (f) of this Article of this Contract shall not require the Contracting
802 Officer's concurrence as to compliance with CVPIA 3405(a)(1)(A) and (I); Provided, That the
803 Contractor shall, for Project Water sales, transfers, or exchanges, with a term greater than one (1)
804 year, provide ninety (90) days written advance notification to the Contracting Officer and
805 similarly thirty (30) days written advance notification of any Project Water sale, transfer, or
806 exchange with a term of less than one (1) year. The Contracting Officer shall promptly make
807 such notice publicly available.

808 (2) The Contractor's thirty (30) days or ninety (90) days advance
809 written notification pursuant to subdivision (f)(1) of this Article of this Contract shall explain
810 how the proposed Project Water sales, transfers, or exchanges are intended to reduce, avoid, or
811 mitigate impacts to Project Water deliveries caused by interim or restoration flows or is

812 otherwise intended to facilitate the Water Management Goal as described in the SJRRSA. The
813 Contracting Officer shall promptly make such notice publicly available.

814 (3) In addition, the Contracting Officer shall, at least annually, make
815 available publicly a compilation of the number of Project Water sales, transfers, and exchange
816 agreements implemented in accordance with sub-divisions (f)(1) and (f)(2) of this Article of this
817 Contract.

818 (4) Project Water sold, transferred, or exchanged under an agreement
819 that meets the terms of subdivisions (f)(1) and (f)(2) of this Article of this Contract shall not be
820 counted as a replacement or an offset for purposes of determining reductions to Project Water
821 deliveries to any Friant Division Project Contractor except as provided in Paragraph 16(b) of the
822 Settlement.

823 (g) Notwithstanding any Additional Capital Obligation that may later be
824 established, in the case of a sale or transfer of Irrigation Water to another contractor which is
825 otherwise subject to the acreage limitations, reporting, and Full Cost pricing provisions of the
826 Reclamation Reform Act of 1982, as amended, hereinafter referred to as the RRA, such sold or
827 transferred Irrigation Water shall not be subject to such RRA provisions, however, in the case of
828 a sale or transfer of Irrigation Water to the Contractor from another contractor which is subject to
829 RRA provisions, such RRA provisions shall apply to delivery of such water.

830 APPLICATION OF PAYMENTS AND ADJUSTMENTS

831 11. (a) The amount of any overpayment by the Contractor of the Contractor's
832 O&M, Capital, and deficit (if any) obligations for the Year shall be applied first to any current

833 liabilities of the Contractor arising out of this Contract then due and payable. Overpayments of
834 more than One Thousand Dollars (\$1,000) shall be refunded at the Contractor's request. In lieu
835 of a refund, any amount of such overpayment, at the option of the Contractor, may be credited
836 against amounts to become due to the United States by the Contractor. With respect to
837 overpayment, such refund or adjustment shall constitute the sole remedy of the Contractor or
838 anyone having or claiming to have the right to the use of any of the Project Water supply
839 provided for herein. All credits and refunds of overpayments shall be made within thirty (30)
840 days of the Contracting Officer obtaining direction as to how to credit or refund such
841 overpayment in response to the notice to the Contractor that it has finalized the accounts for the
842 Year in which the overpayment was made.

843 (b) All advances for miscellaneous costs incurred for work requested by the
844 Contractor pursuant to Article 26 of this Contract shall be adjusted to reflect the actual costs
845 when the work has been completed. If the advances exceed the actual costs incurred, the
846 difference will be refunded to the Contractor. If the actual costs exceed the Contractor's
847 advances, the Contractor will be billed for the additional costs pursuant to Article 26 of this
848 Contract.

849 TEMPORARY REDUCTIONS—RETURN FLOWS

850 12. (a) The Contracting Officer shall make all reasonable efforts to optimize
851 delivery of the Contract Total subject to: (i) the authorized purposes and priorities of the Project;
852 (ii) the requirements of Federal law and the Settlement; and (iii) the obligations of the United

853 States under existing contracts, or renewals thereof, providing for water deliveries from the
854 Project.

855 (b) The Contracting Officer or Operating Non-Federal Entity may temporarily
856 discontinue or reduce the quantity of Water Delivered to the Contractor as herein provided for
857 the purposes of investigation, inspection, maintenance, repair, or replacement of any of the
858 Project facilities or any part thereof necessary for the delivery of Project Water to the Contractor,
859 but so far as feasible the Contracting Officer or Operating Non-Federal Entity will give the
860 Contractor due notice in advance of such temporary discontinuance or reduction, except in case
861 of emergency, in which case no notice need be given; Provided, That the United States shall use
862 its best efforts to avoid any discontinuance or reduction in such service. Upon resumption of
863 service after such reduction or discontinuance, and if requested by the Contractor, the United
864 States will, if possible, deliver the quantity of Project Water which would have been delivered
865 hereunder in the absence of such discontinuance or reduction.

866 (c) The United States reserves the right to all seepage and return flow water
867 derived from Water Delivered to the Contractor hereunder which escapes or is discharged
868 beyond the Contractor's Service Area; Provided, That this shall not be construed as claiming for
869 the United States any right as seepage or return flow to water being used pursuant to this
870 Contract for surface irrigation or underground storage either being put to reasonable and
871 beneficial use pursuant to this Contract within the Contractor's Service Area by the Contractor or
872 those claiming by, through, or under the Contractor. For purposes of this subdivision,

873 groundwater recharge, groundwater banking and all similar groundwater activities will be
874 deemed to be underground storage.

875 CONSTRAINTS ON THE AVAILABILITY OF WATER

876 13. (a) In its operation of the Project, the Contracting Officer will use all
877 reasonable means to guard against a Condition of Shortage in the quantity of water to be made
878 available to the Contractor pursuant to this Contract. In the event the Contracting Officer
879 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the
880 Contractor of said determination as soon as practicable.

881 (b) If there is a Condition of Shortage because of errors in physical operations
882 of the Project, drought, other physical causes beyond the control of the Contracting Officer or
883 actions taken by the Contracting Officer to meet legal obligations, including but not limited to
884 obligations pursuant to the Settlement then, except as provided in subdivision (a) of Article 19 of
885 this Contract, no liability shall accrue against the United States or any of its officers, agents, or
886 employees for any damage, direct or indirect, arising therefrom.

887 (c) The United States shall not execute contracts which together with this
888 Contract, shall in the aggregate provide for furnishing Class 1 Water in excess of 800,000
889 acre-feet per Year or Class 2 Water in excess of 1,401,475 acre-feet per Year; Provided, That,
890 subject to subdivision (l) of Article 3 of this Contract, the limitation placed on Class 2 Water
891 contracts shall not prohibit the United States from entering into temporary contracts of one year
892 or less in duration for delivery of Project Water to other entities if such water is not necessary to
893 meet the schedules as may be submitted by all Friant Division Project Contractors entitled to

894 receive Class 1 Water and/or Class 2 Water under their contracts. Nothing in this subdivision
895 shall limit the Contracting Officer's ability to take actions that result in the availability of new
896 water supplies to be used for Project purposes and allocating such new supplies; Provided, That
897 the Contracting Officer shall not take such actions until after consultation with the Friant
898 Division Project Contractors.

899 (d) The Contracting Officer shall not deliver any Class 2 Water pursuant to
900 this or any other contract heretofore or hereafter entered into any Year unless and until the
901 Contracting Officer determines that the cumulative total quantity of Class 1 Water specified in
902 subdivision (c) of this Article of this Contract will be available for delivery in said Year. If the
903 Contracting Officer determines there is or will be a shortage in any Year in the quantity of
904 Class 1 Water available for delivery, the Contracting Officer shall apportion the available Class 1
905 Water among all Contractors entitled to receive such water that will be made available at Friant
906 Dam in accordance with the following:

907 (1) A determination shall be made of the total quantity of Class 1
908 Water at Friant Dam which is available for meeting Class 1 Water contractual commitments, the
909 amount so determined being herein referred to as the available supply.

910 (2) The total available Class 1 supply shall be divided by the Class 1
911 Water contractual commitments, the quotient thus obtained being herein referred to as the
912 Class 1 apportionment coefficient.

913 (3) The total quantity of Class 1 Water under Article 3 of this Contract
914 shall be multiplied by the Class 1 apportionment coefficient and the result shall be the quantity of

915 Class 1 Water required to be delivered by the Contracting Officer to the Contractor for the
916 respective Year, but in no event shall such amount exceed the total quantity of Class 1 Water
917 specified in subdivision (a) of Article 3 of this Contract.

918 (e) If the Contracting Officer determines there is less than the quantity of
919 Class 2 Water which the Contractor otherwise would be entitled to receive pursuant to Article 3
920 of this Contract, the quantity of Class 2 Water which shall be furnished to the Contractor by the
921 Contracting Officer will be determined in the manner set forth in paragraphs (1), (2), and (3), of
922 subdivision (d) of this Article of this Contract substituting the term "Class 2" for the term "Class
923 1."

924 (f) In the event that in any Year there is made available to the Contractor, by
925 reason of any shortage or apportionment as provided in subdivisions (a), (d), or (e) of this Article
926 of this Contract, or any discontinuance or reduction of service as set forth in subdivision (b) of
927 Article 12 of this Contract, less than the quantity of water which the Contractor otherwise would
928 be entitled to receive hereunder, there shall be made an adjustment on account of the amounts
929 already paid to the Contracting Officer by the Contractor for Class 1 Water and Class 2 Water
930 for said Year in accordance with Article 11 of this Contract.

931 UNAVOIDABLE GROUNDWATER PERCOLATION

932 14. Omitted.

933 ACREAGE LIMITATION

934 15. (a) The Contractor has paid the Repayment Obligation, and notwithstanding
935 any Additional Capital Obligation that may later be established, the provisions of section 213(a)

936 and (b) of the RRA shall apply to lands in the Contractor's Service Area, with the effect that
937 acreage limitations, reporting, and Full Cost pricing provisions of the RRA shall no longer apply
938 to lands in the Contractor's Service Area with respect to Water Delivered pursuant to this
939 Contract. Reclamation will conduct a final water district review for the purpose of determining
940 compliance with the acreage limitations, reporting, and Full Cost pricing provisions of the RRA
941 from the date of the last water district review until the date when payment to Reclamation of the
942 Repayment Obligation was completed.

943 (b) Project Water to which the Contractor is entitled through a separate
944 contract, other than this Contract, that is subject to Federal Reclamation law, may be delivered to
945 lands within the Contractor's Service Area. Notwithstanding any Additional Capital Obligation
946 that may later be established, Project Water Delivered under this Contract may be mixed with
947 Project Water Delivered pursuant to a contract with the United States, other than this Contract, to
948 which acreage limitations, reporting, and Full Cost pricing provisions of Federal Reclamation
949 law apply without causing the application of the acreage limitations, reporting, and Full Cost
950 pricing provisions of Federal Reclamation law to the Water Delivered pursuant to this Contract;
951 Provided, The terms and conditions in such other contract shall continue to apply, and if such
952 terms and conditions so require, the lands to receive Project Water under such other contract
953 shall be properly designated by the Contractor and such Project Water is to be delivered in
954 accordance with the RRA including any applicable acreage limitations, reporting, and Full Cost
955 pricing provisions.

956

COMPLIANCE WITH FEDERAL RECLAMATION LAWS

957 16. (a) The parties agree that the delivery of water or the use of Federal facilities
958 pursuant to this Contract is subject to Federal Reclamation law, as amended and supplemented,
959 and the rules and regulations promulgated by the Secretary of the Interior under Federal
960 Reclamation law.

961 (b) The terms of this Contract are subject to the Settlement and the SJRRSA.

962 Nothing in this Contract shall be interpreted to limit or interfere with the full implementation of
963 the Settlement and the SJRRSA.

964

PROTECTION OF WATER AND AIR QUALITY

965 17. (a) Project facilities used to make available and deliver water to the
966 Contractor shall be operated and maintained in the most practical manner to maintain the quality
967 of the water at the highest level possible as determined by the Contracting Officer: *Provided*,
968 *That* the United States does not warrant the quality of the water delivered to the Contractor and is
969 under no obligation to furnish or construct water treatment facilities to maintain or improve the
970 quality of water delivered to the Contractor.

971 (b) The Contractor shall comply with all applicable water and air pollution
972 laws and regulations of the United States and the State of California; and shall obtain all required
973 permits or licenses from the appropriate Federal, State, or local authorities necessary for the
974 delivery of water by the Contractor; and shall be responsible for compliance with all Federal,
975 State, and local water quality standards applicable to surface and subsurface drainage and/or
976 discharges generated through the use of Federal or Contractor facilities or project water provided
977 by the Contractor within the Contractor's Project Water Service Area.

978 (c) This article shall not affect or alter any legal obligations of the Secretary
979 to provide drainage or other discharge services.

980

WATER ACQUIRED BY THE CONTRACTOR
OTHER THAN FROM THE UNITED STATES

981

982 18. (a) Omitted.

983 (b) Notwithstanding any Additional Capital Obligation that may later be
984 established, water or water rights now owned or hereafter acquired by the Contractor other than

985 from the United States pursuant to this Contract and Irrigation Water furnished pursuant to the
986 terms of this Contract may be simultaneously transported through the same distribution facilities
987 of the Contractor without the payment of fees to the United States and without application of
988 Federal Reclamation law to Water Delivered pursuant to this Contract or to lands which receive
989 Water Delivered to Contractor pursuant to this Contract.

990 (c) Water or water rights now owned or hereafter acquired by the Contractor,
991 other than from the United States or adverse to the Project or its contractors (i.e., non-project
992 water), may be stored, conveyed and/or diverted through Project facilities, other than Friant
993 Division Facilities, subject to the completion of appropriate environmental documentation, with
994 the approval of the Contracting Officer and the execution of any contract determined by the
995 Contracting Officer to be necessary, consistent with the following provisions:

996 (1) The Contractor may introduce non-project water into Project
997 facilities and deliver said water to lands within the Contractor's Service Area subject to payment
998 to the United States and/or to any applicable Operating Non-Federal Entity of an appropriate rate
999 as determined by the Contracting Officer. In addition, if electrical power is required to pump
1000 non-project water, the Contractor shall be responsible for obtaining the necessary power and
1001 paying the necessary charges therefor.

1002 (2) Delivery of such non-project water in and through Project facilities
1003 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project
1004 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water
1005 available to other Project Contractors; (iii) interfere with the delivery of contractual water

1006 entitlements to any other Project Contractors; (iv) interfere with the physical maintenance of the
1007 Project facilities; or (v) result in the United States incurring any liability or unreimbursed costs
1008 or expenses thereby.

1009 (3) Neither the United States nor the Operating Non-Federal Entity
1010 shall be responsible for control, care or distribution of the non-project water before it is
1011 introduced into or after it is delivered from the Project facilities. The Contractor hereby releases
1012 and agrees to defend and indemnify the United States and the Operating Non-Federal Entity, and
1013 their respective officers, agents, and employees, from any claim for damage to persons or
1014 property, direct or indirect, resulting from Contractor's diversion or extraction of non-project
1015 water from any source.

1016 (4) Diversion of such non-project water into Project facilities shall be
1017 consistent with all applicable laws, and if involving groundwater, consistent with any
1018 groundwater management plan for the area from which it was extracted.

1019 (5) After Project purposes are met, as determined by the Contracting
1020 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity
1021 of the facilities declared to be available by the Contracting Officer for conveyance and
1022 transportation of non-project water prior to any such remaining capacity being made available to
1023 non-project contractors.

1024 (d) Non-project water may be stored, conveyed and/or diverted through Friant
1025 Division Facilities, subject to the prior completion of appropriate environmental documentation
1026 and approval of the Contracting Officer without execution of a separate contract, consistent with

1027 subdivisions (c)(1) through (c)(5) of this Article and any other condition determined to be
1028 appropriate by the Contracting Officer.

1029 OPINIONS AND DETERMINATIONS

1030 19. (a) Where the terms of this Contract provide for actions to be based upon the
1031 opinion or determination of either party to this Contract, said terms shall not be construed as
1032 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
1033 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly
1034 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious,
1035 or unreasonable opinion or determination. Each opinion or determination by either party shall be
1036 provided in a timely manner. Nothing in this Article of this Contract is intended to or shall affect
1037 or alter the standard of judicial review applicable under Federal law to any opinion or
1038 determination implementing a specific provision of Federal law embodied in statute or
1039 regulation.

1040 (b) The Contracting Officer shall have the right to make determinations
1041 necessary to administer this Contract that are consistent with the provisions of this Contract, the
1042 laws of the United States and the State of California, and the rules and regulations promulgated
1043 by the Secretary. Such determinations shall be made in consultation with the Contractor to the
1044 extent reasonably practicable.

1045 COORDINATION AND COOPERATION

1046 20. (a) In order to further their mutual goals and objectives, the Contracting
1047 Officer and the Contractor shall communicate, coordinate, and cooperate with each other, and

1048 with other affected Project Contractors, in order to improve the operation and management of the
1049 Project. The communication, coordination, and cooperation regarding operations and
1050 management shall include, but not limited to, any action which will or may materially affect the
1051 quantity or quality of Project Water supply, the allocation of Project Water supply, and Project
1052 financial matters including, but not limited to, budget issues. The communication, coordination,
1053 and cooperation provided for hereunder shall extend to all provisions of this Contract. Each
1054 party shall retain exclusive decision making authority for all actions, opinions, and
1055 determinations to be made by the respective party.

1056 (b) It is the intent of the Secretary to improve water supply reliability. To
1057 carry out this intent:

1058 (1) The Contracting Officer will, at the request of the Contractor,
1059 assist in the development of integrated resource management plans for the Contractor. Further,
1060 the Contracting Officer will, as appropriate, seek authorizations for implementation of
1061 partnerships to improve water supply, water quality, and reliability.

1062 (2) The Secretary will, as appropriate, pursue program and project
1063 implementation and authorization in coordination with Project Contractors to improve the water
1064 supply, water quality, and reliability of the Project for all Project purposes.

1065 (3) The Secretary will coordinate with Project Contractors and the
1066 State of California to seek improved water resource management.

1067 (4) The Secretary will coordinate actions of agencies within the
1068 Department of the Interior that may impact the availability of water for Project purposes.

1069 (5) The Contracting Officer shall periodically, but not less than
1070 annually, hold division level meetings to discuss Project operations, division level water
1071 management activities, and other issues as appropriate.

1072 (c) Without limiting the contractual obligations of the Contracting Officer
1073 hereunder, nothing in this Contract shall be construed to limit or constrain the Contracting
1074 Officer's ability to communicate, coordinate, and cooperate with the Contractor or other
1075 interested stakeholders or to make decisions in a timely fashion as needed to protect health,
1076 safety, physical integrity of structures or facilities, or the Contracting Officer's ability to comply
1077 with applicable laws.

1078 **CHARGES FOR DELINQUENT PAYMENTS**

1079 21. (a) The Contractor shall be subject to interest, administrative and penalty
1080 charges on delinquent installments or payments. When a payment is not received by the due
1081 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
1082 the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an
1083 administrative charge to cover additional costs of billing and processing the delinquent payment.
1084 When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional
1085 penalty charge of six (6) percent per year for each day the payment is delinquent beyond the due
1086 date. Further, the Contractor shall pay any fees incurred for debt collection services associated
1087 with a delinquent payment.

1088 (b) The interest charge rate shall be the greater of the rate prescribed quarterly
1089 in the Federal Register by the Department of the Treasury for application to overdue payments,
1090 or the interest rate of one-half of one (0.5) percent per month prescribed by Section 6 of the
1091 Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be
1092 determined as of the due date and remain fixed for the duration of the delinquent period.

1093 (c) When a partial payment on a delinquent account is received, the amount
1094 received shall be applied, first to the penalty, second to the administrative charges, third to the
1095 accrued interest, and finally to the overdue payment.

1096

EQUAL EMPLOYMENT OPPORTUNITY

1097 22. During the performance of this Contract, the Contractor agrees as follows:

1098 (a) The Contractor will not discriminate against any employee or applicant for
1099 employment because of race, color, religion, sex, disability, or national origin. The Contractor
1100 will take affirmative action to ensure that applicants are employed, and that employees are
1101 treated during employment, without regard to their race, color, religion, sex, disability, or
1102 national origin. Such action shall include, but not be limited to the following: employment,
1103 upgrading, demotion, or transfer; recruitment or recruitment advertising; layoff or termination;
1104 rates of pay or other forms of compensation; and selection for training, including apprenticeship.
1105 The Contractor agrees to post in conspicuous places, available to employees and applicants for
1106 employment, notices to be provided by the Contracting Officer setting forth the provisions of this
1107 nondiscrimination clause.

1108 (b) The Contractor will, in all solicitations or advertisements for employees
1109 placed by or on behalf of the Contractor, state that all qualified applicants will receive
1110 consideration for employment without regard to race, color, religion, sex, disability, or national
1111 origin.

1112 (c) The Contractor will send to each labor union or representative of workers
1113 with which it has a collective bargaining agreement or other contract or understanding, a notice,
1114 to be provided by the Contracting Officer, advising the labor union or workers' representative of
1115 the Contractor's commitments under Section 202 of Executive Order 11246 of September 24,
1116 1965, and shall post copies of the notice in conspicuous places available to employees and
1117 applicants for employment.

1118 (d) The Contractor will comply with all provisions of Executive Order No.
1119 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary
1120 of Labor.

1121 (e) The Contractor will furnish all information and reports required by
1122 Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the
1123 Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and
1124 accounts by the Contracting Agency and the Secretary of Labor for purposes of investigation to
1125 ascertain compliance with such rules, regulations, and orders.

1126 (f) In the event of the Contractor's noncompliance with the nondiscrimination
1127 clauses of this contract or with any of such rules, regulations, or orders, this contract may be
1128 canceled, terminated or suspended in whole or in part and the Contractor may be declared
1129 ineligible for further Government contracts in accordance with procedures authorized in

1130 Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and
1131 remedies invoked as provided in Executive Order 11246 of September 24, 1965 or by rule,
1132 regulation, or order of the Secretary of Labor, or as otherwise provided by law.

1133 (g) The Contractor will include the provisions of paragraphs (1) through (7) in
1134 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
1135 Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24,
1136 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractor
1137 will take such action with respect to any subcontract or purchase order as may be directed by the
1138 Secretary of Labor as a means of enforcing such provisions, including sanctions for
1139 noncompliance: *Provided, however,* that in the event the Contractor becomes involved in, or is
1140 threatened with, litigation with a subcontractor or vendor as a result of such direction, the
1141 Contractor may request the United States to enter into such litigation to protect the interests of
1142 the United States.

1143 GENERAL OBLIGATION—BENEFITS CONDITIONED UPON PAYMENT

1144 23. (a) The obligation of the Contractor to pay the United States as provided in
1145 this Contract is a general obligation of the Contractor notwithstanding the manner in which the
1146 obligation may be distributed among the Contractor's water users and notwithstanding the
1147 default of individual water users in their obligations to the Contractor.

1148 (b) The payment of charges becoming due hereunder is a condition precedent
1149 to receiving benefits under this Contract. The United States shall not make water available to the
1150 Contractor through Project facilities during any period in which the Contractor may be in arrears
1151 in the advance payment of water rates due the United States. The Contractor shall not furnish
1152 water made available pursuant to this Contract for lands or parties which are in arrears in the
1153 advance payment of water rates levied or established by the Contractor.

1154 (c) With respect to subdivision (b) of this Article of this Contract, the
1155 Contractor shall have no obligation to require advance payment for water rates which it levies.

1156 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

1157 24. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
1158 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
1159 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
1160 laws, as well as with their respective implementing regulations and guidelines imposed by the
1161 U.S. Department of the Interior and/or Bureau of Reclamation.

1162 (b) These statutes require that no person in the United States shall, on the
1163 grounds of race, color, national origin, handicap, or age, be excluded from participation in, be
1164 denied the benefits of, or be otherwise subjected to discrimination under any program or activity
1165 receiving financial assistance from the Bureau of Reclamation. By executing this Contract, the
1166 Contractor agrees to immediately take any measures necessary to implement this obligation,
1167 including permitting officials of the United States to inspect premises, programs, and documents.

1168 (c) The Contractor makes this agreement in consideration of and for the
1169 purpose of obtaining any and all Federal grants, loans, contracts, property discounts, or other
1170 Federal financial assistance extended after the date hereof to the Contractor by the Bureau of
1171 Reclamation, including installment payments after such date on account of arrangements for
1172 Federal financial assistance which were approved before such date. The Contractor recognizes
1173 and agrees that such Federal assistance will be extended in reliance on the representations and
1174 agreements made in this Article, and that the United States reserves the right to seek judicial
1175 enforcement thereof.

1176 PRIVACY ACT COMPLIANCE

1177 25. Omitted.

1178 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

1179 26. In addition to all other payments to be made by the Contractor pursuant to this
1180 Contract, the Contractor shall pay to the United States, within sixty (60) days after receipt of a
1181 bill and detailed statement submitted by the Contracting Officer to the Contractor for such
1182 specific items of direct cost incurred by the United States for work requested by the Contractor
1183 associated with this Contract plus indirect costs in accordance with applicable Bureau of
1184 Reclamation policies and procedures. All such amounts referred to in this Article of this
1185 Contract shall not exceed the amount agreed to in writing in advance by the Contractor. This
1186 Article of this Contract shall not apply to costs for routine contract administration.

WATER CONSERVATION

1187
1188 27. (a) Prior to the delivery of water provided from or conveyed through
1189 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor
1190 shall be implementing an effective water conservation and efficiency program based on the
1191 Contractor's water conservation plan that has been determined by the Contracting Officer to
1192 meet the conservation and efficiency criteria for evaluating water conservation plans established
1193 under Federal law. The water conservation and efficiency program shall contain definite water
1194 conservation objectives, appropriate economically feasible water conservation measures, and
1195 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this
1196 Contract shall be contingent upon the Contractor's continued implementation of such water
1197 conservation program. In the event the Contractor's water conservation plan or any revised
1198 water conservation plan completed pursuant to subdivision (d) of this Article of this Contract
1199 have not yet been determined by the Contracting Officer to meet such criteria, due to
1200 circumstances which the Contracting Officer determines are beyond the control of the
1201 Contractor, water deliveries shall be made under this Contract so long as the Contractor
1202 diligently works with the Contracting Officer to obtain such determination at the earliest
1203 practicable date, and thereafter the Contractor immediately begins implementing its water
1204 conservation and efficiency program in accordance with the time schedules therein.
1205 (b) Omitted.

1206 (c) The Contractor shall submit to the Contracting Officer a report on the
1207 status of its implementation of the water conservation plan on the reporting dates specified in the
1208 then-existing conservation and efficiency criteria established under Federal law.

1209 (d) At five (5) -year intervals, the Contractor shall revise its water
1210 conservation plan to reflect the then-existing conservation and efficiency criteria for evaluating
1211 water conservation plans established under Federal law and submit such revised water
1212 management plan to the Contracting Officer for review and evaluation. The Contracting Officer
1213 will then determine if the
1214 water conservation plan meets Reclamation's then-existing conservation and efficiency criteria
1215 for evaluating water conservation plans established under Federal law.

1216 (e) If the Contractor is engaged in direct groundwater recharge, such activity
1217 shall be described in the Contractor's water conservation plan.

1218 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1219 28. Except as specifically provided in Article 18 of this Contract, the provisions of
1220 this Contract shall not be applicable to or affect non-project water or water rights now owned or
1221 hereafter acquired by the Contractor or any user of such water within the Contractor's Service
1222 Area. Any such water shall not be considered Project Water under this Contract. In addition,
1223 this Contract shall not be construed as limiting or curtailing any rights which the Contractor or
1224 any water user within the Contractor's Service Area acquires or has available under any other
1225 contract pursuant to Federal Reclamation law.

1226 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

1227 29. (a) The O&M of a portion of the Project facilities which serve the Contractor,
1228 and responsibility for funding a portion of the costs of such O&M, have been transferred to the
1229 Operating Non-Federal Entity by separate agreement between the United States and the
1230 Operating Non-Federal Entity. That separate agreement shall not interfere with or affect the
1231 rights or obligations of the Contractor or the United States hereunder.

1232 (b) The Contracting Officer has previously notified the Contractor in writing
1233 that the O&M of a portion of the Project facilities which serve the Contractor has been
1234 transferred to the Operating Non-Federal Entity, and therefore, the Contractor shall pay directly
1235 to the Operating Non-Federal Entity, or to any successor approved by the Contracting Officer
1236 under the terms and conditions of the separate agreement between the United States and the
1237 Operating Non-Federal Entity described in subdivision (a) of this Article of this Contract, all
1238 rates, charges or assessments of any kind, including any assessment for reserve funds, which the
1239 Operating Non-Federal Entity or such successor determines, sets or establishes for (i) the O&M
1240 of the portion of the Project facilities operated and maintained by the Operating Non-Federal
1241 Entity or such successor, or (ii) the Friant Division's share of the operation, maintenance and
1242 replacement costs for physical works and appurtenances associated with the Tracy Pumping
1243 Plant, the Delta-Mendota Canal, the O'Neill Pumping/Generating Plant, the federal share of the
1244 O'Neill Forebay, the Mendota Pool, and the federal share of San Luis Unit joint use conveyance
1245 and conveyance pumping facilities. Such direct payments to the Operating Non-Federal Entity
1246 or such successor shall not relieve the Contractor of its obligation to pay directly to the United

1247 States the Contractor's share of the Project Rates and Charges, except to the extent the Operating
1248 Non-Federal Entity collects payments on behalf of the United States in accordance with the
1249 separate agreement identified in subdivision (a) of this Article of this Contract.

1250 (c) For so long as the O&M of any portion of the Project facilities serving the
1251 Contractor is performed by the Operating Non-Federal Entity, or any successor thereto, the
1252 Contracting Officer shall adjust those components of the Rates for Water Delivered under this
1253 Contract representing the cost associated with the activity being performed by the Operating
1254 Non-Federal Entity or its successor.

1255 (d) In the event the O&M of the Project facilities operated and maintained by
1256 the Operating Non-Federal Entity is re-assumed by the United States during the term of this
1257 Contract, the Contracting Officer shall so notify the Contractor, in writing, and present to the
1258 Contractor a revised Exhibit "B" which shall include the portion of the Rates to be paid by the
1259 Contractor for Project Water under this Contract representing the O&M costs of the portion of
1260 such Project facilities which have been re-assumed. The Contractor shall, thereafter, in the
1261 absence of written notification from the Contracting Officer to the contrary, pay the Rates and
1262 Charges specified in the revised Exhibit "B" directly to the United States in compliance with
1263 Article 7 of this Contract.

1264 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1265 30. The expenditure or advance of any money or the performance of any obligation of
1266 the United States under this Contract shall be contingent upon appropriation or allotment of
1267 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any
1268 obligations under this Contract. No liability shall accrue to the United States in case funds are
1269 not appropriated or allotted.

1270

BOOKS, RECORDS, AND REPORTS

1271 31. (a) The Contractor shall establish and maintain accounts and other books and
1272 records pertaining to administration of the terms and conditions of this Contract, including: the
1273 Contractor's financial transactions, water supply data, and Project land and right-of-way
1274 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
1275 data; and other matters that the Contracting Officer may require. Reports thereon shall be
1276 furnished to the Contracting Officer in such form and on such date or dates as the Contracting
1277 Officer may require. Subject to applicable Federal laws and regulations, each party to this
1278 Contract shall have the right during office hours to examine and make copies of the other party's
1279 books and records relating to matters covered by this Contract.

1280 (b) Notwithstanding the provisions of subdivision (a) of this Article of this
1281 Contract, no books, records, or other information shall be requested from the Contractor by the
1282 Contracting Officer unless such books, records, or information are reasonably related to the
1283 administration or performance of this Contract. Any such request shall allow the Contractor a
1284 reasonable period of time within which to provide the requested books, records, or information.

1285 (c) At such time as the Contractor provides information to the Contracting
1286 Officer pursuant to subdivision (a) of this Article of this Contract, a copy of such information
1287 shall be provided to the Operating Non-Federal Entity.

1288 ASSIGNMENT LIMITED—SUCCESSORS AND ASSIGNS OBLIGATED

1289 32. (a) The provisions of this Contract shall apply to and bind the successors and
1290 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1291 therein shall be valid until approved in writing by the Contracting Officer.

1292 (b) The assignment of any right or interest in this Contract by either party
1293 shall not interfere with the rights or obligations of the other party to this Contract absent the
1294 written concurrence of said other party.

1295 (c) The Contracting Officer shall not unreasonably condition or withhold
1296 approval of any proposed assignment.

1297 SEVERABILITY

1298 33. In the event that a person or entity who is neither (i) a party to a Project contract,
1299 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor
1300 (iii) an association or other form of organization whose primary function is to represent parties to
1301 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or
1302 enforceability of a provision included in this Contract and said person, entity, association, or
1303 organization obtains a final court decision holding that such provision is legally invalid or
1304 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s),
1305 the parties to this Contract shall use their best efforts to (i) within thirty (30) days of the date of
1306 such final court decision identify by mutual agreement the provisions in this Contract which
1307 must be revised and (ii) within three (3) months thereafter promptly agree on the appropriate
1308 revision(s). The time periods specified above may be extended by mutual agreement of the
1309 parties. Pending the completion of the actions designated above, to the extent it can do so
1310 without violating any applicable provisions of law, the United States shall continue to make the
1311 quantities of Project Water specified in this Contract available to the Contractor pursuant to the
1312 provisions of this Contract which were not found to be legally invalid or unenforceable in the
1313 final court decision.

RESOLUTION OF DISPUTES

1314
1315 34. Should any dispute arise concerning any provisions of this Contract, or the
1316 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to
1317 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting
1318 Officer referring any matter to Department of Justice, the party shall provide to the other party
1319 thirty (30) days written notice of the intent to take such action; Provided, That such notice shall
1320 not be required where a delay in commencing an action would prejudice the interests of the party
1321 that intends to file suit. During the thirty (30) day notice period, the Contractor and the
1322 Contracting Officer shall meet and confer in an attempt to resolve the dispute. Except as
1323 specifically provided, nothing herein is intended to waive or abridge any right or remedy that the
1324 Contractor or the United States may have.

OFFICIALS NOT TO BENEFIT

1325
1326 35. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1327 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1328 manner as other water users or landowners.

CHANGES IN CONTRACTOR'S SERVICE AREA

1329
1330 36. (a) While this Contract is in effect, no change may be made in the
1331 Contractor's Service Area or boundaries, by inclusion or exclusion of lands, dissolution,
1332 consolidation, merger, or otherwise, except upon the Contracting Officer's written consent.
1333 (b) Within thirty (30) days of receipt of a request for such a change, the
1334 Contracting Officer will notify the Contractor of any additional information required by the
1335 Contracting Officer for processing said request, and both parties will meet to establish a mutually
1336 agreeable schedule for timely completion of the process. Such process will analyze whether the

1337 proposed change is likely to: (i) result in the use of Project Water contrary to the terms of this
1338 Contract; (ii) impair the ability of the Contractor to pay for Project Water furnished under this
1339 Contract or to pay for any Federally-constructed facilities for which the Contractor is
1340 responsible; and (iii) have an impact on any Project Water rights applications, permits, or
1341 licenses. In addition, the Contracting Officer shall comply with the National Environmental
1342 Policy Act and the Endangered Species Act. The Contractor will be responsible for all costs
1343 incurred by the Contracting Officer in this process, and such costs will be paid in accordance
1344 with Article 26 of this Contract.

1345 FEDERAL LAWS

1346 37. By entering into this Contract, the Contractor does not waive its rights to contest
1347 the validity or application in connection with the performance of the terms and conditions of this
1348 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with
1349 the terms and conditions of this Contract unless and until relief from application of such Federal
1350 law or regulation to the implementing provision of the Contract is granted by a court of
1351 competent jurisdiction.

1352 EMERGENCY RESERVE FUND

1353 38. The Contractor and Contracting Officer acknowledge that the requirements to
1354 establish and maintain a minimum reserve fund account to finance extraordinary O&M costs of
1355 Friant Division Facilities is and will continue to be administered under Contract No.

1356 8-07-20-X0356 titled Agreement To Transfer The Operation, Maintenance And Replacement
1357 And Certain Financial And Administrative Activities Related To The Friant-Kern Canal And
1358 Associated Works, dated March 1, 1998 as amended, supplemented, assigned, or renewed.

1359 MEDIUM FOR TRANSMITTING PAYMENT

1360 39. (a) All payments from the Contractor to the United States under this contract
1361 shall be by the medium requested by the United States on or before the date payment is due. The
1362 required method of payment may include checks, wire transfers, or other types of payment
1363 specified by the United States.

1364 (b) Upon execution of the contract, the Contractor shall furnish the
1365 Contracting Officer with the Contractor's taxpayer's identification number (TIN). The purpose
1366 for requiring the Contractor's TIN is for collecting and reporting any delinquent amounts arising
1367 out of the Contractor's relationship with the United States.

1368 NOTICES

1369 40. Any notice, demand, or request authorized or required by this Contract shall be
1370 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
1371 delivered to the Area Manager, South-Central California Area Office, 1243 "N" Street, Fresno,
1372 California 93721, and on behalf of the United States, when mailed, postage prepaid, or delivered
1373 to the Board of Directors of Porterville Irrigation District, 22086 Avenue 160, Porterville,
1374 California 93257. The designation of the addressee or the address may be changed by notice
1375 given in the same manner as provided in this Article of this Contract for other notices.

1376 CONFIRMATION OF CONTRACT

1377 41. The Contractor, after the execution of this Contract, shall promptly provide to the
1378 Contracting Officer a decree of a court of competent jurisdiction of the State of California,
1379 confirming the execution of this Contract. The Contractor shall furnish the United States a
1380 certified copy of the final decree, the validation proceedings, and all pertinent supporting records
1381 of the court approving and confirming this Contract, and decreeing and adjudging it to be lawful,
1382 valid, and binding on the Contractor.

1383 CONTRACT DRAFTING CONSIDERATIONS

1384 42. Articles 1 through 15, subdivision (c) of Article 16, Articles 18 through 20,
1385 subdivision (c) of Article 23, Articles 26 through 29, subdivisions (b) and (c) of Article 31,

1386 subdivisions (b) and (c) of Article 32, Articles 33 through 34, subdivision (b) of Article 36, and
1387 Articles 37 through 38 of this Contract have been drafted, negotiated, and reviewed by the
1388 parties hereto, each of whom is sophisticated in the matters to which this Contract pertains, and
1389 no one party shall be considered to have drafted the stated Articles.

Contract No. I75r-4309D

1390 **IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day**
1391 **and year first above written.**

**BEFORE THE BOARD OF DIRECTORS
OF THE
PORTERVILLE IRRIGATION DISTRICT**

IN THE MATTER OF:

RESOLUTION NO: 2010-06-02

APPROVING AND AUTHORIZING THE EXECUTION OF A
CONTRACT BETWEEN THE UNITED STATES THE PORTERVILLE IRRIGATION
DISTRICT PROVIDING FOR PROJECT WATER SERVICE AND FACILITIES
REPAYMENT; AND AUTHORIZING COMMENCEMENT OF VALIDATION ACTION

WHEREAS, the United States of America ("United States") has constructed and is operating the Central Valley Project ("Project") in California, for diversion, storage, carriage, distribution and beneficial use, for flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration, generation and distribution of electric energy, salinity control, navigation and other beneficial uses, of the waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River and their tributaries ("Project Water"); and

WHEREAS, the United States constructed Friant Dam (thereby creating Millerton Lake) and the Friant-Kern and Madera Canals, hereinafter collectively referred to as the Friant Division Facilities, which will be used in part for the furnishing of Project Water to the Porterville Irrigation District ("District"); and

WHEREAS, the United States and the District have, continuously, since September 12, 1950, been parties to a contract, as amended and as renewed periodically, providing for water service from the Friant Division Facilities to the District (the "Existing Contract"); and

WHEREAS, Federal law, and the Existing Contract in accordance with Article 2(d) thereof, provide for conversion to a repayment contract under subsection (d) of Section 9 of the Act of August 4, 1939 which conversion, upon District's payment of Contractor's share of the remaining amount of Project construction costs, would grant the District a permanent right to a stated share or quantity of Project Water, relieve its landowners of the acreage limitation and full cost pricing provisions of Reclamation Law; and relieve the District of tiered pricing provisions;

WHEREAS, as a result of litigation entitled "Natural Resources Defense Council, et al. v Kirk Rogers, et al." No. CIV-S-88-1658LLK/GGH, certain Friant Division contractors entered into a Stipulation of Settlement dated September 13, 2006 (the "Settlement"), which Settlement was subsequently confirmed and implemented through Title X, Subtitle A, of the Act of March 30, 2009 (123 Stat. 1349), known as the San Joaquin River Restoration Settlement Act and hereinafter referred to as "SJRRSA"; and

WHEREAS, the SJRRSA authorizes and directs the Secretary to convert the Existing Contract to a repayment contract under subsection (d) of Section 9 of the Act of August 4, 1939, no later than December 31, 2010, under mutually agreeable terms and conditions; and

WHEREAS, the District and United States have concluded negotiations on all substantive terms and conditions of a repayment contract entitled "Contract between the United States and District for Project Water Service and Facilities Repayment," a true and correct copy of which is attached hereto as Exhibit A and incorporated herein by this reference ("Repayment Contract"); and

WHEREAS, consistent with the provisions of the SJRRSA and other laws, the Repayment Contract includes provisions improving water management, including provisions expediting water transfers by the District;

WHEREAS, upon completing accelerated repayment of its allocated share of capital obligations as required therein, the Repayment Contract provides that: (i) the District is vested with the permanent right to a stated share or quantity of water from the Project for beneficial use by the District; (ii) its landholders will be relieved of the acreage limitation and full cost pricing provisions of Reclamation Law; and (iii) the District will be relieved of tiered pricing provisions; and

WHEREAS, the District intends to finance its capital cost repayment obligations under the Repayment Contract through issuance of bonds or other form of indebtedness; and

WHEREAS, the Repayment Contract requires that the District provide the United States with a final decree of a court of competent jurisdiction of the State of California confirming the validity of the Repayment Contract; and

WHEREAS, the Board of Directors has reviewed the Repayment Contract and finds that conversion from the Existing Contract to the Repayment Contract is in the best interests of the District and its landowners, and that the Repayment Contract should be executed in substantially the form attached as Exhibit A hereto, which execution shall occur upon the completion of proceedings necessary to validate the Repayment Contract and upon obtaining the financing sufficient for retiring its repayment obligations under terms satisfactory to the Board of Directors; and

WHEREAS, federal law requires that the Repayment Obligation (as defined in the Repayment Contract) be determined according to the Treasury Rate (as defined in the Repayment Contract) on October 1, 2010, and that Exhibit Nos. C1, C2 and D of the Repayment Contract, which set forth the Repayment Obligation of the District, are based upon the current Treasury Rate and that adjustments to the Treasury Rate could occur before October 1, 2010, and such adjustment will require corresponding adjustment of the Repayment Obligation currently described in Exhibit Nos. C1, C2 and D prior to execution of the Repayment Contract.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors:

1. Determines that the foregoing recitals and findings are true and correct, and incorporates them herein by this reference; and

2. Approves and authorizes execution of the Repayment Contract by the President and Secretary in substantially the form attached hereto as Exhibit A, which execution shall be subject to and occur upon: (i) the successful completion of proceedings necessary to validate the Repayment Contract; (ii) the final determination of the Treasury Rate on October 1, 2010 and the resulting final determination of the Repayment Obligation set forth in Exhibit Nos. C1, C2 and D of the Repayment Contract; and (iii) the District obtaining financing of its repayment obligations under terms satisfactory to the Board of Directors; and
3. Authorizes and directs the District's legal counsel to initiate and prosecute a validation proceeding pursuant to Code of Civil Procedure section 860, et seq., as necessary to confirm the validity of the Repayment Contract, and to do all things necessary and appropriate to prosecute said action; and
4. Authorizes and directs the District's Secretary to provide certified copies of the foregoing resolution to the Bureau of Reclamation; and
5. Authorizes and directs the District's officers, staff and consultants to take all additional actions they deem necessary or appropriate to facilitate the conversion to the Repayment Contract and obtain appropriate financing of the Repayment Obligation; and

BE IT FURTHER RESOLVED that until the Repayment Contract in substantially the form as Exhibit A is executed by the District and the United States, the Existing Contract shall continue in full force and effect in accordance with its terms.

All of the foregoing, being on the motion of Director Hughes, and seconded by Director Gisler, was authorized by the following vote:

AYES: Lombardi, Hughes, Borba, & Gisler

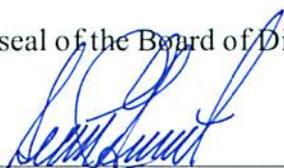
NOES: None

ABSTAINING: None

ABSENT: None

I HEREBY CERTIFY that the foregoing resolution is the resolution of said District as duly passed and adopted by said Board of Directors on the 8th day of June, 2010.

WITNESS my hand and seal of the Board of Directors this 8th day of June, 2010.



Secretary of the Board of Directors