

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

CONTRACT BETWEEN THE UNITED STATES AND
GLENN-COLUSA IRRIGATION DISTRICT,
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER

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11 PROVIDING FOR PROJECT WATER

12 THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into
13 by THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made
14 this 28th day of February, 20 05, pursuant to the applicable authority
15 granted to it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
16 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),
17 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,
18 including but not limited to Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21, 1963
19 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended,
20 and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter
21 referred to as Federal Reclamation law, and GLENN-COLUSA IRRIGATION DISTRICT,
22 hereinafter referred to as the Contractor, a public agency of the State of California, duly
23 organized, existing, and acting pursuant to the laws thereof, with its principal place of business in
24 California;

25 WITNESSETH, that

EXPLANATORY RECITALS

26
27 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
28 Project, California, for multiple purposes pursuant to its statutory authority; and

29 [2nd] WHEREAS, the Contractor has rights to divert, is diverting, and will continue to
30 divert for reasonable beneficial use, water from the natural flow of the Sacramento River and
31 tributaries thereto, that would have been flowing therein if the Central Valley Project were not in
32 existence and from Stony Creek pursuant to the Angle Decree; and

33 [3rd] WHEREAS, the construction and operation of the integrated and coordinated
34 Central Valley Project has changed and will further change the regimen of the Sacramento,
35 American, San Joaquin, and Trinity Rivers and the Sacramento-San Joaquin Delta from
36 unregulated flow to regulated flow; and

37 [4th] WHEREAS, the United States has rights to divert, is diverting, and will continue
38 to divert waters from said Rivers and said Delta in connection with the operation of said Central
39 Valley Project; and

40 [5th] WHEREAS, the Contractor and the United States had a dispute over the
41 respective rights of the parties to divert and use water from the regulated flow of the Sacramento
42 River which threatened to result in litigation, and as a means to settle that dispute entered into
43 Contract No. 14-06-200-855A, as revised, hereinafter referred to as the Existing Contract, which
44 established terms for the delivery to the Contractor of Central Valley Project Water, and the
45 quantities of Base Supply the United States and the Contractor agreed may be diverted by the
46 Contractor from the Sacramento River pursuant to such contract; and

47 [6th] WHEREAS, the United States and the Contractor disagree with respect to the
48 authority of the United States to change the quantities of Base Supply and/or Project Water
49 specified as available for diversion in this Settlement Contract from the quantities specified in

50 the Existing Contract, and other issues related thereto. That dispute was the subject of litigation
51 in a lawsuit entitled *Glenn-Colusa Irrigation District, et al. v. United States, et al.* [Civ. No. S-
52 01-1816 GEB/JFM (E.D. Cal.)]; that litigation was dismissed, without prejudice, pursuant to a
53 stipulation of dismissal filed by the parties thereto on August 29, 2002. Notwithstanding that
54 dismissal, the Contractor and the United States enter into this Settlement Contract to renew the
55 Existing Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and
56 the laws of the State of California; and

57 [7th] WHEREAS, to assure the Contractor of the enjoyment and use of the regulated
58 flow of the said Rivers and the Delta, and to provide for the economical operation of the Central
59 Valley Project by, and the reimbursement to, the United States for expenditures made for said
60 Project.

61 NOW, THEREFORE, in consideration of the performance of the herein contained
62 provisions, conditions, and covenants, it is agreed as follows:

63 DEFINITIONS

64 1. When used herein, unless otherwise expressed or incompatible with the intent
65 hereof, the term:

66 (a) "Angle Decree" shall mean that certain judgment rendered January 13,
67 1930, by the United States District Court, Northern District of California, Second Division,
68 Honorable Frank H. Kerrigan, Judge, in that certain action in Equity No. 30 entitled "The United
69 States of America, Plaintiff, v. H. C. Angle, et al., Defendants";

70 (b) "Base Supply" shall mean the quantity of Surface Water established in
71 Articles 3 and 5 which may be diverted by the Contractor from its Source of Supply each month
72 during the period April through October of each Year without payment to the United States for
73 such quantities diverted;

74 (c) "Basin-Wide Water Management Plan" shall mean the mutually agreeable
75 Sacramento River Basinwide Water Management Plan, dated October 11, 2004, developed by
76 Glenn-Colusa Irrigation District, Maxwell Irrigation District, Natomas Central Mutual Water
77 Company, Pelger Mutual Water Company, Princeton-Codora-Glenn Irrigation District, Provident
78 Irrigation District, Reclamation District 108, Sutter Mutual Water Company, Anderson-
79 Cottonwood Irrigation District, Meridian Farms Water Company, Reclamation District 1004, and
80 the U.S. Bureau of Reclamation;

81 (d) "Charges" shall mean the payments for Project Water that the Contractor
82 is required to pay to the United States in addition to the "Rates" specified in this Settlement
83 Contract. The Contracting Officer will, on an annual basis, determine the extent of these
84 Charges. The type and amount of each Charge shall be specified in Exhibit D;

85 (e) "Contract Total" shall mean the sum of the Base Supply and Project Water
86 available for diversion by the Contractor for the period April 1 through October 31;

87 (f) "Critical Year" shall mean any Year in which either of the following
88 eventualities exists:

89 (1) The forecasted full natural inflow to Shasta Lake for the current
90 Water Year, as such forecast is made by the United States on or before February 15 and reviewed
91 as frequently thereafter as conditions and information warrant, is equal to or less than 3.2 million
92 acre-feet; or

93 (2) The total accumulated actual deficiencies below 4 million acre-feet
94 in the immediately prior Water Year or series of successive prior Water Years each of which had
95 inflows of less than 4 million acre-feet, together with the forecasted deficiency for the current
96 Water Year, exceed 800,000 acre-feet.

97 For the purpose of determining a Critical Year, the computation of inflow to
98 Shasta Lake shall be performed in a manner that considers the extent of upstream development
99 above Shasta Lake during the year in question, and shall be used as the full natural flow to
100 Shasta Lake. In the event that major construction has occurred or occurs above Shasta Lake after
101 September 1, 1963, and which has materially altered or alters the regimen of the stream systems
102 contributing to Shasta Lake, the computed inflow to Shasta Lake used to define a Critical Year
103 will be adjusted to eliminate the effect of such material alterations. After consultation with the
104 State of California, the National Weather Service, and other recognized forecasting agencies, the
105 Contracting Officer will select the forecast to be used and will make the details of it available to
106 the Contractor. The same forecasts used by the United States for the operation of the Project
107 shall be used to make the forecasts hereunder;

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

110 (h) "Eligible Lands" shall mean all lands to which Project Water may be
111 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982
112 (96 Stat. 1263), as amended, hereinafter referred to as RRA;

113 (i) "Excess Lands" shall mean all lands in excess of the limitations contained
114 in Section 204 of the RRA, other than those lands exempt from acreage limitation under Federal
115 Reclamation law;

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

118 (k) "Ineligible Lands" shall mean all lands to which Project Water may not be
119 delivered in accordance with Section 204 of the RRA;

120 (l) "Landholder" shall mean a party that directly or indirectly owns or leases
121 nonexempt land, as provided in 43 CFR 426.2;

122 (m) "Project" shall mean the Central Valley Project owned by the United
123 States and managed by the Department of the Interior, Bureau of Reclamation;

124 (n) "Project Water" shall mean all Surface Water diverted or scheduled to be
125 diverted each month during the period April through October of each Year by the Contractor
126 from its Source of Supply which is in excess of the Base Supply. The United States recognizes
127 the right of the Contractor to make arrangements for acquisition of water from projects of others
128 than the United States for delivery through the Sacramento River and tributaries subject to
129 written agreement between Contractor and the United States as to identification of such water
130 which water when so identified shall not be deemed Project Water under this Settlement
131 Contract;

132 (o) "Rates" shall mean the payments for Project Water determined annually
133 by the Contracting Officer in accordance with the then current applicable water ratesetting
134 policies for the Project, as described in subdivision (a) of Article 8 of this Settlement Contract;

135 (p) "Secretary" or "Contracting Officer" shall mean the Secretary of the
136 Interior, a duly appointed successor, or an authorized representative acting pursuant to any
137 authority of the Secretary and through any agency of the Department of the Interior;

138 (q) "Source of Supply" shall mean the Sacramento River and Stony Creek,
139 from which the Contractor has rights to divert, has diverted, and may continue to divert;

140 (r) "Surface Water" shall mean only those waters that are considered as
141 surface water under California law;

142 (s) "Water Year" shall mean the period commencing with October 1 of one
143 year and extending through September 30 of the next; and

144 (t) "Year" shall mean a calendar year.

145 TERM OF SETTLEMENT CONTRACT

146 2. (a) This Settlement Contract shall become effective April 1, 2005, and shall
147 remain in effect until and including March 31, 2045; Provided, that under terms and conditions
148 mutually agreeable to the parties hereto, renewals may be made for successive periods not to
149 exceed 40 years each. The terms and conditions of each renewal shall be agreed upon not later
150 than one year prior to the expiration of the then existing Settlement Contract.

151 (b) With respect to Project Water and the portions of this Settlement Contract
152 pertaining thereto, upon written request by the Contractor of the Secretary made not later than
153 one year prior to the expiration of this Settlement Contract, whenever, account being taken of the
154 amount then credited to the costs of construction of water supply works, the remaining amount of
155 construction costs of water supply work which is properly assignable for ultimate return by the
156 Contractor as established by the Secretary of the Interior pursuant to (3) of Section 1 of Public
157 Law 643 (70 Stat. 483), probably can be repaid to the United States within the term of a contract
158 under subsection 9(d) of the 1939 Reclamation Project Act (53 Stat. 1187), the relevant portions
159 of this Settlement Contract may be converted to a contract under said subsection 9(d) upon terms
160 and conditions mutually agreeable to the United States and the Contractor. The Secretary shall
161 make a determination ten years after the date of execution of this Settlement Contract, and every
162 five years thereafter, of whether a conversion to a contract under said subsection 9(d) can be
163 accomplished pursuant to Public Law 643. Notwithstanding any provision of this Settlement
164 Contract, the Contractor reserves and shall have all rights and benefits under Public Law 643.

165 WATER TO BE FURNISHED TO CONTRACTOR

166 3. (a) Subject to the conditions, limitations, and provisions hereinafter
167 expressed, the Contractor is hereby entitled and authorized to divert from its Source of Supply at

168 the locations shown in Exhibit A, for beneficial use within the area delineated on Exhibit B,
169 (both Exhibits are attached hereto and made a part hereof), the Contract Total designated in
170 Exhibit A, or any revision thereof, in accordance with the monthly operating schedule required
171 by Article 3(c) of this Settlement Contract. The quantity of any water diverted under this
172 Settlement Contract from its Source of Supply, during the period April through October, for use
173 on any lands delineated on Exhibit B, by the owner of such lands or otherwise shall constitute a
174 part of the Contract Total as shown on Exhibit A and shall be subject to all the provisions of this
175 Settlement Contract relating to such Contract Total as if such diversion were made by the
176 Contractor. The United States also confirms its prior recognition contained in its letter dated
177 April 3, 1964, to Glenn-Colusa Irrigation District of that certain contract dated June 2, 1953, as
178 supplemented on July 16, 1954, among the Contractor and Maxwell Irrigation District,
179 Compton-Delevan Irrigation District, Provident Irrigation District, Princeton-Codora-Glenn
180 Irrigation District, Jacinto Irrigation District, and Reclamation District No. 2047, commonly
181 referred to as the Five-Party Agreement.

182 (b) The Contractor may have acquired rights to divert water from the
183 Sacramento River during the period April through October, that were obtained after the date of
184 execution of the Existing Contract, or the Contractor may acquire such rights in the future. All
185 diversions made from the Sacramento River, pursuant to such rights, during the period April
186 through October, shall not be considered a part of the quantity of Base Supply and Project Water
187 specified in Exhibit A; Provided, that the quantities diverted pursuant to the above rights shall be
188 identified on the schedule submitted pursuant to Article 3(c) below, and shall not be substituted
189 for any Base Supply or Project Water; Provided, further, that any such identified quantities of
190 other acquired rights may be diverted by the Contractor before incurring any fee pursuant to
191 Article 3(c)(1), below.

192 (c) Before April 1 and before the first day of each month thereafter when a
193 revision is needed, the Contractor shall submit a written schedule to the Contracting Officer
194 indicating the Contract Total to be diverted by the Contractor during each month under this
195 Settlement Contract. The United States shall furnish water to the Contractor in accordance with
196 the monthly operating schedule or any revisions thereof. However, the United States recognizes
197 the need of the Contractor to change from time to time its monthly diversions of water from the
198 quantities shown in Exhibit A; the Contractor may make such changes, provided:

199 (1) that for the quantity of Base Supply diverted in excess of the
200 monthly quantity shown in Exhibit A, and as may be reduced in accordance with Article 5(a),
201 during June, July, August, September, and October of any Water Year, the Contractor shall be
202 charged a rescheduling fee equal to 50 percent of the sum of the storage operations and
203 maintenance rate and the storage capital rate components of the Project ratesetting policy.

204 (2) that in no event shall the total quantity scheduled for diversion by
205 the Contractor from its Source of Supply:

206 (i) During the period April through October exceed the
207 aggregate of the Contract Total for that period shown in Exhibit A or any revision
208 thereof;

209 (ii) During the period July through August exceed the
210 aggregate of the Contract Total for that period shown in Exhibit A or any revision
211 thereof.

212 (d) In the event conditions warrant, the Contracting Officer reserves the right
213 to require the Contractor to submit, at least 72 hours prior to the beginning of each weekly
214 period, its estimate of daily diversion requirements for each such period from its Source of

215 Supply; Provided, however, that changes during any such period may be made upon the giving
216 of 72 hours' notice thereof to the Contracting Officer.

217 (e) No sale, transfer, exchange, or other disposal of any of the Contract Total
218 designated in Exhibit A or the right to the use thereof for use on land other than that shown on
219 Exhibit B shall be made by the Contractor without first obtaining the written consent of the
220 Contracting Officer. Such consent will not be unreasonably withheld and a decision will be
221 rendered in a timely manner. For short-term actions that will occur within one year or less, the
222 decision will be rendered within 30 days after receipt of a complete written proposal. For long-
223 term actions that will occur in a period longer than one year, the decision will be rendered within
224 90 days after receipt of a complete written proposal. For a proposal to be deemed complete by
225 the Contracting Officer, it must comply with all provisions required by State and Federal law,
226 including information sufficient to enable the Contracting Officer to comply with the National
227 Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then
228 in effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate
229 or effectuate the sale, transfer, exchange, or other disposal of Base Supply. Such use of Federal
230 facilities will be the subject of a separate agreement to be entered into between the Contractor
231 and Reclamation.

232 (f) For the purpose of determining whether Section 3405(a)(1)(M) of the
233 CVPIA applies to the Contractor as a transferor or transferee of Project Water, the Contracting
234 Officer acknowledges that the Contractor is within a county, watershed, or other area of origin,
235 as those terms are utilized under California law.

236 (g) Nothing herein contained shall prevent the Contractor from diverting
237 water during the months of November through March for beneficial use on the land shown on
238 Exhibit B or elsewhere to the extent authorized under the laws of the State of California.

239 (h) The United States assumes no responsibility for and neither it nor its
240 officers, agents, or employees shall have any liability for or on account of:

241 (1) The quality of water to be diverted by the Contractor;

242 (2) The control, carriage, handling, use, disposal, or distribution of
243 water diverted by the Contractor outside the facilities constructed and then being operated and
244 maintained by or on behalf of the United States;

245 (3) Claims of damage of any nature whatsoever, including but not
246 limited to, property loss or damage, personal injury, or death arising out of or connected with the
247 control, carriage, handling, use, disposal, or distribution of said water outside of the hereinabove
248 referred to facilities; and

249 (4) Any damage whether direct or indirect arising out of or in any
250 manner caused by a shortage of water whether such shortage be on account of errors in
251 operation, drought, or unavoidable causes.

252 (i) In addition to the provisions of subdivision (h) of Article 3 of this
253 Contract, if there is a shortage of Project Water because of actions taken by the Contracting
254 Officer to meet legal obligations then, except as provided in subdivision (a) of Article 30 of this
255 Contract, no liability shall accrue against the United States or any of its officers, agents, or
256 employees for any damage, direct or indirect, arising therefrom.

257 RETURN FLOW

258 4. Nothing herein shall be construed as an abandonment or a relinquishment by the
259 United States of any right it may have to the use of waste, seepage, and return flow water derived
260 from water diverted by the Contractor hereunder and which escapes or is discharged beyond the
261 boundaries of the lands shown on Exhibit B; Provided, that this shall not be construed as
262 claiming for the United States any right to such water which is recovered by the Contractor

263 pursuant to California law from either within the boundaries of the lands shown on Exhibit B or
264 at any location in the Colusa Basin Drain north of the south boundary of Section 18, Township
265 14 North, Range 1 West, M. D. B. & M., and which is being used pursuant to this Settlement
266 Contract for surface irrigation or underground storage for the benefit of the lands within said
267 boundaries by the Contractor.

268 CONSTRAINTS ON THE AVAILABILITY OF WATER

269 5. (a) In a Critical Year, the Contractor's Base Supply and Project Water agreed
270 to be diverted during the period April through October of the Year in which the principal portion
271 of the Critical Year occurs and, each monthly quantity of said period shall be reduced by
272 25 percent.

273 (b) The amount of any overpayment by the Contractor shall, at its option, be
274 refunded or credited upon amounts to become due to the United States from the Contractor under
275 the provisions hereof in the ensuing Year. To the extent of such deficiency such adjustment of
276 overpayment shall constitute the sole remedy of the Contractor.

277 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

278 6. The Contractor and United States desire to work together to maximize the
279 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States
280 and the Contractor will work in partnership and with others within the Sacramento Valley,
281 including other contractors, to facilitate the better integration within the Sacramento Valley of all
282 water supplies including, but not limited to, the better management and integration of surface
283 water and groundwater, the development and better utilization of surface water storage, the
284 effective utilization of waste, seepage and return flow water, and other operational and
285 management options that may be identified in the future.

286 USE OF WATER FURNISHED TO CONTRACTOR

287 7. (a) Project Water furnished to the Contractor pursuant to this Settlement
288 Contract shall not be delivered or furnished by the Contractor for any purposes other than
289 agricultural purposes without the written consent of the Contracting Officer. For purposes of this
290 Settlement Contract, "agricultural purposes" includes, but is not restricted to, the irrigation of
291 crops, the watering of livestock, incidental domestic use including related landscape irrigation,
292 and underground water replenishment.

293 (b) The Contractor shall comply with requirements applicable to the
294 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
295 of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of
296 1973, as amended, that are within the Contractor's legal authority to implement. The Existing
297 Contract, which evidences in excess of 40 years of diversions, for agricultural uses, of the
298 quantities of water provided for in Article 3, and the underlying water rights of the Contractor
299 will be considered in developing an appropriate base-line for the Biological Assessment prepared
300 pursuant to the Endangered Species Act, and in any other needed environmental review.
301 Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial
302 relief in a court of competent jurisdiction with respect to any biological opinion or other
303 environmental documentation referred to in this Article.

304 RATE AND METHOD OF PAYMENT FOR WATER

305 8. (a) The Contractor shall make payments to the United States as provided in
306 this Article for all Project Water shown in Exhibit A as follows:

307 (1) 75 percent of the amount shown as Project Water shall be paid for
308 by the Contractor in each Year; and in addition

309 (2) the Contractor shall pay for Project Water actually diverted in
310 excess of 75 percent of the amount shown as Project Water.

311 Such payments shall be at Rates and Charges established in accordance with: (i) the
312 Secretary's then current ratesetting policies for the Project; and (ii) applicable Reclamation law
313 and associated rules and regulations, or policies; Provided, that if the Contractor desires to use
314 Project Water for other than agricultural purposes the Rates and Charges set forth above will be
315 adjusted by the Contracting Officer to the applicable Rates and Charges for such purposes. The
316 Rates and Charges applicable to the Contractor upon execution of this Settlement Contract are
317 set forth in Exhibit D, as may be revised annually. The Secretary's ratesetting policies for the
318 Project shall be amended, modified, or superseded only through a public notice and comment
319 procedure. The Contracting Officer shall adjust the amount of Project Water for which payment
320 is required to the extent of any reduction in diversions of Project Water made in accordance with
321 the water conservation provisions of Article 29(e).

322 (b) The Contracting Officer shall notify the Contractor of the Rates and
323 Charges as follows:

324 (1) Prior to July 1 of each Year, the Contracting Officer shall provide
325 the Contractor an estimate of the Charges for Project Water that will be applied to the period
326 October 1, of the current Year, through September 30, of the following Year, and the basis for
327 such estimate. The Contractor shall be allowed not less than two months to review and comment
328 on such estimates. On or before September 15 of each Year, the Contracting Officer shall notify
329 the Contractor in writing of the Charges to be in effect during the period October 1 of the current
330 Year, through September 30, of the following Year, and such notification shall revise Exhibit D.

331 (2) Prior to October 1 of each Year, the Contracting Officer shall make
332 available to the Contractor an estimate of the Rates for Project Water for the following Year and

333 the computations and cost allocations upon which those Rates are based. The Contractor shall be
334 allowed not less than two months to review and comment on such computations and cost
335 allocations. By December 31 of each Year, the Contracting Officer shall provide the Contractor
336 with the final Rates to be in effect for the upcoming Year, and such notification shall revise
337 Exhibit D.

338 (c) The Contractor shall pay the United States for Project Water in the
339 following manner:

340 (1) With respect to Rates, prior to May 1 of each Year, the Contractor
341 shall pay the United States one-half the total amount payable pursuant to subdivision (a) of this
342 Article and the remainder shall be paid prior to July 1 or such later date or dates as may be
343 specified by the United States in a written notice to the Contractor; Provided, however, that if at
344 any time during the Year the amount of Project Water diverted by the Contractor shall equal the
345 amount for which payment has been made, the Contractor shall pay for the remaining amount of
346 such water as shown in Exhibit A in advance of any further diversion of Project Water.

347 (2) With respect to Charges, the Contractor shall also make a payment
348 to the United States, in addition to the Rate(s) in subdivision (c)(1) of this Article, at the Charges
349 then in effect, before the end of the month following the month of delivery or transfer. The
350 payments shall be consistent with the quantities of Project Water delivered or transferred.
351 Adjustment for overpayment or underpayment of Charges shall be made through the adjustment
352 of payments due to the United States for Charges for the next month. Any amount to be paid for
353 past due payment of Charges shall be computed pursuant to Article 13 of this Settlement
354 Contract.

355 (d) Payments to be made by the Contractor to the United States under this
356 Settlement Contract may be paid from any revenues available to the Contractor. All revenues

357 received by the United States from the Contractor relating to the delivery of Project Water or the
358 delivery of non-Project Water through Project facilities shall be allocated and applied in
359 accordance with Federal Reclamation law and the associated rules or regulations, and the then
360 current Project ratesetting policies for irrigation water.

361 (e) The Contracting Officer shall keep its accounts pertaining to the
362 administration of the financial terms and conditions of its long-term water service and Settlement
363 Contracts, in accordance with applicable Federal standards, so as to reflect the application of
364 Project costs and revenues. The Contracting Officer shall, each Year upon request of the
365 Contractor, provide to the Contractor a detailed accounting of all Project and Contractor expense
366 allocations, the disposition of all Project and Contractor revenues, and a summary of all water
367 delivery information. The Contracting Officer and the Contractor shall enter into good faith
368 negotiations to resolve any discrepancies or disputes relating to accountings, reports, or
369 information.

370 (f) The parties acknowledge and agree that the efficient administration of this
371 Settlement Contract is their mutual goal. Recognizing that experience has demonstrated that
372 mechanisms, policies, and procedures used for establishing Rates and Charges and/or for making
373 and allocating payments, other than those set forth in this Article may be in the mutual best
374 interest of the parties, it is expressly agreed that the parties may enter into agreements to modify
375 the mechanisms, policies, and procedures for any of those purposes while this Settlement
376 Contract is in effect without amendment of this Settlement Contract.

377 (g) For the term of this Settlement Contract, Rates under the respective
378 ratesetting policies for the Project will be established to recover only reimbursable operation and
379 maintenance (including any deficits) and capital costs of the Project, as those terms are used in
380 the then current Project ratesetting policies, and interest, where appropriate, except in instances

381 where a minimum Rate is applicable in accordance with the relevant Project ratesetting policy.
382 Proposed changes of significance in practices which implement the ratesetting policies for the
383 Project will not be implemented until the Contracting Officer has provided the Contractor an
384 opportunity to discuss the nature, need, and impact of the proposed change. The Contractor
385 retains all rights to challenge the validity of Rates and Charges imposed pursuant to this
386 Settlement Contract, including but not limited to operation and maintenance expenses and
387 operation and maintenance deficits, in an appropriate administrative or judicial proceeding.

388 (h) Except as provided in subsection 3405(a)(1)(B) of the CVPIA, the Rates
389 for Project Water transferred, exchanged, or otherwise disposed of, by the Contractor shall be the
390 Contractor's Rates adjusted upward or downward to reflect the changed costs of delivery (if any)
391 of the transferred, exchanged, or otherwise disposed of Project Water to the transferee's point of
392 delivery in accordance with the then current ratesetting policies for the Project. Except as
393 provided in subsection 3407(d)(2)(A) of the CVPIA, the Charges for Project Water transferred,
394 exchanged, or otherwise disposed of, by the Contractor shall be the Contractor's Charges
395 specified in Exhibit D. If the Contractor is receiving lower Rates and Charges because of
396 inability to pay and is transferring, exchanging, or otherwise disposing of Project Water to
397 another entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and
398 Charges for transferred, exchanged, or otherwise disposed of Project Water shall be the
399 Contractor's Rates and Charges unadjusted for ability to pay.

400 (i) Pursuant to the Act of October 27, 1986 (100 Stat. 3050), the Contracting
401 Officer is authorized to adjust determinations of ability to pay every five years.

402 (j) Each payment to be made pursuant to subdivisions (a) and (c) of this
403 Article shall be made at the office of the Bureau of Reclamation, MP Region: Mid-Pacific,

404 P.O. Box 894242, Los Angeles, CA 90189-4242, or at such other place as the United States may
405 designate in a written notice to the said Contractor. Payments shall be made by cash transaction,
406 wire, or any other mechanism as may be agreed to in writing by the Contractor and the
407 Contracting Officer. In the event there should be a default in the payment of the amount due, the
408 delinquent payment provisions of Article 13 shall apply. The Contractor shall not be relieved of
409 the whole or any part of its said obligation by, on account of, or notwithstanding, as the case may
410 be:

411 (1) Its failure, refusal, or neglect to divert 75 percent of the quantity of
412 Project Water shown on Exhibit A;

413 (2) The default in payment to it by any water user of assessments,
414 tolls, or other charges levied by or owing to said Contractor;

415 (3) Any judicial determination that any assessment, toll, or other
416 charge referred to in subsection 8(c)(2) of this Settlement Contract is irregular, void, or
417 ineffectual; or

418 (4) Any injunctive process enjoining or restraining the Contractor
419 from making or collecting any such assessment, toll, or other charge referred to in subsection
420 8(c)(2) of this Settlement Contract.

421 AGREEMENT ON WATER QUANTITIES

422 9. (a) During the term of this Settlement Contract and any renewals thereof:

423 (1) It shall constitute full agreement as between the United States and
424 the Contractor as to the quantities of water and the allocation thereof between Base Supply and
425 Project Water which may be diverted by the Contractor from its Source of Supply for beneficial
426 use on the land shown on Exhibit B from April 1 through October 31, which said diversion, use,

427 and allocation shall not be disturbed so long as the Contractor shall fulfill all of its obligations
428 hereunder;

429 (2) Neither party shall claim any right against the other in conflict with
430 the provisions of Article 9(a)(1) hereof.

431 (b) Nothing herein contained is intended to or does limit rights of the
432 Contractor against others than the United States or of the United States against any person other
433 than the Contractor; Provided, however, that in the event the Contractor, the United States, or
434 any other person shall become a party to a general adjudication of rights to the use of water of
435 the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position
436 of either party hereto or of any other person and the rights of all such persons in respect to the
437 use of such water shall be determined in such proceedings the same as if this Settlement Contract
438 had not been entered into, and if final judgment in any such general adjudication shall determine
439 that the rights of the parties hereto are different from the rights as assumed herein, the parties
440 shall negotiate an amendment to give effect to such judgment. In the event the parties are unable
441 to agree on an appropriate amendment they shall, within 60 days of determining that there is an
442 impasse, employ the services of a neutral mediator, experienced in resolving water rights
443 disputes, to assist in resolving the impasse. The cost of the mediation will be shared equally. A
444 failure to reach agreement on an amendment within 60 days of the end of mediation will cause
445 the immediate termination of this Settlement Contract.

446 (c) In the event that the California State Water Resources Control Board or a court of
447 competent jurisdiction issues a final decision or order modifying the terms and conditions of the
448 water rights of either party to this Settlement Contract in order to impose Bay-Delta water
449 quality obligations, the Contractor and the United States shall promptly meet to determine
450 whether or not to modify any of the terms of this Settlement Contract to comply with the final

451 decision or order, including, but not limited to, the applicability of the rescheduling charge in
452 Article 3(c)(1) of this Settlement Contract. If within 60 days of the date of the issuance of the
453 final decision or order the parties are not able to reach agreement regarding either the need to
454 modify this Settlement Contract or the manner in which this Settlement Contract is to be
455 modified, the parties shall promptly retain a neutral mediator, experienced in resolving water
456 right disputes, to assist the parties in resolving their dispute. The cost of the mediator shall be
457 shared equally. In the event that either of the parties to this Settlement Contract determines that
458 the parties will not be able to develop mutually-agreeable modification(s) to this Settlement
459 Contract even with the assistance of a mediator, either of the parties to this Settlement Contract
460 may attempt to resolve the impasse by seeking appropriate judicial relief including, but not
461 limited to, filing a general adjudication of the rights to the use of water in the Sacramento River
462 system. The foregoing provisions of this sub-article shall only apply to the incremental
463 obligations contained within a final decision or order of the State Water Resources Control
464 Board that reflects a modification to the obligations imposed in State Water Resources Control
465 Board Revised Water Rights Decision 1641 dated March 15, 2000, and its associated 1995 Water
466 Quality Control Plan which, taken together, will be considered the baseline for the application of
467 the provisions of this sub-article.

468 (d) In the event this Settlement Contract terminates, the rights of the parties to
469 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;
470 and the fact that as a compromise settlement of a controversy as to the respective rights of the
471 parties to divert and use water and the yield of such rights during the term hereof, this Settlement
472 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the
473 Settlement Contract term and segregates it into Base Supply and Project Water shall not
474 jeopardize the rights or position of either party with respect to its water rights or the yield thereof

475 at all times after the Settlement Contract terminates. It is further agreed that the Contractor at all
476 times will first use water to the use of which it is entitled by virtue of its own water rights, and
477 neither the provisions of this Settlement Contract, action taken thereunder, nor payments made
478 thereunder to the United States by the Contractor shall be construed as an admission that any part
479 of the water used by the Contractor during the term of this Settlement Contract was in fact water
480 to which it would not have been entitled under water rights owned by it nor shall receipt of
481 payments thereunder by the United States from the Contractor be construed as an admission that
482 any part of the water used by the Contractor during the term of this Settlement Contract was in
483 fact water to which it would have been entitled under water rights owned by it.

484 MEASUREMENT OF WATER

485 10. (a) All water diverted by the Contractor from its Source of Supply will be
486 diverted at the existing point or points of diversion shown on Exhibit A or at such other points as
487 may be mutually agreed upon in writing by the Contracting Officer and the Contractor; Provided,
488 that in any Year the United States reserves the right to require that the Contractor shall divert all
489 of its Contract Total, or any portion thereof, from either the Sacramento River or Stony Creek or
490 from each stream in the quantities specified by the Contracting Officer but only if the quantities
491 so specified to be diverted from Stony Creek are available for such diversion. This proviso shall
492 not be construed to deny the Contractor its right to divert its Contract Total nor the right to divert
493 from the Sacramento River sufficient water to meet its minimum requirements north of Stony
494 Creek. Any time during the period April through October of any Year that the Contracting
495 Officer requires the Contractor to take water from the Sacramento River that it would otherwise
496 be entitled to divert from Stony Creek under its rights thereto adjudicated in the Angle Decree,
497 the Contractor authorizes the United States to divert, store, or use such Stony Creek water. The
498 Contractor also authorizes the diversion, storage, or use of Stony Creek water by the United

499 States prior to April 1 of any Year to the extent of the Contractor's rights under the Angle
500 Decree. In the event of such diversion, storage, or use prior to April 1, the United States will
501 furnish and the Contractor may divert a quantity of water from the Sacramento River equivalent
502 to the quantity of such Stony Creek water so diverted, stored, or used by the United States.
503 Notwithstanding the other provisions of this subdivision, the Contractor reserves the right to
504 divert water from Stony Creek to the extent of its entitlements under the Angle Decree, for
505 periods not to exceed 5 consecutive days, whenever its Sacramento River pumps are temporarily
506 unable to meet its diversion requirements because said pumps are partially or wholly inoperable
507 due to an emergency or an unforeseeable cause.

508 (b) All water diverted from the Source of Supply pursuant to this Settlement
509 Contract will be measured or caused to be measured by the United States at each point of
510 diversion with existing equipment or equipment to be installed, operated, and maintained by the
511 United States, and/or others, under contract with and at the option of the United States. The
512 equipment and methods used to make such measurement shall be in accordance with sound
513 engineering practices. Upon request of the Contractor, the accuracy of such measurements will
514 be investigated by the Contracting Officer and any errors appearing therein will be corrected.

515 (c) The right of ingress to and egress from all points of diversion is hereby
516 granted to all authorized employees of the United States. The Contractor also hereby grants to
517 the United States the right to install, operate, maintain, and replace such equipment on diversion
518 or carriage facilities at each point of diversion as the Contracting Officer deems necessary.

519 (d) The Contractor shall not modify, alter, remove, or replace diversion
520 facilities or do any other act which would alter the effectiveness or accuracy of the measuring
521 equipment installed by the United States or its representatives unless and until the Contracting
522 Officer has been notified with due diligence and has been given an opportunity to modify such

523 measuring equipment in such manner as may be necessary or appropriate. In the event of an
 524 emergency the Contractor shall notify the United States within a reasonable time thereafter as to
 525 the existence of the emergency and the nature and extent of such modification, alteration,
 526 removal, or replacement of diversion facilities.

527 (e) The Contractor shall pay the United States for the costs to repair, relocate,
 528 or replace measurement equipment when the Contractor modifies, alters, removes, or replaces
 529 diversion or carriage facilities.

530 (f) Contractor and Contracting Officer shall develop a mutually agreeable
 531 surface water delivery water measurement program which shall be implemented by the
 532 Contractor, and such measurement program shall be consistent with the conservation and
 533 efficiency criteria for evaluating water conservation plans as provided in Article 29(a).

534 (g) All new surface water delivery systems installed within the lands
 535 delineated on Exhibit B after the effective date of this Settlement Contract shall also comply with
 536 the measurement provisions described in this Article.

537 RULES AND REGULATIONS

538 11. The parties agree that the delivery of Project Water for irrigation use or use of
 539 Federal facilities pursuant to this Settlement Contract is subject to Federal Reclamation law,
 540 including but not limited to, the Reclamation Reform Act of 1982 (43 U.S.C.390aa et seq.), as
 541 amended and supplemented, and the rules and regulations promulgated by the Secretary of the
 542 Interior under Federal Reclamation law.

543 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

544 12. (a) The obligation of the Contractor to pay the United States as provided in
 545 this Settlement Contract is a general obligation of the Contractor notwithstanding the manner in
 546 which the obligation may be distributed among the Contractor's water users and notwithstanding
 547 the default of individual water users in their obligations to the Contractor.

548 (b) The payment of Charges becoming due hereunder is a condition precedent
549 to receiving benefits under this Settlement Contract. The United States shall not make water
550 available to the Contractor through Project facilities during any period in which the Contractor
551 may be in arrears in the advance payment of water Rates due the United States. The Contractor
552 shall not furnish water made available pursuant to this Settlement Contract for lands or parties
553 which are in arrears in the advance payment of water rates levied or established by the
554 Contractor.

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

557 CHARGES FOR DELINQUENT PAYMENTS

558 13. (a) The Contractor shall be subject to interest, administrative and penalty
559 charges on delinquent installments or payments. When a payment is not received by the due
560 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
561 the due date. When a payment becomes 60 days delinquent, the Contractor shall pay an
562 administrative charge to cover additional costs of billing and processing the delinquent payment.
563 When a payment is delinquent 90 days or more, the Contractor shall pay an additional penalty
564 charge of six percent per year for each day the payment is delinquent beyond the due date.
565 Further, the Contractor shall pay any fees incurred for debt collection services associated with a
566 delinquent payment.

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

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

575 QUALITY OF WATER

576 14. The operation and maintenance of Project facilities shall be performed in such
577 manner as is practicable to maintain the quality of raw water made available through such
578 facilities at the highest level reasonably attainable as determined by the Contracting Officer. The
579 United States does not warrant the quality of water and is under no obligation to construct or
580 furnish water treatment facilities to maintain or better the quality of water.

581 WATER AND AIR POLLUTION CONTROL

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

586 EQUAL OPPORTUNITY

587 16. During the performance of this Settlement Contract, the Contractor agrees as
588 follows:

589 (a) The Contractor will not discriminate against any employee or applicant for
590 employment because of race, color, religion, sex, or national origin. The Contractor will take
591 affirmative action to ensure that applicants are employed, and that employees are treated during
592 employment, without regard to their race, color, religion, sex, or national origin. Such action
593 shall include, but not be limited to, the following: Employment, upgrading, demotion, or
594 transfer; recruitment or recruitment advertising; layoff or termination, rates of payment or other
595 forms of compensation; and selection for training, including apprenticeship. The Contractor
596 agrees to post in conspicuous places, available to employees and applicants for employment,
597 notices to be provided by the Contracting Officer setting forth the provisions of this
598 nondiscrimination clause.

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

603 (c) The Contractor will send to each labor union or representative of workers
604 with which it has a collective bargaining agreement or other contract or understanding, a notice,
605 to be provided by the Contracting Officer, advising the said labor union or workers'
606 representative of the Contractor's commitments under Section 202 of Executive Order No. 11246
607 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places
608 available to employees and applicants for employment.

609 (d) The Contractor will comply with all provisions of Executive Order No.
610 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of
611 the Secretary of Labor.

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

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

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

633 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

634 17. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
 635 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
 636 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
 637 laws, as well as with their respective implementing regulations and guidelines imposed by the
 638 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

654 MINGLING OF CONTRACTOR'S PROJECT AND NON-PROJECT WATER

655 18. (a) Project Water must of necessity be transported by the Contractor to its
 656 water users by means of the same works and channels used for the transport of its non-Project

657 Water including Base Supply. Notwithstanding such mingling of water, the provisions of Article
658 11 hereof shall be applicable only to Project Water, and such mingling of water shall not in any
659 manner subject to the provisions of Article 11 hereof the Contractor's non-Project Water
660 including Base Supply.

661 (b) If required in accordance with subdivision (c) of this Article, the
662 Contractor shall install and maintain such measuring equipment and distribution facilities and
663 maintain such records as may be necessary to determine the amounts of water delivered to
664 Excess Lands served by the Contractor. The Contractor shall not within any month deliver to
665 Ineligible Lands water in excess of the non-Project Water, including Base Supply, for that
666 month. The Contracting Officer or authorized representative shall have the right at all
667 reasonable times to inspect such records and measuring equipment.

668 (c) The Contractor will not be considered in violation of the requirement that
669 Project Water be delivered only to Eligible Lands during any month of the irrigation season that
670 the water requirement for beneficial use on Eligible Lands for that month is equal to or in excess
671 of the Project Water for that month as shown on Exhibit A or any revision thereof pursuant to
672 subdivision (c) of Article 3. The water requirement for beneficial use on Eligible Lands will be
673 determined by multiplying:

674 (1) the number of irrigable acres of the particular types of crops grown
675 in that year on the acreage designated as eligible by

676 (2) the Unit Duties as set forth in Exhibit C attached hereto and made
677 a part hereof, or by such other Unit Duties mutually agreed upon by the Contractor and the
678 Contracting Officer. In order to make the computation of the water requirement for Eligible
679 Lands, on April 1 of each Year and concurrently with its order for water for the irrigation season,
680 the Contractor shall designate the acreage of and type of crops to be grown on its Eligible Lands

681 that irrigation season. During any month the water requirement as above determined for crops
682 growing on Eligible Lands during such month is equal to or in excess of the Project Water for
683 that month as provided herein the Contractor shall not be required to measure the water delivered
684 to Excess Lands. Any month the said water requirement is less than the amount of Project Water
685 as provided herein, the Contractor will be required to measure water delivered to excess land in
686 accordance with subdivision (b) hereof.

687 BOOKS, RECORDS, AND REPORTS

688 19. The Contractor shall establish and maintain accounts and other books and records
689 pertaining to administration of the terms and conditions of this Settlement Contract, including:
690 the Contractor's financial transactions, water supply data, and Project land and right-of-way
691 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
692 data; and other matters that the Contracting Officer may require. Reports thereon shall be
693 furnished to the Contracting Officer in such form and on such date or dates as the Contracting
694 Officer may require. Subject to applicable Federal laws and regulations, each party to this
695 Settlement Contract shall have the right during office hours to examine and make copies of each
696 other's books and official records relating to matters covered by this Settlement Contract.

697 CHANGE OF PLACE OF USE OR ORGANIZATION

698 20. (a) Unless the written consent of the United States is first obtained no change
699 shall be made in the place of water use shown on Exhibit B.

700 (b) While this Settlement Contract is in effect, no change shall be made in the
701 area of the Contractor as shown on its Exhibit B, by inclusion, exclusion, annexation, or
702 detachment of lands, by dissolution, consolidation, or merger or otherwise, except upon the
703 Contracting Officer's written consent thereto; Provided, that the Contracting Officer's written
704 consent will not be required for inclusion of the lands identified as the inclusion area on Exhibit
705 B. Such consent will not be unreasonably withheld and a decision will be provided in a timely
706 manner.

707 (c) In the event lands are annexed to or detached from the area of the
708 Contractor, as provided herein, the quantity of Project Water to be diverted may be increased or

709 decreased, as may be appropriate, pursuant to a supplemental agreement to be executed in
710 respect thereto.

711 CONSOLIDATION OF CONTRACTING ENTITIES

712 21. Consolidation of Contractors may be approved by the Contracting Officer
713 provided: (i) the Contracting Officer approves the form and organization of the resulting entity
714 and the utilization by it of the Contract Total; and (ii) the obligations of the Contractors are
715 assumed by such entity.

716 No such consolidation shall be valid unless and until approved by the Contracting
717 Officer.

718 NOTICES

719 22. Any notice, demand, or request authorized or required by this Settlement Contract
720 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,
721 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,
722 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United
723 States, when mailed, postage prepaid, or delivered to the Board of Directors of the Glenn-Colusa
724 Irrigation District, 344 E. Laurel Street, Willows, California 95988. The designation of the
725 addressee or the address may be changed by notice given in the same manner as provided in this
726 Article for other notices.

727 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

728 23. (a) The provisions of this Settlement Contract shall apply to and bind the
729 successors and assigns of the parties hereto, but no assignment or transfer of this Settlement
730 Contract or any right or interest therein shall be valid until approved in writing by the
731 Contracting Officer.

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

735 (c) The Contracting Officer shall not unreasonably condition or withhold his
736 approval of any proposed assignment.

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OFFICIALS NOT TO BENEFIT

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24. (a) No Member of or Delegate to Congress, Resident Commissioner, or official of the Contractor shall benefit from this Settlement Contract other than as a water user or landowner in the same manner as other water users or landowners.

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(b) No officer or member of the governing board of the Contractor shall receive any benefit that may arise by reason of this Settlement Contract other than as a landowner within the Contractor's Service Area and in the same manner as other landowners within the said service area.

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CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

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

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CONFIRMATION OF SETTLEMENT CONTRACT

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26. The Contractor, after the execution of this Settlement Contract, shall promptly seek to secure a decree of a court of competent jurisdiction of the State of California, if appropriate, confirming the execution of this Settlement Contract. The Contractor shall furnish the United States a certified copy of the final decree, the validation proceedings, and all pertinent supporting records of the court approving and confirming this Settlement Contract, and decreeing and adjudging it to be lawful, valid, and binding on the Contractor. This Settlement Contract shall not be binding on the United States until such final decree has been secured.

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UNAVOIDABLE GROUNDWATER PERCOLATION

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27. To the extent applicable, the Contractor shall not be deemed to have delivered Project Water to Excess Lands or Ineligible Lands if such lands are irrigated with groundwater that reaches the underground strata as an unavoidable result of the delivery of Project Water by the Contractor to Eligible Lands.

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PRIVACY ACT COMPLIANCE

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28. (a) The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C. 552a) (the Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45 et seq.) in maintaining Landholder acreage certification and reporting records, required to be

768 submitted to the Contractor for compliance with Sections 206 and 228 of the Reclamation
769 Reform Act of 1982 (96 Stat. 1266), and pursuant to 43 CFR 426.18.

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

774 (c) The Contracting Officer or a designated representative shall provide the
775 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau
776 of Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation--
777 Interior, Reclamation-31) which govern the maintenance, safeguarding, and disclosure of
778 information contained in the Landholder's certification and reporting records.

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

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

790 WATER CONSERVATION

791 29. (a) Prior to the diversion of Project Water, the Contractor shall be
792 implementing an effective water conservation and efficiency program based on the Basin-Wide
793 Water Management Plan and/or Contractor's water conservation plan that has been determined
794 by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water
795 conservation plans established under Federal law. The water conservation and efficiency
796 program shall contain definite water conservation objectives, appropriate economically feasible
797 water conservation measures, and time schedules for meeting those objectives. Continued
798 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the
799 Contractor's continued implementation of such water conservation program. In the event the
800 Contractor's water conservation plan or any revised water conservation plan completed pursuant

801 to subdivision (c) of Article 29 of this Settlement Contract have not yet been determined by the
802 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer
803 determines are beyond the control of the Contractor, Project Water deliveries shall be made
804 under this Settlement Contract so long as the Contractor diligently works with the Contracting
805 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
806 immediately begins implementing its water conservation and efficiency program in accordance
807 with the time schedules therein.

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

811 (c) At five-year intervals, the Contractor shall revise its water conservation
812 plan to reflect the then current conservation and efficiency criteria for evaluating water
813 conservation plans established under Federal law and submit such revised water management
814 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then
815 determine if the water conservation plan meets Reclamation's then current conservation and
816 efficiency criteria for evaluating water conservation plans established under Federal law.

817 (d) If the Contractor is engaged in direct groundwater recharge, such activity
818 shall be described in the Contractor's water conservation plan.

819 (e) In order to provide incentives for water conservation, the Contracting
820 Officer may reduce the amount of Project Water for which payment by the Contractor is required
821 under Article 8(a) in accordance with the provisions of this Article 29(e).

822 (1) On or before February 15 of any Water Year, the Contractor may
823 file with Reclamation an offer to reduce Project Water use, hereinafter referred to as Offer. The
824 Offer shall specify the maximum quantity of Project Water to be diverted by the Contractor for

825 each month that Project Water is available for that Water Year under this Settlement Contract.
826 The Contracting Officer shall provide the Contractor with a decision, in writing, to the Offer on
827 or before March 15 of that Water Year. The dates specified in this Article 29 (e)(1) can be
828 changed if mutually agreed to, in writing, by the Contractor and Contracting Officer.

829 (2) If Reclamation accepts the Offer, the Contractor's payment
830 obligation under Article 8(a)(1) shall be reduced to the maximum quantity of Project Water to be
831 diverted by the Contractor as specified in the Offer. The Contractor shall not divert Project
832 Water in excess of the quantities set forth in the Offer; Provided, however, if the Contractor's
833 diversions of Project Water exceed the quantities set forth in the Offer, the Contractor shall pay
834 to Reclamation the applicable Rates and Charges plus an amount equal to the applicable Rates
835 and Charges, unadjusted for ability to pay, for each acre-foot of Project Water diverted in excess
836 of the quantities set forth in the Offer.

837 (3) If Reclamation decides not to accept the Offer, the Contractor's
838 payment obligation will remain as specified in Article 8(a)(1).

839 (4) The provisions of this Article 29(e) shall be in addition to and shall
840 not affect the provisions of Article 3(e) pertaining to the sale, transfer, exchange, or other
841 disposal of the Contract Total designated in Exhibit A.

842 OPINIONS AND DETERMINATIONS

843 30. (a) Where the terms of this Settlement Contract provide for actions to be
844 based upon the opinion or determination of either party to this Settlement Contract, said terms
845 shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or
846 unreasonable opinions or determinations. Both parties, notwithstanding any other provisions of
847 this Settlement Contract, expressly reserve the right to seek relief from and appropriate
848 adjustment for any such arbitrary, capricious, or unreasonable opinion or determination. Each

849 opinion or determination by either party shall be provided in a timely manner. Nothing in
850 subdivision (a) of Article 30 of this Settlement Contract is intended to or shall affect or alter the
851 standard of judicial review applicable under Federal law to any opinion or determination
852 implementing a specific provision of Federal law embodied in statute or regulation.

853 (b) The Contracting Officer shall have the right to make determinations
854 necessary to administer this Settlement Contract that are consistent with the provisions of this
855 Settlement Contract, the laws of the United States and of the State of California, and the rules
856 and regulations promulgated by the Secretary of the Interior. Such determinations shall be made
857 in consultation with the Contractor to the extent reasonably practicable.

858 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

859 31. (a) In addition to all other payments to be made by the Contractor pursuant to
860 this Settlement Contract, the Contractor shall pay to the United States, within 60 days after
861 receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for
862 such specific items of direct cost incurred by the United States for work requested by the
863 Contractor associated with this Settlement Contract plus indirect costs in accordance with
864 applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this
865 Article shall not exceed the amount agreed to in writing in advance by the Contractor. This
866 Article shall not apply to costs for routine contract administration.

867 (b) All advances for miscellaneous costs incurred for work requested by the
868 Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the
869 actual costs when the work has been completed. If the advances exceed the actual costs incurred,
870 the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's
871 advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this
872 Settlement Contract.

873

WAIVER OF DEFAULT

874

32. The waiver by either party to this Settlement Contract as to any default shall not

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be construed as a waiver of any other default or as authority of the other party to continue such

876

default or to make, do, or perform, or not to make, do, or perform, as the case may be, any act or

877

thing which would constitute a default.

878

IN WITNESS WHEREOF, the parties hereto have executed this Settlement

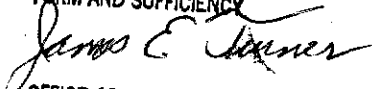
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Contract as of the day and year first hereinabove written.

880

THE UNITED STATES OF AMERICA

APPROVED AS TO LEGAL
FORM AND SUFFICIENCY



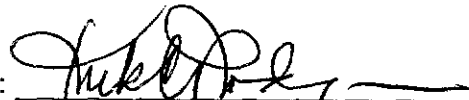
OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

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882

883

By:



Regional Director, Mid-Pacific Region
Bureau of Reclamation

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(SEAL)

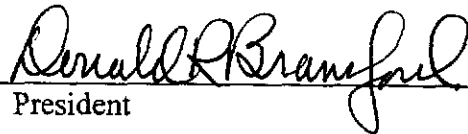
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GLENN-COLUSA IRRIGATION DISTRICT

886

887

By:



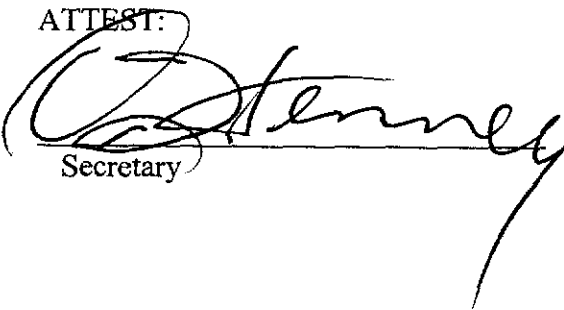
President

888

ATTEST:

889

890



Secretary

891 (H:\public\Sac River Final LTRC's\2005-01-31Glenn-Colusa ID Final Draft Contract with
892 exhibits.doc)

Exhibit A

GLENN-COLUSA IRRIGATION DISTRICT
Sacramento RiverSCHEDULE OF MONTHLY DIVERSIONS OF WATER

	<u>Base Supply</u> (acre-feet)	<u>Project Water</u> (acre-feet)	<u>Contract Total</u> (acre-feet)
April	<u>100,000</u>	<u>0</u>	<u>100,000</u>
May	<u>140,000</u>	<u>0</u>	<u>140,000</u>
June	<u>150,000</u>	<u>0</u>	<u>150,000</u>
July	<u>130,000</u>	<u>55,000</u>	<u>185,000</u>
August	<u>90,000</u>	<u>50,000</u>	<u>140,000</u>
September	<u>65,000</u>	<u>0</u>	<u>65,000</u>
October	<u>45,000</u>	<u>0</u>	<u>45,000</u>
Total	<u>720,000</u>	<u>105,000</u>	<u>825,000</u>

Points of Diversion: 154.7R, 154.8R

Dated: 01-31-2005



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

Glenn-Colusa Irrigation District

Contract No. 14-06-200-855A-R-1

Exhibit B



-  Contractor's Service Area
-  District Boundary



Exhibit C

GLENN-COLUSA IRRIGATION DISTRICT
Sacramento River

UNIT DUTY

(In Acre-Feet Per Acre)

	<u>Rice</u>	<u>Alfalfa and Irrigated Pasture</u>	<u>General Crops</u>
July	2.10	1.00	0.70
August	1.90	0.80	0.70

Dated: 01-31-2005

Exhibit D

GLENN-COLUSA IRRIGATION DISTRICT
 Sacramento River
2005 Water Rates and Charges per Acre-Foot

<u>COST OF SERVICE RATES:</u>	<u>Irrigation</u>
Capital Rates	
Storage	\$ 4.62
O&M Rates:	
Water Marketing	\$ 6.61
Storage	\$ 5.93
Deficit Rates:	
Interest Bearing	\$ 0.00
CFO/PFR Adjustment Rate 1/	<u>\$ 0.00</u>
TOTAL	<u>\$17.16</u>
<u>RESCHEDULING FEE</u>	<u>\$5.62</u>
<u>FULL-COST RATES:</u>	
Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	<u>\$21.47</u>
Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	<u>\$23.82</u>
<u>CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 2/</u>	
Restoration Payments (3407(d)(2)(A))	<u>\$ 7.93</u>

1/ Chief Financial Officer (CFO) adjustment and Provision for Replacement (PFR) expense is being distributed over a 5-year period beginning in FY 2003 for those contractors that requested those costs be deferred.

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

**GLENN-COLUSA IRRIGATION DISTRICT
RESOLUTION NO. 05-05**

Resolution of the Glenn-Colusa Irrigation District to:

- (1) Adopt a Negative Declaration for Renewal of GCID's Sacramento River Settlement Contract with the U.S. Bureau of Reclamation; and
(2) Approve Renewal of Sacramento River Settlement Contract**

WHEREAS, Glenn-Colusa Irrigation District ("GCID") proposes to adopt a Negative Declaration pursuant to the California Environmental Quality Act (Section 15000 et seq., Title 14, California Code of Regulations) ("CEQA") for the renewal of its long-term Sacramento River Settlement Contract with the United States Bureau of Reclamation ("USBR"); and

WHEREAS, GCID intends to execute a contract with the USBR which will renew their existing Sacramento River Settlement Contract. GCID and USBR executed their existing Settlement Contract in 1964. The term of the existing contract expires in March 2006. The renewal contract will provide for GCID to continue to divert water and operate as it has for the previous 40 years under its existing contract. The renewal contract provides for GCID's diversion of the same quantities of water from the same points of diversion as under the existing contract. The place of use and purpose of use of the water would remain the same as under the existing contract. A final draft of the renewal contract entitled, "Contract Between the United States and Glenn-Colusa Irrigation District, Diverter of Water from Sacramento River Sources, Settling Water Rights Disputes and Providing for Project Water" (hereafter "Renewal Settlement Contract"), is attached hereto as Exhibit 1; and

WHEREAS, it would be in the best interests of GCID and its landowners to approve the Renewal Settlement Contract; and

WHEREAS, pursuant to the requirements of CEQA, GCID, as the Lead Agency, has undertaken the environmental review of the Renewal Settlement Contract (the "Project"), and has provided notice of and circulated an Initial Study and proposed Negative Declaration for this Project through the State Clearinghouse (SCH# 2003092043) for a period of 30 days, as required by CEQA; and

WHEREAS, the State Clearinghouse transmitted a letter to GCID, dated November 15, 2004, confirming that the State Clearinghouse submitted said Negative Declaration to state agencies for review, and that no state agencies submitted comments; and

WHEREAS, the GCID Board of Directors ("Board") has carefully reviewed said Initial Study and proposed Negative Declaration, and all other relevant information contained in the record regarding the Project.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND DIRECTED as follows:

Section 1. The Board has considered all of the information that has been provided to it regarding the Project, which includes, but is not limited to, the following:

- a. the Initial Study and proposed Negative Declaration for the Project (attached hereto as Exhibit 2);
- b. the Renewal Settlement Contract;
- c. the presentation by GCID's staff and consultants at the Board's meeting held on February 17, 2005; and
- d. any public comments, both written and oral, regarding the Project, and received prior to or during the Board's February 17, 2005 meeting,

Section 2. Based upon its review and careful consideration of the foregoing information, and all related information presented to it, the Board hereby finds that the Initial Study and Negative Declaration reflects the Board's independent judgment that the Project could not have a significant adverse impact on the environment, and the Negative Declaration is hereby adopted.

Section 3. The Board hereby approves the Renewal Settlement Contract.

Section 4. The President and Secretary of the Board, or any other officials of GCID, are authorized and directed to execute the Renewal Settlement Contract on behalf of GCID, provided that it substantially conforms to the final draft attached hereto as Exhibit A.

Section 5. GCID's officials and staff are authorized and directed to take any other action necessary to implement the terms of the Renewal Settlement Contract.

Section 6. The GCID General Manager is hereby directed to file a Notice of Determination within five (5) days of this resolution.

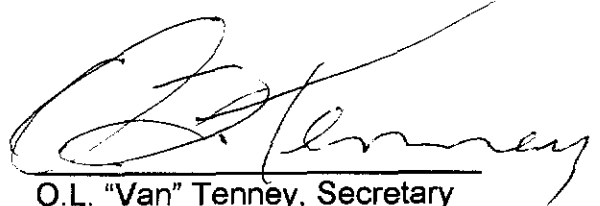
Section 7. The custodian of documents comprising the record of proceedings upon which these actions are based is the GCID General Manager, and such record is located at the GCID offices at 344 East Laurel, Willows, CA 95988.

PASSED AND ADOPTED by unanimous vote of the Board of Directors on February 17, 2005.

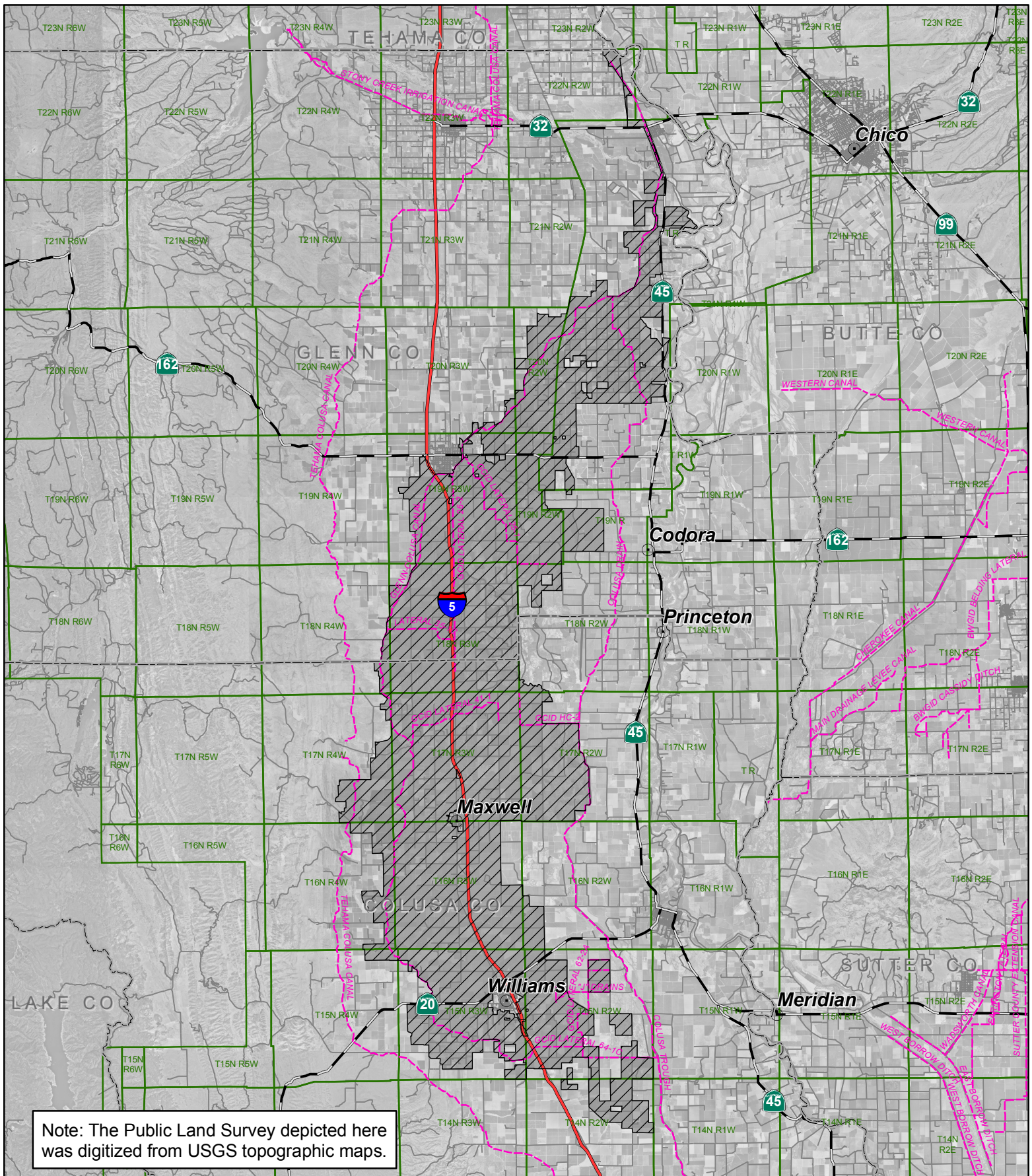
* * *

I hereby certify that I am the Secretary of the Glenn-Colusa Irrigation District and that the foregoing resolution was duly adopted by the Board of Directors of said District at a meeting thereof duly held on February 17, 2005, at which meeting a quorum of said Board of Directors was at all times present and acting.

IN WITNESS WHEREOF, I have set my hand and the seal of the District this 17th day of February, 2005.

A handwritten signature in black ink, appearing to read "O.L. Tenney", written over a horizontal line.

O.L. "Van" Tenney, Secretary
Board of Directors
Glenn-Colusa Irrigation District





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Glenn-Colusa Irrigation District

Contract No. 14-06-200-855A-R-1

Exhibit B

-  Contractor's Service Area
-  District Boundary

