

**State of California
The Resources Agency
DEPARTMENT OF WATER RESOURCES**

**BAY - DELTA SETTLEMENT AGREEMENT BETWEEN THE
DEPARTMENT OF WATER RESOURCES
OF THE STATE OF CALIFORNIA
SOUTH SUTTER WATER DISTRICT
AND
CAMP FAR WEST IRRIGATION DISTRICT**

THIS CONTRACT is made as of the 14th day of February, 2000, pursuant to the provisions of the California Water Resources Development Bond Act, the Central Valley Project Act, and other applicable laws of the State of California, between the State of California, acting by and through the Department of Water Resources ("DWR"), South Sutter Water District ("SSWD"), a California water district formed under the California Water District Law (Cal. Water Code §§ 34000 et seq), and Camp Far West Irrigation District ("CFWID"), an irrigation district formed under the Irrigation District Act (Cal. Water Code §§ 20500 et seq) .

RECITALS

A. In December 1994, various State and Federal agencies, cities, municipalities, agricultural districts and others agreed to the December 15, 1994 Principles for Agreement on Bay-Delta Standards Between the State of California and the Federal Government (the "Accord"). The Accord, among other things, endorsed water quality and flow standards for the Sacramento-San Joaquin Bay-Delta to be adopted by the State Water Resources Control Board ("SWRCB").

B. On May 22, 1995, the SWRCB adopted a new Water Quality Control Plan for the San Francisco Bay/Sacramento-San Joaquin Delta Estuary (the "Plan"). The

Plan includes water quality objectives that reflect the standards in the Accord. When the SWRCB adopted the Plan, it also indicated that it would initiate water rights proceedings in order to allocate the obligation to implement the Plan's water-quality objectives (the "Objectives"). DWR and the U.S. Bureau of Reclamation ("Bureau") are voluntarily operating the State Water Project ("SWP") and Central Valley Project ("CVP") to meet the Accord water quality and flow standards, except the Vernalis flow standard on the San Joaquin River, pending implementation of the Plan by the SWRCB.

C. SSWD owns the Camp Far West Reservoir on the Bear River, tributary to the Feather River, and, holds water rights for, and operates Camp Far West Reservoir. CFWID holds smaller, senior water rights on the Bear River at Camp Far West Reservoir and upon the basis thereof, holds certain rights for the delivery of water from Camp Far West Reservoir by SSWD pursuant to agreements between CFWID and SSWD dated August 31, 1957; May, 1962; and a Supplemental Agreement dated April 23, 1973. Other water users hold water rights authorizing diversions of water from the Bear River and its tributaries for beneficial use. SSWD's, CFWID's, and other Bear River water rights are listed as "Water Rights that may be Responsible to Implement Flow-Dependent Objectives" in the SWRCB's May 6, 1998 Revised Notice of Public Hearing for its water rights proceedings to implement the Objectives of the SWRCB's 1995 Water Quality Control Plan.

D. The manner in which the obligation to implement the Objectives is to be allocated is a matter in dispute (hereinafter sometimes referred to as "the Dispute"). Entities that export water from the Delta and others believe that all Central Valley water users should bypass water that otherwise would be diverted or stored, to contribute to the implementation of the Objectives. Upstream interests with water rights and others believe that the Objectives should be implemented solely by the CVP and the SWP. Both sides have strong beliefs about their respective positions and are willing to litigate the issue before the SWRCB or in the courts. The litigation of this Dispute, however,

would take a great deal of time, effort and expense and would create continued uncertainty with respect to water supplies. Such litigation also would deter the parties from focusing upon other significant issues that should be mutually addressed and resolved.

E. It is the intent of the parties to this Agreement to settle the portion of the Dispute that concerns (i) the responsibility of SSWD and/or CFWID to implement the Objectives for all water rights listed in Exhibit C, attached and incorporated herein to this Agreement, and (ii) the responsibility of all other Bear River water rights to implement the Objectives, as an alternative to litigation of the Dispute before the SWRCB or the courts. The purpose of this Agreement is to provide additional water to the SWP in Dry Year or Critical Years and to resolve the Dispute in an agreed-upon manner with none of the parties waiving any rights or conceding any of its positions.

F. The SWRCB's May 6, 1998 Revised Notice of Public Hearing for its water rights proceedings to implement the Objectives states: "With respect to meeting the objectives, the proceeding is intended to establish water right implementation requirements that will meet the flow-dependent objectives within the Bay-Delta, not to establish specific instream flow requirements to protect fish and wildlife upstream of the Delta." This Agreement is not intended to address the adequacy or inadequacy of any existing minimum instream flow requirements in the Bear River.

G. Refill Criteria - DWR has determined that reservoir refill criteria does not apply to the release of water under this Agreement because historical water delivery records indicate that nearly the entire usable volume of the Camp Far West Reservoir's 104,400 acre-foot capacity is used in Dry Year or Critical Years to provide deliveries to SSWD and CFWID and required fish releases. It is expected these past practices would continue with or without this Agreement. The proposed release and delivery pattern of up to 4,400 AF to DWR under this Agreement represents actual release and deliveries from the Camp Far West Reservoir that has historically gone to SSWD and

CFWID in dry and critical years. To enable deliveries to DWR under this Agreement, water users within SSWD will pump an additional 4,400 AF of groundwater in lieu of using the Reservoir water. Wells within CFWID do not yield usable amounts of groundwater for irrigation use. In addition, SSWD typically does not carryover a portion of its water supply in its Reservoir for the following years' deliveries. Instead of using the Reservoir capacity for carryover storage, the SSWD has a conjunctive use program whereby water users rely in part on their groundwater supplies, and when there are surface water deficiencies in dry years the water users pump additional groundwater. Therefore, the subsequent refilling of the Reservoir in the fall and winter months would occur in the same manner with or without this Agreement, resulting in no impact to SWP or CVP storage capability.

Now, therefore, in consideration of the mutual covenants contained herein, the parties agree as follows:

AGREEMENT

1. DEFINITIONS.

When used in this Agreement, the following definitions shall apply:

- a. "Dry Year" and "Critical Year" shall mean those years as defined on Page 23 of the *Water Quality Control Plan for the San Francisco Bay / Sacramento-San Joaquin Delta Estuary, May 1995*, (State Water Resources Control Board, 95-1WR), attached hereto as Exhibit A to this Agreement.
- b. "Extreme Critical Year" is a water year in which the storage in Camp Far West Reservoir on April 1 is at or below 33,255 AF.

- c. "Objectives" shall mean the SWRCB water quality objectives of the Water Quality Control Plan for the San Francisco/Sacramento-San Joaquin Delta Estuary (May 1995) [SWRCB 95-1WR].
- d. "Settlement Water" shall mean the amount of water released from Camp Far West Reservoir for use by DWR under this Agreement, as determined according to Article 2.

2. OPERATIONS CRITERIA AND ACCOUNTING FOR SETTLEMENT WATER AND RELEASE REQUIREMENTS FOR SOUTH SUTTER WATER DISTRICT.

In consideration of payment for Settlement Water described in Article 5, in each Dry Year and Critical Year DWR may request the release of up to 4,400 acre-feet of water from Camp Far West Reservoir ("Settlement Water") for release between July 1 and September 30. If DWR makes such a request, then, subject to the terms of this Agreement, SSWD shall release such water. This water shall be provided to DWR by modifying SSWD's existing operations to release water from Camp Far West Reservoir and foregoing diversion of this released Settlement Water into SSWD's main canal. The following procedures and criteria shall apply to SSWD's releases of Settlement Water.

a. Scheduling Releases and Determining the Amount of Settlement Water

(1) On or about March 15 and April 15 of each Dry Year or Critical Year SSWD and DWR shall confer to: a) determine preliminary and updated estimates of the maximum amount of Settlement Water that can be released by SSWD for delivery to DWR and b) establish preliminary and updated schedules for the release of the Settlement Water between July 1 and September 30 of each year. The Settlement Water shall be used by DWR to contribute to the implementation of the objectives or

can be rediverted from the Delta by the SWP. In no event shall SSWD have any obligation to release Settlement Water prior to July 1.

(2) On or before May 15 of each Dry Year or Critical Year, SSWD and DWR shall: a) calculate the maximum amount of Settlement Water, up to 4,400 AF, for delivery based on the May edition of Bulletin 120 and b) finalize the release schedule for the Settlement Water. The release schedule will provide for release of the water over a period of at least 60 days when more than 2,200 AF of water is scheduled for release.

(3) SSWD shall make the scheduled releases of Settlement Water according to the schedule developed pursuant to Article 2.a(2) above, unless SSWD cannot make such releases because of system failures, accidents, inadequate capacity or any other reason beyond SSWD's control. If SSWD cannot release Settlement Water according to the schedule, then SSWD shall release a like amount of Settlement Water at the earliest subsequent time requested by DWR, when such release can be made; provided, however, that, in accordance with Article 2.a(4), no subsequent release shall be required in any instance in which Settlement Water cannot be released as a result of an Extreme Critical Year.

(4) During each Extreme Critical Year, SSWD shall have no obligation whatsoever to release any Settlement Water or to contribute to the attainment of the Objectives if storage in Camp Far West Reservoir is at or below 28,855 AF on April 1. If storage is greater than 28,855 AF, but less than 33,255 AF on April 1, SSWD will be obligated to release the quantity of water that is greater than 28,855 AF, but less than 33,255 AF, up to 4,400 AF. The release of this water will be made in accordance with Article 2.a(3) above.

(5) DWR shall be obligated to pay for Settlement Water in each Dry Year or Critical Year in which Settlement Water is released by SSWD.

b. Measurement of the Amount of Settlement Water Released

The amount of Settlement Water that SSWD releases from Camp Far West Reservoir during July through September of each Dry Year or Critical Year shall be determined as follows:

- (1) The flows (Settlement Water) shall be measured in the following manner:
 - a. The measured quantity released from Camp Far West Reservoir through the penstock or other outlet works, less
 - b. The measured quantity of diversions into SSWD's main canal at the downstream diversion dam, less
 - c. The measured quantity of diversions into CFWD's North canal at the downstream diversion dam, less
 - d. Minimum fish flow releases.

(2) Subject to the provisions of Article 7.d, the amount of Settlement Water released will be replaced through groundwater pumping by landowners within SSWD.

(3) The Parties agree that DWR may install a stream gage (Gage) or other measurement device on the Bear River downstream of Forty Mile Road/Pleasant Grove Road. All costs of design, installation, calibration, repair, replacement and maintenance of the Gage shall be borne by DWR. DWR may delegate to SSWD the duty of reading and retaining the Gage data. In no event shall Gage data be utilized for the purpose of modifying the quantity of Settlement Water specified in Article 2 or the payment obligations of DWR specified in Article 5.

c. Accounting and Reports of Releases of Settlement Water

(1) During July through September of each Dry Year or Critical Year, SSWD shall make monthly accountings of its releases of Settlement Water. SSWD shall provide copies of these monthly accountings to DWR by the 15th day of each following

month. On or before October 31, of each year, SSWD shall provide a summary report of these accounts to DWR. An example format of the principal account elements is included in Exhibit B, attached and incorporated herein to this Agreement.

(2) Upon request by DWR, SSWD shall, within 15 days after receipt of the request, provide DWR with copies of all of the data and other information that was used to provide the accountings described in Article 2.c(1). above.

3. SWRCB BAY-DELTA PROCEEDINGS.

a. While this Agreement is in effect, DWR shall assume all responsibility for all Bear River water right holders' obligations, if any, to contribute to the implementation of the Objectives as determined by the SWRCB, including, without limitation, all obligations of SSWD and CFWID to contribute to implementation of the Objectives.

b. The parties to this Agreement shall file a petition with the SWRCB, asking the SWRCB to issue an order finding that: (i) during the effective period of this Agreement, DWR will assume all responsibility for all Bear River water right holders' (including, without limitation, SSWD and CFWID) obligations to contribute to the implementation of the Objectives, as determined by the SWRCB in its implementation of the Plan; (ii) Bear River water right holders (including, without limitation, SSWD and CFWID) shall have no additional obligations whatsoever to contribute to the implementation of the Objectives during the effective period of this Agreement; (iii) adds the SWP Delta diversion facilities, as described in DWR's water rights permits, as additional authorized points of re-diversion, and the SWP service areas to the authorized place of use, in SSWD's water right permits for purposes of this Agreement; and (iv) the SWRCB will reopen the Bay/Delta water-rights hearing, as appropriate, to allocate Bear River water right holders' (including, without limitation, SSWD and CFWID) obligations, if any, to contribute to the implementation of the Objectives if DWR, SSWD, or CFWID notifies the SWRCB that this Agreement is no longer in effect.

c. Nothing in this Agreement shall preclude any party to this Agreement from asking the SWRCB to commence or continue proceedings to allocate portions of the responsibility for implementing the Objectives to water right holders on stream systems other than the Bear River system. Nothing in this Agreement shall prohibit any party to this Agreement from intervening or otherwise participating in any SWRCB water right proceeding regarding the allocation of responsibility for implementing the Objectives. However, no party to this Agreement may take any position that is inconsistent with this Agreement nor ask the SWRCB to take any other action that would be inconsistent with this Agreement.

4. CONDITIONS PRECEDENT.

This Agreement shall not become effective until completion of the following:

a. An agreement between the Bureau and DWR regarding the accounting of the Settlement Water that SSWD will release pursuant to this Agreement.

b. A CEQA document, as described in Article 9, is completed and appropriately filed as required under CEQA and any material changes in the project or in this Agreement that are required to comply with the requirements of CEQA have been made and agreed to by SSWD, CFWD, and DWR.

c. The SWRCB has issued a decision or order that satisfies the conditions set forth in Article 3.b.

5. PAYMENT.

a. DWR shall pay SSWD \$25.00 for each acre-foot of Settlement Water released from storage in Camp Far West Reservoir.

b. The per-acre-foot rates specified in Article 5a. shall be adjusted on April 1 of each year in proportion to any changes in the first quarter Implicit Price Deflator (IPD) published quarterly in the Survey of Current Business, by the United States Department of Commerce. The following formula shall be used to adjust per- acre - foot rates:

$$\begin{array}{lcl} \text{Per-Acre-Foot Rate For} & & \text{First Quarter IPD For Year During} \\ \text{Year During Which Water} & = & \$25 \times \frac{\text{Which Water Is Delivered}}{\text{First Quarter IPD For Year 2000}} \\ \text{Is Delivered} & & \end{array}$$

c. If the IPD no longer is prepared or available, then the generally-available index that most closely approximates the IPD shall be used instead. Although the parties recognize that from time to time the publishers of the IPD may make retroactive modifications to the yearly IPD rates, the Parties agree to utilize the IPD in effect at the time payments are made.

d. Payments are due on the first of each month following submittal of an invoice by SSWD. Invoices shall be for only the amount of Settlement Water actually released. Invoices shall be submitted in triplicate to DWR showing the amount due from DWR to SSWD. Such invoice shall include the SSWD taxpayer identification number. Payments shall be considered delinquent if unpaid 30 days after their due date. Delinquent payments under this Agreement shall bear interest at the rate of one percent (1%) per month until paid in full.

e. DWR shall be obligated to pay for Settlement Water in each Dry Year or Critical Year in which Settlement Water is released by SSWD. Payment shall be in accordance with Article 5.d.

f. If SSWD cannot make releases of Settlement Water because of system failures, accidents, inadequate capacity or any other reason beyond SSWD's control DWR is not obligated to make payment for the water unless or until the water is

released. If SSWD cannot release Settlement Water according to the schedule, and SSWD subsequently releases a like amount of Settlement Water at the earliest subsequent time requested by DWR in accordance with Article 2.a(3), payment shall be in accordance with Article 5.d.

g. The Parties agree that SSWD shall be eligible for future funding in a total amount of up to \$355,666.70 pursuant to the Sacramento Valley Water Management and Habitat Protection Measures of the Safe, Clean, Reliable Water Supply Act of 1996 (Water Code sections 78681-78681.10) for qualified projects, subject to approval of the project by DWR and SWRCB in accordance with established precedent.

6. TERM OF AGREEMENT.

This Agreement shall not become effective until the satisfaction of the conditions described in Article 4, and shall remain in effect until December 31, 2035 ("Termination Date"), subject to Article 8 (Termination).

7. CHANGED CIRCUMSTANCES OR CONDITIONS.

In the event of a change in circumstances or conditions that materially affects the rights and obligations of the Parties under this Agreement, the parties shall commence negotiations to supplement or amend this Agreement to address any conflict that arises from the changed conditions, unless the Parties mutually agree that an amendment is not necessary. During such negotiations, this Agreement shall remain in effect, subject to the termination provisions of Article 8. Without limiting the generality of the foregoing, the following changed circumstances or conditions shall trigger the requirements of such negotiations:

a. The SWRCB, FERC, some other State or federal agency, or a court of competent jurisdiction imposes any term, condition or other requirement upon Bear

River water right holders (including, without limitation, SSWD and CFWID) that increases the obligation of Bear River water right holders to contribute to (i) the implementation of the Objectives, or (ii) other instream flow requirements; or that materially impairs SSWD's operation of Camp Far West Reservoir.

b. The SWRCB imposes a fee related to implementation of the Objectives on Bear River water right holders.

c. The SWRCB modifies the existing Objectives such that during a water rights hearing the SWRCB determines that the amount of water from Camp Far West Reservoir necessary to implement the modified Objectives is significantly greater or less than the amount of water necessary to implement the existing Objectives.

d. The groundwater basin in SSWD's service area experiences depletions or declines such that water quality is threatened or overdraft conditions are created.

8. TERMINATION OF AGREEMENT.

This Agreement shall terminate on December 31, 2035, unless terminated earlier by written consent of the parties hereto. No party shall unreasonably withhold its consent for termination where changed conditions that materially affect the rights and obligations of the Parties involved in this Agreement (including but not limited to the changed conditions listed in Article 7) have occurred and negotiations to address a conflict arising from the changes have not resulted in a mutually acceptable amendment to this Agreement. Any obligation of a party to this Agreement resulting from the other party's performance of an obligation under this Agreement prior to the termination of this Agreement shall survive the termination.

9. **CALIFORNIA ENVIRONMENTAL QUALITY ACT.**

a. Pursuant to section 15051(d) of the Guidelines for California Environmental Quality Act (California Code of Regulations, title 14, chapter 3), SSWD is designated as the lead agency for this Agreement and shall be responsible for completing the environmental review process for this Agreement. DWR and CFWD are designated as responsible agencies under this Agreement.

b. The parties to this Agreement acknowledge that this Agreement does not and cannot commit them to a definite course of action regarding the implementation of this Agreement before they have complied with the California Environmental Quality Act to the extent required.

c. As lead agency, SSWD shall be responsible for preparing and filing the environmental documents required by CEQA. SSWD shall pay up to \$30,000 of such costs. As part of this Settlement Agreement, DWR shall reimburse SSWD, or pay directly to SSWD's consultant, such costs that exceed \$30,000, up to a maximum reimbursement of \$30,000. For reimbursement of such costs, SSWD shall submit invoices in triplicate to DWR showing the amount due from DWR to SSWD (or its consultant) for such costs. Such invoice shall include the SSWD taxpayer identification number, a due date of 30 days after receipt of invoice by DWR, and will itemize and total all costs to date. Payments shall be considered delinquent if unpaid 30 days after their due date. Delinquent payments under this Agreement shall bear interest at the rate of one percent (1%) per month until paid in full.

d. If the initial study or EIR, if required, of this proposed project for settlement and purchase of water determines potential significant environmental impacts in the SSWD service area, any recommended mitigation will be the responsibility of SSWD. If the initial study of this proposed project for settlement and purchase of water determines potential significant environmental impacts in the Sacramento-San Joaquin Delta, any recommended mitigation will be the responsibility of DWR.

10. CLAIMS DISPUTE.

In the event of dispute regarding interpretation or implementation of this Agreement, the Director of DWR, and the General Manager(s) of SSWD and/ or CFWID shall endeavor to resolve the dispute by meeting as soon as possible, but no later than within 30 days, after the request of a Party. If the dispute is unresolved, the Parties may use the service of a mutually acceptable consultant in an effort to resolve the dispute. The fees and expenses of the consultant shall be shared equally by the Parties involved in the Dispute. If a consultant cannot be agreed upon, or if the consultant's recommendations are not acceptable to the Parties, the matter may be resolved by agreement or litigation. Notwithstanding the foregoing, any Party may at its option pursue any available legal remedy, including but not limited to injunctive and other equitable relief.

11. HOLD HARMLESS, INDEMNIFICATION AND REMEDIES.

The Parties will cooperate in reducing, to the greatest extent practicable, the risk of claims against any of the parties to this Agreement arising from implementation of this Agreement. In the event of claims by others arising from this Agreement, the responsibilities will be divided as follows:

a. To the extent permitted by state law, SSWD shall indemnify, defend and hold DWR and /or CFWID and its officers, agents, and employees safe and harmless from any and all claims, judgments, damages, penalties, costs, liabilities and losses (including without limitation, sums paid in settlement of claims, actual attorneys' fees, paralegal fees, consultant fees, engineering fees, expert fees and any other professional fees) that arise from: (1) the conveyance, control, carriage, handling, use or distribution of Settlement Water released by SSWD under this Agreement upstream of the point of discharge of Settlement Water into the Bear River; (2) any adverse effects due to the pumping of groundwater by water users within the SSWD service area resulting from water released under this Agreement; (3)

activities under the exclusive control of SSWD for purposes of implementing this Agreement.

b. To the extent permitted by state law, DWR shall indemnify, defend and hold SSWD and/or CFWID and its directors, officers, agents, employees and insurers safe and harmless from any and all claims, judgments, damages, penalties, costs, liabilities and losses (including without limitation, sums paid in settlement of claims, actual attorneys' fees, paralegal fees, consultant fees, engineering fees, expert fees and any other professional fees) that arise from: (1) the conveyance, control, carriage, handling, use or distribution of Settlement Water released by SSWD under this Agreement downstream of the mouth of the Bear River at the Feather River; (2) activities under the exclusive control of DWR for purposes of implementing this Agreement.

c. To the extent permitted by state law, CFWID shall indemnify, defend and hold DWR and /or SSWD and its directors, officers, agents, employees and insurers safe and harmless from any and all claims, judgments, damages, penalties, costs, liabilities and losses (including without limitation, sums paid in settlement of claims, actual attorneys' fees, paralegal fees, consultant fees, engineering fees, expert fees and any other professional fees) that arise from activities under the exclusive control of CFWID for purposes of implementing this Agreement.

d. DWR acknowledges that SSWD, CFWID and their directors, officers, agents, employees and insurers shall not be responsible for the quality of water released, or for interruptions or reductions in water releases due to system failures, accidents, inadequate capacity, or any other reason beyond SSWD's control. However, if SSWD cannot release Settlement Water that is otherwise required to be released by this Agreement when the release is required, then, as provided in Article 2 above, SSWD shall release the same amount of Settlement Water at the earliest subsequent

time requested by the DWR when such release can be made, subject to the limitations set forth in Article 2.a.4 with respect to Extreme Critical Years.

- e. No third-party beneficiaries are intended or created by this Agreement.

12. WATER RIGHTS NOT AFFECTED.

a. The only rights granted to the parties as a result of this Agreement are those contractual rights expressly set forth in this Agreement. No release of water pursuant to this Agreement shall confer any appropriative, public trust or other right to water on any person or entity.

b. Nothing in this Agreement shall be construed to act as a forfeiture, diminution or impairment of any water right of SSWD or CFWID. Consistent with the provisions of California Water Code sections 109, 475, 1011, 1244 and 11961, neither any releases of Settlement Water pursuant to this Agreement, nor this Agreement itself, shall be evidence of either the existence of surplus water after this Agreement expires, or of the lack of beneficial use of the water involved, and DWR shall not contend otherwise.

13. NO WAIVER OF RIGHTS OUTSIDE OF THIS AGREEMENT.

All elements of this Agreement shall be treated as a settlement of a dispute, with no party waiving any right that it otherwise may have outside of this Agreement.

14. SEVERABILITY.

The invalidity, illegality, or unenforceability of any provision of this Agreement shall not render the other provisions unenforceable, invalid, or illegal. However, any determinations, findings, or orders which would prohibit DWR from obtaining SSWD

Settlement Water under this Agreement would void any payments for such Water that could not be delivered as anticipated under this Agreement. Any determinations, findings, or orders which would prohibit SSWD from obtaining payment for Settlement Water under this Agreement would void any obligation for releasing water as anticipated under this Agreement.

15. GOVERNING LAW.

This Agreement shall be interpreted and enforced pursuant to the laws of the State of California.

16. AMENDMENT.

This Agreement may be amended only by a written instrument executed by all the parties.

17. ENTIRE AGREEMENT.

This Agreement contains the entire understanding of the parties related to their interests, obligations and rights in connection with the subject matter set forth herein. All prior communications, negotiations, stipulations and understandings, whether oral or written, are of no force or effect, and are superseded, except as referenced herein.

18. ASSIGNS AND SUCCESSORS.

This Agreement shall be binding upon and inure to the benefit of the assigns or successors-in-interest of the parties herein. No assignment shall be made without the prior written consent of the other Party. Such consent shall not be unreasonably withheld.

19. **TIME.**

Time is of the essence in the performance of each and every term of this Agreement.

20. **WAIVER.**

The waiver or failure to declare a breach as a result of the violation of any term of this Agreement shall not constitute a waiver of that term or condition and shall not provide the basis for a claim of estoppel, forgiveness, or waiver by any party to that term or condition.

21. **CAPTIONS.**

The article captions in this Agreement are for convenience only and shall not be used in construing the Agreement.

22. **ADDITIONAL DOCUMENTS.**

Each party agrees to make, execute and deliver any and all documents and to join in any application or other action reasonably required to implement this Agreement.

23. **NOTICE.**

Any and all communications or notices in connection with this Agreement shall be either hand-delivered or sent by United States first class mail, postage prepaid, and addressed as follows:

Department of Water Resources
Attention: State Water Project Analysis Office
Post Office Box 942836
Sacramento, California 94236-0001

South Sutter Water District
2464 Pacific Avenue
Trowbridge, California 95659
Attention: General Manager/Secretary

Camp Far West Irrigation District
Post Office Box 308
Wheatland, California 95692
Attention: General Manager

The parties may change the foregoing addresses by providing written notice in compliance with this article.

24. CONSTRUCTION AND INTERPRETATION.

It is agreed and acknowledged by the parties that this Agreement has been arrived at through negotiation, and that each party has had a full and fair opportunity to revise the terms of this Agreement. Consequently, the normal rule of construction that any ambiguities are to be resolved against the drafting party shall not apply in construing or interpreting this Agreement.

25. SUPPORTING RESOLUTIONS.

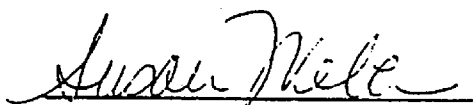
Each party represents that it has legal authority to enter into this Agreement and to perform its obligations hereunder. SSWD and CFWID shall submit to DWR concurrent with execution of this Agreement a duly authorized resolution or other document evidencing that authority and authorizing the person executing this Agreement to do so.

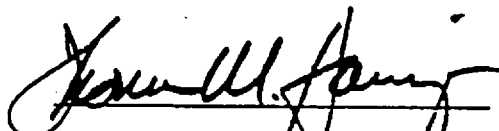
IN WITNESS WHEREOF, the Parties hereto have executed this Contract on the date first written.

Approved as to legal form:


State of California

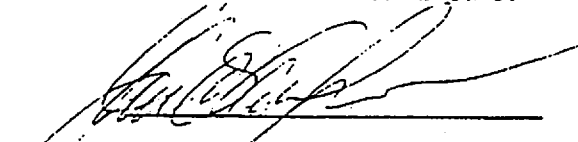
Department of Water Resources

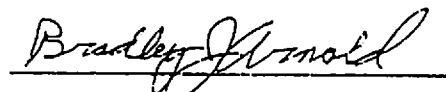

Susan Weber, Chief Counsel


Thomas M. Harnigan, Director


South Sutter Water District



General Counsel

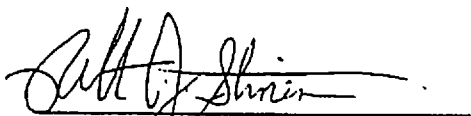

James Van Dyke, President


Secretary

Camp Far West Irrigation District


General Counsel


John Eachus, President


Secretary

FOOTNOTE 2 FOR TABLE 1 AND FOOTNOTE 3 FOR TABLES 2 AND 3

**Sacramento Valley
 Water Year Hydrologic Classification**

Year classification shall be determined by computation of the following equation:

$$\text{INDEX} = 0.4 \cdot X + 0.3 \cdot Y + 0.3 \cdot Z$$

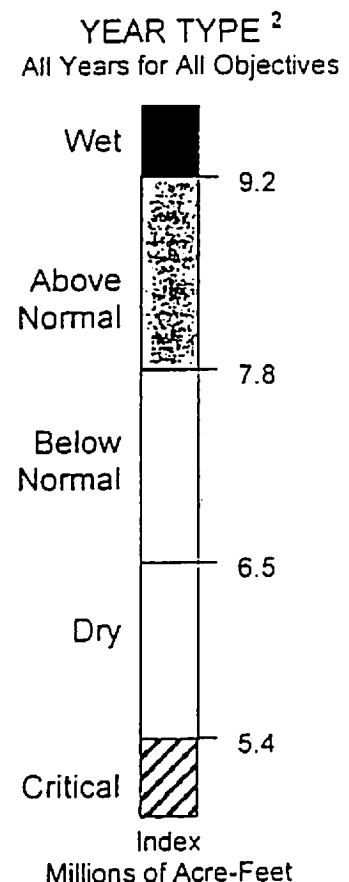
Where: X = Current year's April – July
 Sacramento Valley unimpaired runoff

Y = Current October – March
 Sacramento Valley unimpaired runoff

Z = Previous year's index¹

The Sacramento Valley unimpaired runoff for the current water year (October 1 of the preceding calendar year through September 30 of the current calendar year), as published in California Department of Water Resources Bulletin 120, is a forecast of the sum of the following locations: Sacramento River above Bend Bridge, near Red Bluff; Feather River, total inflow to Oroville Reservoir; Yuba River at Smartville; American River, total inflow to Folsom Reservoir. Preliminary determinations of year classification shall be made in February, March, and April with final determination in May. These preliminary determinations shall be based on hydrologic conditions to date plus forecasts of future runoff assuming normal precipitation for the remainder of the water year.

| <u>Classification</u> | <u>Index Millions of Acre-Feet (MAF)</u> |
|-----------------------|--|
| Wet..... | Equal to or greater than 9.2 |
| Above Normal..... | Greater than 7.8 and less than 9.2 |
| Below Normal..... | Equal to or less than 7.8 and greater than 6.5 |
| Dry..... | Equal to or less than 6.5 and greater than 5.4 |
| Critical..... | Equal to or less than 5.4 |



¹ A cap of 10.0 MAF is put on the previous year's index (Z) to account for required flood control reservoir releases during wet years.

² The year type for the preceding water year will remain in effect until the initial forecast of unimpaired runoff for the current water year is available.

Exhibit B
Example Accounting of Settlement Water

July

| Releases From Camp Far West | |
|--|--------|
| Penstocks | 22,500 |
| Other Outlet Works | 500 |
| Total Releases From Camp Far West | 23,000 |
| Deliveries | |
| Main Canal at CFW Diversion Dam | 18,200 |
| CFWID's North Canal | 1,600 |
| Fish Flow Releases | 615 |
| Total Deliveries made from Releases out of Camp Far West | 20,415 |
| Settlement Deliveries Made | |
| Total Releases minus Total Deliveries | 2,585 |

Exhibit C

**Appropriative Water Rights of South Sutter Water
District and Camp Far West Irrigation District (as
listed in Enclosure 2(a) of SWRCB Bay-Delta
Hearing Notice dated December 2, 1997)**

Camp Far West Irrigation District

| | | |
|--------------------|---------------|----------------|
| Application 000959 | Permit 000743 | License 000385 |
| Application 002881 | Permit 002089 | License 002266 |
| Application 003843 | Permit 002090 | License 002267 |
| Application 010190 | Permit 005852 | License 002740 |

South Sutter Water District

| | | |
|--------------------|---------------|----------------|
| Application 010221 | Permit 014871 | License 011120 |
| Application 014430 | Permit 009330 | License 004653 |
| Application 014804 | Permit 011297 | License 011118 |
| Application 022102 | Permit 015140 | License 011121 |
| Application 023690 | Permit 016786 | ----- |
| Application 023838 | Permit 016787 | License 012587 |

RESOLUTION NO. 00-03

**(APPROVING SETTLEMENT AGREEMENT ESTABLISHING
THE RIGHTS AND RESPONSIBILITIES OF SOUTH SUTTER WATER
DISTRICT AS TO WATER QUALITY OBJECTIVES FOR THE SACRAMENTO-SAN
JOAQUIN BAY-DELTA ESTUARY)**

WHEREAS, in 1995 the State Water Resources Control Board ("SWRCB") adopted a water quality plan for the Sacramento-San Joaquin Bay-Delta Estuary which includes specific flow-dependent water quality objectives ("Objectives"); and

WHEREAS, the SWRCB has commenced a water right hearing process the purpose of which is to establish responsibility for meeting the Objectives; and

WHEREAS, the dispute over responsibility to meet the Objectives ("Dispute") is likely to be protracted, contentious and costly to all participants;

WHEREAS, the board of directors of South Sutter Water District ("District") has determined that it is in the best interest of the District to negotiate terms of settlement of the Dispute with the California Department of Water Resources ("DWR"); and

WHEREAS, the District has engaged in lengthy negotiations with DWR as to the appropriate terms and conditions for settlement of the Dispute; and

WHEREAS, the District and DWR have reached agreement as to the appropriate terms and conditions for settlement of the Dispute as embodied in that certain Bay-Delta Settlement Agreement Between the Department of Water Resources of the State of California South Sutter Water District and Camp Far West Irrigation District ("Settlement Agreement"); and

WHEREAS, the District board of directors finds and determines that it is in the best interest of

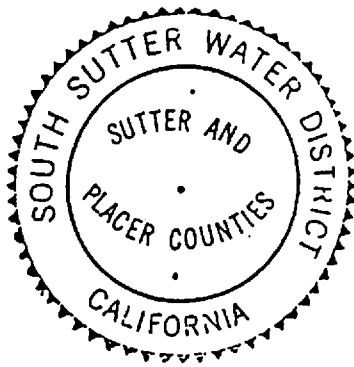
the District to approve and execute the Settlement Agreement; and

WHEREAS, the Settlement Agreement will not become effective until certain conditions precedent are satisfied, including the completion of environmental review by the District pursuant to the California Environmental Quality Act ("CEQA").

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The District board of directors hereby approves the Settlement Agreement subject to the terms and conditions set forth therein.
2. The President of the District board of directors is authorized to execute the Settlement Agreement and deliver same to DWR.
3. The board of directors authorizes and directs District staff to take all steps necessary to implement the Settlement Agreement upon satisfaction of the conditions precedent set forth therein.

The undersigned hereby certifies that the foregoing is a true and correct resolution as unanimously approved and adopted by the board of directors at a special meeting held on February 4, 2000.



Bradley J. Arnold
District Secretary

RESOLUTION NO. 1-2000 OF
CAMP FAR WEST IRRIGATION DISTRICT REGARDING
AGREEMENTS RELATING TO SWRCB BAY DELTA PROCEEDINGS

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF CAMP FAR WEST IRRIGATION DISTRICT, AS FOLLOWS:

Section 1. The President is authorized to execute on behalf of the District the 21-page "Bay Delta Settlement Agreement Between the Department of Water Resources of the State of California, South Sutter Water District and Camp Far West Irrigation District", that was transmitted to South Sutter Water District by DWR under letter dated February 3, 2000, and which was considered and discussed at this meeting, provided that any technical minor or unsubstantial changes may be made thereto that are approved by the President prior to execution of the Agreement.

Section 2. The President and Secretary are further authorized to execute the 5-page Agreement between Camp Far West Irrigation District and South Sutter Water District that was presented and discussed at this meeting, which provides that as between the Districts, South Sutter Water District will provide the settlement water to be provided under the Settlement Agreement, and that the water made available thereunder shall constitute the full responsibility of both Districts in the implementation of the 1995 Bay-Delta Water Quality Control Plan.

Passed and adopted this 8th Day of February, 2000 by the following vote:

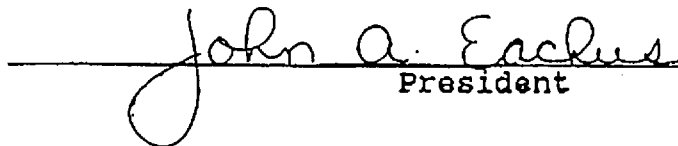
AYES:

NOES:

ABSENT:

ATTEST:


Secretary


President

2/8/2000 b

RESOLUTION NO. 1-2000 OF
CAMP FAR WEST IRRIGATION DISTRICT REGARDING
AGREEMENTS RELATING TO SWRCB BAY DELTA PROCEEDINGS

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF CAMP FAR WEST
IRRIGATION DISTRICT, AS FOLLOWS:

Section 1. The President is authorized to execute on behalf of the District the 21-page "Bay Delta Settlement Agreement Between the Department of Water Resources of the State of California, South Sutter Water District and Camp Far West Irrigation District", that was transmitted to South Sutter Water District by DWR under letter dated February 3, 2000, and which was considered and discussed at this meeting, provided that any technical minor or unsubstantial changes may be made thereto that are approved by the President prior to execution of the Agreement.

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Passed and adopted this 8th Day of February, 2000 by the following vote:

AYES: DIRECTOR'S: BACHUS, STINEBAUGH, VINEYARD

NOTES: NONE

ABSENT: NONE

ATTEST:

Secretary

John A. Eadus
President

2/8/2000 b