

AGREEMENT APPROVING THE PARTIAL ASSIGNMENT OF SACRAMENTO  
MUNICIPAL UTILITY DISTRICT'S CVP WATER SERVICE CONTRACT TO  
SACRAMENTO COUNTY WATER AGENCY

THIS AGREEMENT APPROVING THE PARTIAL ASSIGNMENT OF CENTRAL VALLEY PROJECT WATER SERVICE CONTRACT ("Approval Agreement") is made this 12<sup>th</sup> day of July, 2006, by and among SACRAMENTO MUNICIPAL UTILITY DISTRICT ("SMUD"), the SACRAMENTO COUNTY WATER AGENCY ("SCWA"), and THE UNITED STATES OF AMERICA ("United States") acting through the Bureau of Reclamation ("Reclamation").

RECITALS

1. On November 20, 1970, the United States and SMUD entered into Contract No. 14-06-200-5198A for a maximum annual delivery of up to 60,000 acre-feet of water from the Central Valley Project ("CVP") ("Existing Contract").
2. Article 22 of the Existing Contract provides for the assignment of all or a portion of the water supply under the Existing Contract upon the written approval of the Contracting Officer acting on behalf of the United States.
3. On November 4, 2004, SMUD and SCWA entered into an agreement providing for the assignment of 30,000 acre-feet of SMUD's CVP water supply ("Assigned Contract Amount") under the Existing Contract to SCWA. On 7/12 2006, SMUD and SCWA entered into an amendment of such agreement, hereinafter referred to as the "Amended SMUD/SCWA Agreement." A copy of the Amended SMUD/SCWA Agreement is attached hereto.
4. The purpose of this Approval Agreement is to provide approval by the United States for SMUD's partial assignment of its CVP water supply to SCWA in accordance with Article 22 of the Existing Contract.
5. The parties have complied with environmental and other laws applicable to this Approval Agreement.

IT IS THEREFORE AGREED AMONG THE PARTIES:

1. Terms and Conditions. In accordance with all the terms and conditions herein and within the Amended SMUD/SCWA Agreement, SCWA acquires all right, title, and interest in the Assigned Contract Amount effective as of October 1, 2006. SCWA accepts all terms and conditions included in the Existing Contract, as may be modified or supplemented by this Approval Agreement, and as may be modified upon renewal thereof, in accordance with this Approval Agreement and applicable law.

Simultaneously with the execution of this Approval Agreement, SCWA shall enter into a separate Payment Agreement with Reclamation, which agreement shall specify the terms and conditions for payment of water rates and charges for water subject to the Assigned Contract Amount as well as payment of the SCWA share of the SMUD M&I Deficit.

2. M&I Deficit. In accordance with the terms of the Payment Agreement as provided in paragraph 1 above, SCWA agrees to pay Reclamation, and in accordance with the Amended SMUD/SCWA Agreement shall hold SMUD harmless from, one-half of the M&I Deficit which is attributed to SMUD ("SMUD M&I Deficit") as of September 30, 2006, as such deficit may thereafter be determined or redetermined by Reclamation.

3. Changes in Service Area and Points of Delivery. The Assigned Contract Amount shall be delivered to SCWA at the point of delivery and shall be used within the service area set forth in SCWA's CVP Contract No. 6-07-20-W1372 ("SCWA Existing Contract") as it may be amended or renewed from time to time.

4. Contractor. Effective as of October 1, 2006, SCWA shall have all right, title and interest in, and shall be the sole contractor for the purposes of the Assigned Contract Amount. As soon as possible, consistent with existing laws, SCWA and Reclamation will incorporate the water supply made available under this Approval Agreement into the long-term renewal of the SCWA's Existing Contract that will include terms and conditions specifically applicable to the Assigned Contract Right.

5. Retention of Rights. Effective as of October 1, 2006, SMUD will retain all right, title and interest in that portion of the Existing Contract exclusive of the Assigned Contract Amount. It is agreed that effective as of October 1, 2006, the amount of Project Water remaining in the Existing Contract shall be 30,000 acre-feet and the Existing Contract shall be deemed to have been amended only to reflect that amount. This Approval Agreement shall have no effect on the non-project water wheeled by Reclamation to SMUD pursuant to the Existing Contract.

6. Effective Date. The effective date of this Approval Agreement shall be 7/12, 2006.

7. United States Approval. The United States hereby approves the Amended SMUD/SCWA Agreement and hereby unconditionally and irrevocably releases and discharges SMUD from any and all obligations respecting the Assigned Contract Amount, including one-half of the SMUD M&I Deficit, as such deficit is determined, or hereafter may be redetermined, to exist as of September 30, 2006.

IN WITNESS WHEREOF, the parties have executed this Approval Agreement as of the day and year first above written.

SACRAMENTO MUNICIPAL UTILITY DISTRICT

By: Jan Schori

Approved as to form:

Bellee A. Dunswoorth

SACRAMENTO COUNTY WATER AGENCY

By: Steve Dell

Approved as to form:

Sandra J. ...

THE UNITED STATES OF AMERICA

By: Hubert ...  
Regional Director, Mid-Pacific Region  
Bureau of Reclamation

Approved as to form:

James E. Turner  
Assistant Regional Director