

(a) "Bureau" shall mean the United States Department of the Interior, Bureau of Reclamation.

(b) "Year" shall mean the twelve-month period from January 1 through December 31, both dates inclusive.

Article 2. Term of Contract.

This contract shall be effective upon the date first above written and shall remain in effect through the Year 2021.

Article 3. Contract Renewal.

Renewals of this contract may be made for successive periods not to exceed 20 years each. The conditions of each renewal shall be agreed upon not later than one year prior to the expiration of the then-existing contract.

Article 4. Water to Be Furnished the District.

The purpose of this contract is to provide the District a supply of water for use in Placer County and within the District's present boundaries within Sacramento County. The annual quantity of water to be provided to the District throughout the term of this contract is 25,000

acre-feet. The District shall be required to take or pay for this annual entitlement of 25,000 acre-feet each Year, unless the District voluntarily reduces its annual entitlement, which it may do at any time by giving the Agency written notice thereof not less than 90 days prior to the beginning of any Year. If the District elects to do this, thereafter the annual entitlement it must take or pay for shall be reduced to the amount specified by the District.

Article 5. Delivery of Water.

All water to be furnished pursuant to this contract will be delivered by the Agency into Folsom Reservoir and the District shall be responsible for the transportation of the water to Hinkle Reservoir or any other place desired by the District, including the payment of any charges made by the Bureau for delivering the water to Hinkle Reservoir. To account for the transportation losses provided for in Article 3(b) of the Warren Act Contract between the District and the Bureau (Contract No. 6-07-20-W1315), the Agency shall release 5 percent more than the quantity of water requested for delivery by the District.

Article 6. Delivery Schedule.

On or before December 1 of each Year beginning in 2000, the District shall submit a written schedule to the Agency indicating the times and quantities of water to be taken from Folsom Reservoir by or for the benefit of the District pursuant to this contract during the following Year, and the Agency shall, consistent with its water rights, the provisions hereof and to the extent feasible, attempt to furnish water in accordance with the schedule or any revisions

thereof that are satisfactory to the Agency and submitted by the District within a reasonable time for the desired change.

Article 7. Measurement.

The District shall measure or cause to be measured all water furnished pursuant to this contract at the Bureau's point of delivery into Hinkle Reservoir. Such measurement shall be with equipment satisfactory to the Agency and the District, and the Agency shall be furnished written reports of the daily deliveries to the District. The Agency may inspect such measuring equipment for the purpose of determining the accuracy thereof at any time and any errors appearing therein will be adjusted.

Article 8. Water Shortage Provisions.

(a) Shortages in Water Available For Use Outside of Placer County. The amount of water to be made available to the District in any Year for use outside Placer County shall be subject to temporary or permanent reduction or elimination whenever the Agency notifies the District that the Agency has determined that it will need that water for use within Placer County. Any reduction under this subarticle in the amount of water available for use by the District outside of Placer County shall not affect the quantity of water that is available for use by the District within Placer County.

(b) Shortages of Water Available For Use Within Placer County. There also may occur at times a shortage or shortages during any Year or Years in the quantity of water available to the Agency for delivery to the District for use within Placer County. In any Year in which there may occur such a shortage, from any cause, the Agency reserves the right to apportion its water supply for use within the Agency among the District, and others entitled to receive water from the Agency.

(c) Temporary Interruptions in Deliveries. The Agency may temporarily discontinue or reduce the amount of water to be furnished to the District as herein provided for the purpose of such investigation, inspection, maintenance, repair or replacement as may be necessary of any of the Agency's facilities necessary for the storage or furnishing of water to the District or any part thereof, but so far as feasible, the Agency will give the District due notice in advance of such temporary discontinuance or reduction, except in the case of emergency, in which case no notice need be given. In the event of any such discontinuance or reduction the Agency will, upon the resumption of service attempt to approximate delivery of the quantity of water which would have been furnished to the District in the absence of such contingency.

(d) District's Sole Remedy for Shortages. In the event of any suspension of deliveries to the District for use of water inside or outside Placer County for any of the reasons set forth in paragraphs (a), (b) and (c) of this Article, no liability shall accrue against the Agency or any of its respective officers, agents or employees, for any damage, direct or indirect, arising from such shortage or shortages. In any Year in which less than the District's annual entitlement

for that Year, as defined in Article 4, is made available for the District for use in Placer County an adjustment shall be made in the amounts required to be paid by the District pursuant to Article 11. To the extent of any such deficiency, such adjustment shall constitute the sole remedy of the District or anyone having or claiming to have by, through or under the District, the right to the use of any of the water supply provided for herein.

Article 9. Water Quality.

The Agency assumes no responsibility with respect to the quality of the water to be furnished pursuant to this contract and does not warrant the quality of any such water.

Article 10. Responsibilities for Delivery and Distribution of Water.

Neither the Agency nor its officers, agents or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water furnished to District hereunder outside of facilities then being operated or maintained by the Agency, nor for claims of damages of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said facilities and the District shall indemnify and hold harmless the Agency and its officers, agents and employees from any such damages or claims of damages.

Article 11. Water Rates.

(a) Rates for Water Used in Placer County.

Beginning in 2000, and each Year thereafter, the District shall pay the Agency for each acre-foot of annual entitlement delivered to the District for use within the District's boundaries in Placer County and for any portion of the District's annual entitlement for that Year which is not taken by the District, an amount equal to the average of the acre-foot prices the District, the City of Roseville, and the Agency are required to pay to the Bureau, exclusive of any mitigation or restoration payments, during that year for water made available to them by the Bureau in Folsom Reservoir for domestic, municipal and industrial purposes. If in any Year any of the three (the District, the City, and the Agency) are not required to pay the Bureau for water that Year, the price the District shall pay the Agency shall be the average of the acre-foot price that the others are required to pay to the Bureau that Year for such purposes. If none of the three are required to pay the Bureau for any water that Year, the price the District shall pay the Agency shall be the price the District paid in the previous Year for water for use within the District's boundaries in Placer County.

(b) Rates for Water Used in Placer County Outside the District's Boundaries.

Each Year the District shall pay the Agency for each acre-foot of annual entitlement which the District sells, leases, transfers or disposes of for use in Placer County outside the District's boundaries either: (i) the price provided for in paragraph (a) of this Article, or (ii) an amount equal to 95% of the value received by the District for such water, whichever is higher, and the first water sold, leased, transferred or disposed of by the District each Year for use in

Placer County outside the District's boundaries shall be deemed to be water made available to the District under this contract.

(c) Rates for Water Used in Sacramento County.

Each Year the District shall pay the Agency for each acre-foot of annual entitlement delivered to District and used within the District's boundaries in Sacramento County the highest of the following three rates: (i) Thirty-five dollars (\$35.00); (ii) One hundred seventy-five percent (175%) of the price provided for in paragraph (a) of this Article; or (iii) one hundred fifty percent (150%) of the total amount, per acre foot, including any restoration and other fees and charges, which the Agency is required to pay to the Bureau for water to be used that Year for domestic, municipal and industrial purposes within the Agency pursuant to the Agency's September 18, 1970 contract with the Bureau as amended and supplemented or pursuant to any renewals of that contract.

Article 12. Time and Method of Payment.

Payments for the District's annual entitlements shall be made to the Agency quarterly on or before January 1, April 1, July 1 and October 1 of each Year. The amount of the payment shall be based upon the amount of water to be made available pursuant to Article 4 or the amount actually delivered, whichever is greater, subject to any adjustment required by Article 8. At the close of each Year, the Agency shall recalculate the amount owing to it for the previous Year, and shall thereupon bill the District for any underpayments or give it credit on its next quarterly payment for any overpayments. Any amounts due and owing to the Agency as a result of such

recalculation shall be paid by the District within 30 days after the Agency renders a statement to the District for such payment.

Article 13. Obligation of District to Make Payments.

(a) Character of Obligation.

The obligations of the District arising out of or pursuant to or incidental to this contract shall constitute general obligations of the District and the District shall use all the powers and resources available to it under the law to collect the funds necessary for and to pay its obligations to the Agency under this contract. The District as a whole is obligated to pay to the Agency the payments becoming due under this contract, notwithstanding any individual default by its water users, constituents or others in the payment to the District of assessments, taxes, tolls, or other charges levied by the District.

(b) Refusal of Water Does not Affect Obligation

The District's failure or refusal to accept delivery of the quantity of water provided for under this contract for any Year shall in no way relieve it of its obligation to make the payments to the Agency for that Year as provided for herein.

Article 14. Interest on Overdue Payments.

Upon each charge to be paid by the District to the Agency pursuant to this contract which shall remain unpaid after the same shall have become due and payable, interest shall accrue at

the rate of one-half (1/2) of one (1) percent per month of the amount of such delinquent payment from and after the date when the same becomes due and until paid, and the District hereby agrees to pay such interest.

Article 15. Default.

In the event of any default by the District in the payment of any money required to be paid to the Agency hereunder, the Agency in its discretion may suspend delivery of water during the period when the District is delinquent in its payment for or obligations due to the Agency under the terms of this contract. Action taken pursuant to this Article shall not deprive the Agency of or limit any remedy provided by this contract or by law for the recovery of money due or which may become due under this contract.

Article 16. Remedies Not Exclusive.

The use by either party of any remedy specified herein for the enforcement of this contract is not exclusive and shall not deprive the party using such remedy of, or limit the application of, any other remedy provided by law.

Article 17. Waiver of Rights.

Any waiver at any time by either party hereto of its rights with respect to a breach of default, or any other matter arising in connection with this contract, shall not be deemed to be a waiver with respect to any other breach, default or matter.

Article 18. Assignment.

The provisions of this contract shall apply to and bind the successors and assigns of the respective parties, but no assignment or transfer of this contract, or any part hereof or interest herein, shall be valid until and unless approved by the Agency.

Article 19. Area Served by the District.

Water delivered to the District pursuant to this contract shall not be sold or otherwise disposed of by the District for use outside of Placer County, except within the present boundaries of the District in Sacramento County, without the prior written consent of the Agency. A refusal of the Agency to give its consent to the use of water outside the District's boundaries in Sacramento County without an adjustment in the price to be paid by the District for such water shall not be deemed to be an unreasonable refusal of such consent.

Article 20. Opinions and Determinations.

Where the terms of this contract provide for action to be based upon opinion, judgment, approval, review, or determination of either party hereto, such terms are not intended to be and shall never be construed as permitting such opinion, judgment, approval, review, or determination to be arbitrary, capricious, or unreasonable.

Article 21. Notices.

All notices that are required either expressly or by implication to be given by any party to the other under this contract shall be signed for the Agency and for the District by such officers as they may, from time to time, authorize in writing to so act. All such notices shall be deemed to have been given and delivered if delivered personally or if enclosed in a properly addressed envelope and deposited in a United States Post Office for delivery by registered or certified mail. Unless and until formally notified otherwise, all notices shall be addressed to the parties at their addresses as shown on the signature page of this contract.

Article 22. Inspection of Books and Records.

The proper officers or agents of the District shall have full and free access at all reasonable times to the account books and official records of the Agency insofar as the same pertain to the matters and things provided for in this contract, with the right at any time during

office hours to make copies thereof at the District's expense, and the proper representatives of the Agency shall have similar rights in respect to the account books and records of the District.

Article 23. Amendments.

This contract may be amended at any time by mutual agreement of the parties, except insofar as any proposed amendments are in any way contrary to applicable law.

Article 24. Supersedes Prior Contract.

This contract supersedes in its entirety the June 25, 1972 water supply contract between the Agency and the District and all amendments thereto.

IN WITNESS WHEREOF, the parties hereto have executed this contract the date first above written.

ATTEST:

PLACER COUNTY WATER AGENCY
P. O. Box 6570
Auburn, California 95604

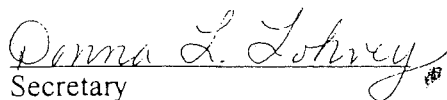


Secretary
Placer County Water Agency

By: Pauline Rocucci

ATTEST:

SAN JUAN WATER DISTRICT
P. O. Box 2157
Granite Bay, California 95746-2157



Secretary
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By: Kenneth H. Miller