

Irrigation and M&I
Contract No.
14-06-200-851A-LTR1

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
BELLA VISTA WATER DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM TRINITY RIVER DIVISION

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10 THIS CONTRACT, made this 25th day of February, 2025, in
11 pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
12 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as
13 amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2,
14 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986
15 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all
16 collectively hereinafter referred to as Federal Reclamation law, between THE UNITED STATES
17 OF AMERICA, hereinafter referred to as the United States, and BELLA VISTA WATER
18 DISTRICT, hereinafter referred to as the Contractor, a public agency of the State of California, duly
19 organized, existing, and acting pursuant to the laws thereof;

20 WITNESSETH, That:

21 EXPLANATORY RECITALS

22 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
23 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for
24 flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and
25 restoration, generation and distribution of electric energy, salinity control, navigation and other

26 beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the
27 San Joaquin River and their tributaries; and

28 [2nd] WHEREAS, the United States constructed the Cow Creek Unit facilities, which will
29 be used in part for the furnishing of water to the Contractor pursuant to the terms of this Contract;
30 and

31 [3rd] WHEREAS, the rights to Project Water were acquired by the United States pursuant
32 to California law for operation of the Project; and

33 [4th] WHEREAS, the Contractor and the United States entered into Contract
34 No. 14-06-200-851A, dated April 3, 1964, as amended by a letter agreement from the Bureau of
35 Reclamation to the Contractor dated December 14, 1971, which letter agreement was accepted and
36 countersigned by the Contractor on December 28, 1971, which contract and letter agreement
37 established terms for the delivery to the Contractor of Project Water from the Cow Creek Unit from
38 April 3, 1964, through December 31, 1994; and

39 [5th] WHEREAS, pursuant to subsection 3404(c)(1) of the Central Valley Project
40 Improvement Act (CVPIA), the Contractor and the United States have, beginning on December 28,
41 1994, entered into successive interim renewal contract(s) identified as Contract No(s). 14-06-200-
42 851A-IR1, 14-06-200-851A-IR2, 14-06-200-851A-IR3, 14-06-200-851A-IR4, 14-06-200-851A-
43 IR5, 14-06-200-851A-IR6, 14-06-200-851A-IR7, 14-06-200-851A-IR8, and 14-06-200-851A-IR9,
44 which individually and successively amended and replaced the water service component, Part A, of
45 Contract No. 14-06-200-851A, the current form of which is hereinafter referred to as the "Existing
46 Contract," providing for continued water service to the Contractor from March 1, 2004, through
47 February 28, 2006; and

48 [5.1] WHEREAS, the United States and the Shasta County Water Agency entered into
49 Contract No. 14-06-200-3367A which established terms for the delivery to the Shasta County Water
50 Agency of Central Valley Project Water from Project facilities; and

51 [5.2] WHEREAS, the Shasta County Water Agency and the Contractor entered into a
52 partial assignment on 02/25/05, identified as Contract No. 14-06-200-3367Y, to permanently

53 assign to the Contractor 578 acre-feet of the Central Valley Project Water made available to the
54 Shasta County Water Agency pursuant to Contract No. 14-06-200-3367A; and

55 [5.3] WHEREAS, the Contractor desires to merge the Existing Contract and Contract
56 No. 14-06-200-3367Y into a single contract identified as Contract No. 14-06-200-851A-LTR1; and

57 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the
58 Existing Contract following completion of appropriate environmental documentation, including a
59 programmatic environmental impact statement (PEIS) pursuant to the National Environmental
60 Policy Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the
61 CVPIA and the potential renewal of all existing contracts for Project Water; and

62 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
63 environmental review necessary to provide for long-term renewal of the Existing Contract; and

64 [8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing
65 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws of
66 the State of California, for water service from the Project; and

67 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all of
68 its obligations, including its responsibility to ascertain whether Project Water delivered by it is put
69 to use as Irrigation Water or M&I Water, under the Existing Contract; and

70 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting
71 Officer that the Contractor has utilized the Project Water supplies available to it for reasonable and
72 beneficial use and, based upon a needs analysis cooperatively prepared by the Contracting Officer
73 and the Contractor, has demonstrated projected future demand for water use that exceeds the
74 Contract Total to be made available to it pursuant to this Contract; and

75 [11th] WHEREAS, water obtained from the Project has been relied upon by urban and
76 agricultural areas within California for more than 50 years, and is considered by the Contractor as
77 an essential portion of its water supply; and

78 [12th] WHEREAS, the economies of regions within the Project, including the Contractor's,
79 depend upon the continued availability of water, including water service from the Project; and

80 [12.1] WHEREAS, Contractor has made and will continue to make substantial capital
81 investments in diversion and treatment facilities, and requires a consistent, predictable quality of
82 raw water in order to meet Safe Drinking Water Act requirements for its municipal customers, and
83 to provide a consistent and predictable quality of water for its industrial customers; and

84 [13th] WHEREAS, the Secretary intends through coordination, cooperation, and
85 partnerships to pursue measures to improve water supply, water quality, and reliability of the
86 Project for all Project purposes; and

87 [13.1] WHEREAS, the Contractor is located in the region of the Redding Groundwater
88 Basin, and it is the desire of both the United States and the Contractor to facilitate the cooperative
89 efforts of local water service agencies to develop the Redding Groundwater Basin for conjunctive
90 management and use with Project Water supplies, to maximize the reasonable beneficial use of
91 water for the water service agencies and their customers in the region; and

92 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
93 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment
94 of the Project as required by law; to guard reasonably against Project Water shortages; to achieve a
95 reasonable balance among competing demands for use of Project Water; and to comply with all
96 applicable environmental statutes, all consistent with the legal obligations of the United States
97 relative to the Project; and

98 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
99 relationship in order to achieve their mutual goals; and

100 [16th] WHEREAS, the United States and the Contractor are willing to enter into this
101 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

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

104 DEFINITIONS

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

107 (a) "Calendar Year" shall mean the period January 1 through December 31, both
108 dates inclusive;

109 (b) "Charges" shall mean the payments required by Federal Reclamation law in
110 addition to the Rates and Tiered Pricing Component specified in this Contract as determined
111 annually by the Contracting Officer pursuant to this Contract;

112 (c) "Condition of Shortage" shall mean a condition respecting the Project during
113 any Year such that the Contracting Officer is unable to deliver sufficient water to meet the Contract
114 Total;

115 (d) "Contracting Officer" shall mean the Secretary of the Interior's duly
116 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law or
117 regulation;

118 (e) "Contract Total" shall mean the maximum amount of water to which the
119 Contractor is entitled under subdivision (a) of Article 3 of this Contract;

120 (f) "Contractor's Service Area" shall mean the area to which the Contractor is
121 permitted to provide Project Water under this Contract as described in Exhibit "A" attached
122 hereto, which may be modified from time to time in accordance with Article 35 of this Contract
123 without amendment of this Contract;

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

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

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

132 (j) "Full Cost Rate" shall mean an annual rate as determined by the Contracting
133 Officer that shall amortize the expenditures for construction properly allocable to the Project

134 irrigation or M&I functions, as appropriate, of facilities in service including all O&M deficits
135 funded, less payments, over such periods as may be required under Federal Reclamation law, or
136 applicable contract provisions. Interest will accrue on both the construction expenditures and
137 funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the date
138 incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated in
139 accordance with subsections 202(3)(B) and (3)(C) of the RRA. The Full Cost Rate includes actual
140 operation, maintenance, and replacement costs consistent with Section 426.2 of the Rules and
141 Regulations for the RRA. The costs associated with the Contractor's irrigation water distribution
142 works constructed by the United States are separately covered by a repayment contract, Contract
143 No. 14-06-200-851A, Part B, entered into pursuant to 43 USC 485h(d);

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

146 (l) "Irrigation Full Cost Water Rate" shall mean the Full Cost Rate applicable to
147 the delivery of Irrigation Water;

148 (m) "Irrigation Water" shall mean water made available from the Project that is
149 used primarily in the production of agricultural crops or livestock, including domestic use incidental
150 thereto, and watering of livestock;

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

153 (o) "Municipal and Industrial (M&I) Water" shall mean Project Water, other
154 than Irrigation Water, made available to the Contractor. M&I Water shall include water used for
155 human use and purposes such as the watering of landscaping or pasture for animals (e.g., horses)
156 which are kept for personal enjoyment or water delivered to landholdings operated in units of less
157 than five acres unless the Contractor establishes to the reasonable satisfaction of the Contracting
158 Officer that the use of water delivered to any such landholding is a use described in subdivision (m)
159 of this Article. The determination of whether Project Water is used as Irrigation Water or M&I
160 Water shall be in accordance with the guidelines set forth in Exhibit "C" attached hereto, which

161 guidelines may be modified by mutual agreement of the parties to this Contract without amending
162 the Contract: Provided, That if during the term of this Contract, a Reclamation-wide rule or
163 regulation is promulgated that defines M&I Water or Irrigation Water or if Congress should enact a
164 law which defines M&I Water or Irrigation Water, such rule, regulation, or law shall supersede this
165 Article 1(o);

166 (p) "M&I Full Cost Water Rate" shall mean the Full Cost Rate applicable to the
167 delivery of M&I Water;

168 (q) "Operation and Maintenance" or "O&M" shall mean normal and reasonable
169 care, control, operation, repair, replacement (other than capital replacement), and maintenance of
170 Project facilities or the Transferred Works;

171 (r) Omitted;

172 (s) "Project" shall mean the Central Valley Project owned by the United States
173 and managed by the Department of the Interior, Bureau of Reclamation;

174 (t) "Project Contractors" shall mean all parties who have water service contracts
175 for Project Water from the Project with the United States pursuant to Federal Reclamation law;

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

179 (v) "Rates" shall mean the payments determined annually by the Contracting
180 Officer in accordance with the then-current applicable water ratesetting policies for the Project, as
181 described in subdivision (a) of Article 7 of this Contract;

182 (w) "Recent Historic Average" shall mean the most recent five-year average of
183 the final forecast of Water Made Available to the Contractor pursuant to this Contract or its
184 preceding contract(s);

185 (x) "Secretary" shall mean the Secretary of the Interior, a duly appointed
186 successor, or an authorized representative acting pursuant to any authority of the Secretary and
187 through any agency of the Department of the Interior;

188 (y) "Tiered Pricing Component" shall be the incremental amount to be paid for
189 each acre-foot of Water Delivered as described in subdivision (j) of Article 7 of this Contract;

190 (z) "Water Delivered" or "Delivered Water" shall mean Project Water diverted
191 for use by the Contractor at the point(s) of delivery approved by the Contracting Officer;

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

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

198 (cc) "Year" shall mean the period from and including March 1 of each Calendar
199 Year through the last day of February of the following Calendar Year;

200 (dd) "Distribution System" shall mean the general distribution and lateral system,
201 and related works or a portion of portions thereof, constructed by the United States pursuant to
202 Contract No. 14-06-200-851A, and all Federal lands and Federal interests in lands held in
203 connection therewith;

204 (ee) "Project Works" shall mean the Wintu Pumping Plant, the Bella Vista
205 conduit, and all necessary federal lands and related facilities and structures located thereon; and

206 (ff) "Transferred Works" shall mean "Project Works" or "Distribution System"
207 or both, as defined herein, or portions thereof which have been transferred to the Contractor for
208 operation and maintenance, pursuant to the terms of Contract No. 14-06-200-851A.

209 TERM OF CONTRACT

210 2. (a) This Contract shall be effective March 1, 2005, through February 28, 2030,
211 and supersedes the Existing Contract. In the event the Contractor wishes to renew this Contract
212 beyond February 28, 2030, the Contractor shall submit a request for renewal in writing to the
213 Contracting Officer no later than two years prior to the date this Contract expires. The renewal of
214 this Contract insofar as it pertains to the furnishing of Irrigation Water to the Contractor shall be

215 governed by subdivision (b) of this Article, and the renewal of this Contract insofar as it pertains to
216 the furnishing of M&I Water to the Contractor shall be governed by subdivision (c) of this Article.

217 (b) (1) Under terms and conditions of a renewal contract that are mutually
218 agreeable to the parties hereto, and upon a determination by the Contracting Officer that at the time
219 of contract renewal the conditions set forth in subdivision (b)(2) of this Article are met, and subject
220 to Federal and State law, this Contract, insofar as it pertains to the furnishing of Irrigation Water to
221 the Contractor, shall be renewed for a period of 25 years.

222 (2) The conditions which must be met for this Contract to be renewed
223 are: (i) the Contractor has prepared a water conservation plan that has been determined by the
224 Contracting Officer in accordance with Article 26 of this Contract to meet the conservation and
225 efficiency criteria for evaluating such plans established under Federal law; (ii) the Contractor is
226 implementing an effective water conservation and efficiency program based on the Contractor's
227 water conservation plan as required by Article 26 of this Contract; (iii) the Contractor is maintaining
228 all water measuring devices and implementing all water measurement methods as approved by the
229 Contracting Officer pursuant to Article 6 of this Contract; (iv) the Contractor has reasonably and
230 beneficially used the Project Water supplies made available to it and, based on projected demands,
231 is reasonably anticipated and expects to fully utilize for reasonable and beneficial use the quantity
232 of Project Water to be made available to it pursuant to such renewal; (v) the Contractor is
233 complying with all terms and conditions of this Contract; and (vi) the Contractor has the physical
234 and legal ability to deliver Project Water.

235 (3) The terms and conditions of the renewal contract described in
236 subdivision (b)(1) of this Article and any subsequent renewal contracts shall be developed
237 consistent with the parties' respective legal rights and obligations, and in consideration of all
238 relevant facts and circumstances, as those circumstances exist at the time of renewal, including,
239 without limitation, the Contractor's need for continued delivery of Project Water; environmental
240 conditions affected by implementation of the Contract to be renewed, and specifically changes in
241 those conditions that occurred during the life of the Contract to be renewed; the Secretary's progress

242 toward achieving the purposes of the CVPIA as set out in Section 3402 and in implementing the
243 specific provisions of the CVPIA; and current and anticipated economic circumstances of the region
244 served by the Contractor.

245 (c) This Contract, insofar as it pertains to the furnishing of M&I Water to the
246 Contractor, shall be renewed for successive periods of up to 40 years each, which periods shall be
247 consistent with then-existing Reclamation-wide policy, under terms and conditions mutually
248 agreeable to the parties and consistent with Federal and State law. The Contractor shall be afforded
249 the opportunity to comment to the Contracting Officer on the proposed adoption and application of
250 any revised policy applicable to the delivery of M&I Water that would limit the term of any
251 subsequent renewal contract with the Contractor for the furnishing of M&I Water to less than 40
252 years.

253 (d) The Contracting Officer shall make a determination ten years after the date of
254 execution of this Contract, and every five years thereafter during the term of this Contract, of
255 whether a conversion of the relevant portion of this Contract to a contract under subsection 9(d) of
256 the Reclamation Project Act of 1939 can be accomplished pursuant to the Act of July 2, 1956 (70
257 Stat. 483). The Contracting Officer shall also make a determination ten years after the date of
258 execution of this Contract and every five years thereafter during the term of this Contract of
259 whether a conversion of the relevant portion of this Contract to a contract under subsection 9(c)(1)
260 of the Reclamation Project Act of 1939 can be accomplished. Notwithstanding any provision of
261 this Contract, the Contractor reserves and shall have all rights and benefits under the Act of July 2,
262 1956 (70 Stat. 483). The Contracting Officer anticipates that during the term of this Contract, all
263 authorized Project construction expected to occur will have occurred, and on that basis the
264 Contracting Officer agrees upon such completion to allocate all costs that are properly assignable to
265 the Contractor, and agrees further that, at any time after such allocation is made, and subject to
266 satisfaction of the condition set out in this subdivision, this Contract shall, at the request of the
267 Contractor, be converted to a contract under subsection 9(d) or 9(c)(1), whichever is applicable, of
268 the Reclamation Project Act of 1939, subject to applicable Federal law and under stated terms and

269 conditions mutually agreeable to the Contractor and the Contracting Officer. A condition for such
270 conversion to occur shall be a determination by the Contracting Officer that, account being taken of
271 the amount credited to return by the Contractor as provided for under Federal Reclamation law, the
272 remaining amount of construction costs assignable for ultimate return by the Contractor can
273 probably be repaid to the United States within the term of a contract under subsection 9(d) or
274 9(c)(1), whichever is applicable. If the remaining amount of costs that are properly assignable to
275 the Contractor cannot be determined during the term of this Contract, the Contracting Officer shall
276 notify the Contractor, and provide the reason(s) why such a determination could not be made.
277 Further, the Contracting Officer shall make such a determination as soon thereafter as possible so as
278 to permit, upon request of the Contractor and satisfaction of the condition set out above, conversion
279 to a contract under subsection 9(d) or 9(c)(1), whichever is applicable. In the event such
280 determination of costs has not been made at a time which allows conversion of this Contract during
281 the term of this Contract or the Contractor has not requested conversion of this Contract within such
282 term, the parties shall incorporate in any subsequent renewal contract as described in subdivision (b)
283 of this Article a provision that carries forth in substantially identical terms the provisions of this
284 subdivision.

285 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

286 3. (a) During each Year, consistent with all applicable State water rights, permits,
287 and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of this
288 Contract, the Contracting Officer shall make available for delivery to the Contractor 24,578 acre-
289 feet of Project Water for irrigation and M&I purposes. Water Delivered to the Contractor in
290 accordance with this subdivision shall be scheduled and paid for pursuant to the provisions of
291 Articles 4 and 7 of this Contract.

292 (b) Because the capacity of the Project to deliver Project Water has been
293 constrained in recent years and may be constrained in the future due to many factors including
294 hydrologic conditions and implementation of Federal and State laws, the likelihood of the

295 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this Article
296 in any given Year is uncertain. The Contracting Officer's modeling referenced in the PEIS
297 projected that the Contract Total set forth in this Contract will not be available to the Contractor in
298 many years. During the most recent five years, the Recent Historic Average of water made
299 available to the Contractor was 22,080 acre-feet of Irrigation and M&I Water. Nothing in
300 subdivision (b) of this Article shall affect the rights and obligations of the parties under any
301 provision of this Contract.

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

304 (d) The Contractor shall make reasonable and beneficial use of all water
305 furnished pursuant to this Contract. Groundwater recharge programs (direct, indirect, or in lieu),
306 groundwater banking programs, surface water storage programs, and other similar programs
307 utilizing Project Water or other water furnished pursuant to this Contract conducted within the
308 Contractor's Service Area which are consistent with applicable State law and result in use
309 consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge
310 program(s) is (are) described in the Contractor's water conservation plan submitted pursuant to
311 Article 26 of this Contract; Provided, further, That such water conservation plan demonstrates
312 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average, the
313 quantity of Delivered Water is demonstrated to be reasonable for such uses and in compliance with
314 Federal Reclamation law. Groundwater recharge programs, groundwater banking programs, surface
315 water storage programs, and other similar programs utilizing Project Water or other water furnished
316 pursuant to this Contract conducted outside the Contractor's Service Area may be permitted upon
317 written approval of the Contracting Officer, which approval will be based upon environmental
318 documentation, Project Water rights, and Project operational concerns. The Contracting Officer
319 will address such concerns in regulations, policies, or guidelines.

320 (e) The Contractor shall comply with requirements applicable to the Contractor
321 in biological opinion(s) prepared as a result of a consultation regarding the execution of this

322 Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA), as
323 amended, that are within the Contractor's legal authority to implement. The Existing Contract,
324 which evidences in excess of 38 years of diversions for irrigation and/or M&I purposes of the
325 quantities of water provided in subdivision (a) of Article 3 of this Contract, will be considered in
326 developing an appropriate baseline for biological assessment(s) prepared pursuant to the ESA, and
327 any other needed environmental review. Nothing herein shall be construed to prevent the
328 Contractor from challenging or seeking judicial relief in a court of competent jurisdiction with
329 respect to any biological opinion or other environmental documentation referred to in this Article.

330 (f) As soon as possible following each declaration of Water Made Available
331 under Article 4 of this Contract, the Contracting Officer will make a determination whether Project
332 Water, or other water available to the Project, can be made available to the Contractor in addition to
333 the Contract Total under Article 3 of this Contract during the Year without adversely impacting
334 other Project Contractors. At the request of the Contractor, the Contracting Officer will consult
335 with the Contractor prior to making such a determination. If the Contracting Officer determines
336 that Project Water, or other water available to the Project, can be made available to the Contractor,
337 the Contracting Officer will announce the availability of such water and shall so notify the
338 Contractor as soon as practical. The Contracting Officer will thereafter meet with the Contractor
339 and other Project Contractors capable of taking such water to determine the most equitable and
340 efficient allocation of such water. If the Contractor requests the delivery of any quantity of such
341 water, the Contracting Officer shall make such water available to the Contractor in accordance with
342 applicable statutes, regulations, guidelines, and policies.

343 (g) The Contractor may request permission to reschedule for use during the
344 subsequent Year some or all of the Water Made Available to the Contractor during the current Year,
345 referred to as "carryover." The Contractor may request permission to use during the current Year a
346 quantity of Project Water which may be made available by the United States to the Contractor
347 during the subsequent Year, referred to as "preuse." The Contracting Officer's written approval
348 may permit such uses in accordance with applicable statutes, regulations, guidelines, and policies.

349 (h) The Contractor's right pursuant to Federal Reclamation law and applicable
350 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract during
351 the term thereof and any subsequent renewal contracts, as described in Article 2 of this Contract,
352 during the terms thereof shall not be disturbed so long as the Contractor shall fulfill all of its
353 obligations under this Contract and any renewals thereof. Nothing in the preceding sentence shall
354 affect the Contracting Officer's ability to impose shortages under Article 11 or subdivision (b) of
355 Article 12 of this Contract or applicable provisions of any subsequent renewal contracts.

356 (i) Project Water furnished to the Contractor pursuant to this Contract may be
357 delivered for purposes other than those described in subdivisions (m) and (o) of Article 1 of this
358 Contract upon written approval by the Contracting Officer in accordance with the terms and
359 conditions of such approval.

360 (j) The Contracting Officer shall make reasonable efforts to protect the water
361 rights necessary for the Project and to provide the water available under this Contract. The
362 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
363 extent permitted by law, in administrative proceedings related to the Project Water rights; Provided,
364 That the Contracting Officer retains the right to object to the substance of the Contractor's position
365 in such a proceeding; Provided further, That in such proceedings the Contracting Officer shall
366 recognize the Contractor has a legal right under the terms of this Contract to use Project Water.

367 TIME FOR DELIVERY OF WATER

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

375 Contractor. Concurrently with the declaration of the Water Made Available, the Contracting
376 Officer shall provide the Contractor with the updated Recent Historic Average.

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

383 (c) The Contractor shall not schedule Project Water in excess of the quantity of
384 Project Water the Contractor intends to put to reasonable and beneficial use within the Contractor's
385 Service Area or to sell, transfer, or exchange pursuant to Article 9 of this Contract during any Year.

386 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
387 Contract, the United States shall deliver Project Water to the Contractor in accordance with the
388 initial schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any
389 written revision(s), satisfactory to the Contracting Officer, thereto submitted within a reasonable
390 time prior to the date(s) on which the requested change(s) is/are to be implemented.

391 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

392 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
393 Contract shall be delivered to the Contractor at the Sacramento River at the Wintu Pumping Plant
394 and any additional point or points of delivery either on Project facilities or another location or
395 locations mutually agreed to in writing by the Contracting Officer and the Contractor.

396 (b) The Contracting Officer shall make all reasonable efforts to maintain
397 sufficient flows and levels of water in the Sacramento River to deliver Project Water to the
398 Contractor at the Wintu Pumping Plant established as a delivery point pursuant to subdivision (a) of
399 this Article.

400 (c) The Contractor shall deliver Irrigation Water in accordance with any
401 applicable land classification provisions of Federal Reclamation law and the associated regulations.

402 The Contractor shall not deliver Project Water to land outside the Contractor's Service Area unless
403 approved in advance by the Contracting Officer.

404 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
405 measured and recorded with equipment originally furnished and installed by the United States, and
406 operated, maintained, and replaced as necessary by the Contractor at the point or points of delivery
407 established pursuant to subdivision (a) of this Article. Upon the request of either party to this
408 Contract, the Contracting Officer shall investigate the accuracy of such measurements and shall take
409 any necessary steps to adjust any errors appearing therein. For any period of time when accurate
410 measurements have not been made, the Contracting Officer shall consult with the Contractor prior
411 to making a final determination of the quantity delivered for that period of time.

412 (e) The Contracting Officer shall not be responsible for the control, carriage,
413 handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to this
414 Contract beyond the delivery points specified in subdivision (a) of this Article. The Contractor
415 shall indemnify the United States, its officers, employees, agents, and assigns on account of damage
416 or claim of damage of any nature whatsoever for which there is legal responsibility, including
417 property damage, personal injury, or death arising out of or connected with the control, carriage,
418 handling, use, disposal, or distribution of such Water Delivered beyond such delivery points, except
419 for any damage or claim arising out of (i) acts or omissions of the Contracting Officer or any of its
420 officers, employees, agents, or assigns, with the intent of creating the situation resulting in any
421 damage or claim, (ii) willful misconduct of the Contracting Officer or any of its officers,
422 employees, agents, or assigns, (iii) negligence of the Contracting Officer or any of its officers,
423 employees, agents, or assigns, or (iv) damage or claims resulting from a malfunction of facilities
424 owned and/or operated by the United States.

425 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

426 6. (a) The Contractor has established a measuring program satisfactory to the
427 Contracting Officer. The Contractor shall ensure that all surface water delivered for irrigation
428 purposes within the Contractor's Service Area is measured at each agricultural turnout and such

429 water delivered for M&I purposes is measured at each M&I service connection. The water
430 measuring devices or water measuring methods of comparable effectiveness must be acceptable to
431 the Contracting Officer. The Contractor shall be responsible for installing, operating, and
432 maintaining and repairing all such measuring devices and implementing all such water measuring
433 methods at no cost to the United States. The Contractor shall use the information obtained from
434 such water measuring devices or water measuring methods to ensure its proper management of the
435 water, to bill water users for water delivered by the Contractor; and, if applicable, to record water
436 delivered for M&I purposes by customer class as defined in the Contractor's water conservation
437 plan provided for in Article 26 of this Contract. Nothing herein contained, however, shall preclude
438 the Contractor from establishing and collecting any charges, assessments, or other revenues
439 authorized by California law. The Contractor shall include a summary of all its annual surface
440 water deliveries in the annual report described in subdivision (c) of Article 26.

441 (b) To the extent the information has not otherwise been provided, upon
442 execution of this Contract, the Contractor shall provide to the Contracting Officer a written report
443 describing the measurement devices or water measuring methods being used or to be used to
444 implement subdivision (a) of this Article and identifying the agricultural turnouts and the M&I
445 service connections or alternative measurement programs approved by the Contracting Officer, at
446 which such measurement devices or water measuring methods are being used, and, if applicable,
447 identifying the locations at which such devices and/or methods are not yet being used including a
448 time schedule for implementation at such locations. The Contracting Officer shall advise the
449 Contractor in writing within 60 days as to the adequacy and necessary modifications, if any, of the
450 measuring devices or water measuring methods identified in the Contractor's report and if the
451 Contracting Officer does not respond in such time, they shall be deemed adequate. If the
452 Contracting Officer notifies the Contractor that the measuring devices or methods are inadequate,
453 the parties shall within 60 days following the Contracting Officer's response, negotiate in good faith
454 the earliest practicable date by which the Contractor shall modify said measuring devices and/or

455 measuring methods as required by the Contracting Officer to ensure compliance with subdivision
456 (a) of this Article.

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

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

463 (e) The Contractor shall inform the Contracting Officer on or before the 20th
464 calendar day of each month of the quantity of Irrigation and M&I Water taken during the preceding
465 month.

466 RATES AND METHOD OF PAYMENT FOR WATER

467 7. (a) The Contractor shall pay the United States as provided in this Article for all
468 Delivered Water at Rates, Charges, and the Tiered Pricing Component established in accordance
469 with (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and the Secretary's
470 then-existing ratesetting policy for M&I Water. Such ratesetting policies shall be amended,
471 modified, or superseded only through a public notice and comment procedure; (ii) applicable
472 Federal Reclamation law and associated rules and regulations, or policies; and (iii) other applicable
473 provisions of this Contract. Payments shall be made by cash transaction, electronic funds transfer,
474 or any other mechanism as may be agreed to in writing by the Contractor and the Contracting
475 Officer. The Rates, Charges, and Tiered Pricing Component applicable to the Contractor upon
476 execution of this Contract are set forth in Exhibit "B," as may be revised annually.

477 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges, and
478 Tiered Pricing Component as follows:

479 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
480 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
481 period October 1, of the current Calendar Year, through September 30, of the following Calendar

482 Year, and the basis for such estimate. The Contractor shall be allowed not less than two months to
483 review and comment on such estimates. On or before September 15 of each Calendar Year, the
484 Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during the
485 period October 1 of the current Calendar Year, through September 30, of the following Calendar
486 Year, and such notification shall revise Exhibit "B."

487 (2) Prior to October 1 of each Calendar Year, the Contracting Officer
488 shall make available to the Contractor an estimate of the Rates and Tiered Pricing Component for
489 Project Water for the following Year and the computations and cost allocations upon which those
490 Rates are based. The Contractor shall be allowed not less than two months to review and comment
491 on such computations and cost allocations. By December 31 of each Calendar Year, the
492 Contracting Officer shall provide the Contractor with the final Rates and Tiered Pricing Component
493 to be in effect for the upcoming Year, and such notification shall revise Exhibit "B."

494 (c) At the time the Contractor submits the initial schedule for the delivery of
495 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractor
496 shall make an advance payment to the United States equal to the total amount payable pursuant to
497 the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water scheduled to be
498 delivered pursuant to this Contract during the first two calendar months of the Year. Before the end
499 of the first month and before the end of each calendar month thereafter, the Contractor shall make
500 an advance payment to the United States, at the Rate(s) set under subdivision (a) of this Article, for
501 the Water Scheduled to be delivered pursuant to this Contract during the second month immediately
502 following. Adjustments between advance payments for Water Scheduled and payments at Rates
503 due for Water Delivered shall be made before the end of the following month; Provided, That any
504 revised schedule submitted by the Contractor pursuant to Article 4 of this Contract which increases
505 the amount of Water Delivered pursuant to this Contract during any month shall be accompanied
506 with appropriate advance payment, at the Rates then in effect, to assure that Project Water is not
507 delivered to the Contractor in advance of such payment. In any month in which the quantity of
508 Water Delivered to the Contractor pursuant to this Contract equals the quantity of Water Scheduled

509 and paid for by the Contractor, no additional Project Water shall be delivered to the Contractor
510 unless and until an advance payment at the Rates then in effect for such additional Project Water is
511 made. Final adjustment between the advance payments for the Water Scheduled and payments for
512 the quantities of Water Delivered during each Year pursuant to this Contract shall be made as soon
513 as practicable, but no later than April 30th of the following Year, or 60 days after the delivery of
514 Project Water carried over under subdivision (g) of Article 3 of this Contract if such water is not
515 delivered by the last day of February.

516 (d) The Contractor shall also make a payment in addition to the Rate(s) in
517 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
518 appropriate Tiered Pricing Component then in effect, before the end of the month following the
519 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered
520 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be consistent
521 with the quantities of Irrigation Water and M&I Water Delivered as shown in the water delivery
522 report for the subject month prepared by the Contracting Officer. The water delivery report shall be
523 deemed a bill for the payment of Charges and the applicable Tiered Pricing Component for Water
524 Delivered. Adjustment for overpayment or underpayment of Charges shall be made through the
525 adjustment of payments due to the United States for Charges for the next month. Any amount to be
526 paid for past due payment of Charges and the Tiered Pricing Component shall be computed
527 pursuant to Article 20 of this Contract.

528 (e) The Contractor shall pay for any Water Delivered under subdivision (a), (f),
529 or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable
530 statutes, associated regulations, any applicable provisions of guidelines or ratesetting policies;
531 Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this Contract shall
532 be no more than the otherwise applicable Rate for Irrigation Water or M&I Water under subdivision
533 (a) of this Article.

534 (f) Payments to be made by the Contractor to the United States under this
535 Contract may be paid from any revenues available to the Contractor.

536 (g) All revenues received by the United States from the Contractor relating to the
537 delivery of Project Water or the delivery of non-Project water through Project facilities shall be
538 allocated and applied in accordance with Federal Reclamation law and the associated rules or
539 regulations, and the then-current Project ratesetting policies for M&I Water or Irrigation Water.

540 (h) The Contracting Officer shall keep its accounts pertaining to the
541 administration of the financial terms and conditions of its long-term contracts, in accordance with
542 applicable Federal standards, so as to reflect the application of Project costs and revenues. The
543 Contracting Officer shall, each Year upon request of the Contractor, provide to the Contractor a
544 detailed accounting of all Project and Contractor expense allocations, the disposition of all Project
545 and Contractor revenues, and a summary of all water delivery information. The Contracting Officer
546 and the Contractor shall enter into good faith negotiations to resolve any discrepancies or disputes
547 relating to accountings, reports, or information.

548 (i) The parties acknowledge and agree that the efficient administration of this
549 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,
550 policies, and procedures used for establishing Rates, Charges, and the Tiered Pricing Component,
551 and/or for making and allocating payments, other than those set forth in this Article may be in the
552 mutual best interest of the parties, it is expressly agreed that the parties may enter into agreements
553 to modify the mechanisms, policies, and procedures for any of those purposes while this Contract is
554 in effect without amending this Contract.

555 (j) (1) Beginning at such time as deliveries of Project Water in a Year
556 exceed 80 percent of the Contract Total, then before the end of the month following the month of
557 delivery the Contractor shall make an additional payment to the United States equal to the
558 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water
559 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the
560 Contract total, shall equal one-half of the difference between the Rate established under subdivision
561 (a) of this Article and the Irrigation Full Cost Water Rate or M&I Full Cost Water Rate, whichever

562 is applicable. The Tiered Pricing Component for the amount of Water delivered which exceeds 90
563 percent of the Contract Total shall equal the difference between (i) the Rate established under
564 subdivision (a) of this Article and (ii) the Irrigation Full Cost Water Rate or M&I Full Cost Water
565 Rate, whichever is applicable. For all Water Delivered pursuant to subdivision (a) of Article 3 of
566 this Contract which is in excess of 80 percent of the Contract Total, this increment shall be deemed
567 to be divided between Irrigation Water and M&I Water in the same proportion as actual deliveries
568 of each bear to the cumulative total Water Delivered. Solely for the purpose of calculating the
569 Tiered Pricing Component, the Full Cost Rate shall not include the interest component of the
570 Contractor's water distribution system constructed by the United States and covered by Repayment
571 Contract No. 14-06-200-851A entered into pursuant to 43 USC 485h(d).

572 (2) Subject to the Contracting Officer's written approval, the Contractor
573 may request and receive an exemption from such Tiered Pricing Component for Project Water
574 delivered to produce a crop which the Contracting Officer determines will provide significant and
575 quantifiable habitat values for waterfowl in fields where the water is used and the crops are
576 produced; Provided, That the exemption from the Tiered Pricing Component for Irrigation Water
577 shall apply only if such habitat values can be assured consistent with the purposes of the CVPIA
578 through binding agreements executed with or approved by the Contracting Officer prior to use of
579 such water.

580 (3) For purposes of determining the applicability of the Tiered Pricing
581 Component pursuant to this Article, Water Delivered shall include Project Water that the
582 Contractor transfers to others but shall not include Project Water transferred to the Contractor, nor
583 shall it include the additional water provided to the Contractor under the provisions of subdivision
584 (f) of Article 3 of this Contract.

585 (k) For the term of this Contract, Rates under the respective ratesetting policies
586 will be established to recover only reimbursable O&M (including any deficits) and capital costs of

587 the Project, as those terms are used in the then-current Project ratesetting policies, and interest,
588 where appropriate, except in instances where a minimum Rate is applicable in accordance with the
589 relevant Project ratesetting policy. Changes of significance in practices which implement the
590 Contracting Officer's ratesetting policies will not be implemented until the Contracting Officer has
591 provided the Contractor an opportunity to discuss the nature, need, and impact of the proposed
592 change.

593 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,
594 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates adjusted
595 upward or downward to reflect the changed costs, if any, incurred by the Contracting Officer in the
596 delivery of the transferred Project Water to the transferee's point of delivery in accordance with the
597 then applicable Project ratesetting policy . If the Contractor is receiving lower Rates and Charges
598 because of inability to pay and is transferring Project Water to another entity whose Rates and
599 Charges are not adjusted due to inability to pay, the Rates and Charges for transferred Project Water
600 shall not be adjusted to reflect the Contractor's inability to pay.

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

603 (n) With respect to the Rates for M&I water the Contractor asserts that it is not
604 legally obligated to pay any Project deficits claimed by the United States to have accrued as of the
605 date of this Contract or deficit-related interest charges thereon. By entering into this Contract, the
606 Contractor does not waive any legal rights or remedies that it may have with respect to such
607 disputed issues. Notwithstanding the execution of this Contract and payments made hereunder, the
608 Contractor may challenge in the appropriate administrative or judicial forums: (1) the existence,
609 computation, or imposition of any deficit charges accruing during the term of the Existing Contract
610 and any preceding interim renewal contracts, if applicable; (2) interest accruing on any such
611 deficits; (3) the inclusion of any such deficit charges or interest in the Rates; (4) the application by
612 the United States of payments made by the Contractor under its Existing Contract and any
613 preceding interim renewal contracts, if applicable; and (5) the application of such payments in the

614 Rates. The Contracting Officer agrees that the Contractor shall be entitled to the benefit of any
615 administrative or judicial ruling in favor of any Project M&I contractor on any of these issues, and
616 credits for payments heretofore made, Provided, That the basis for such ruling is applicable to the
617 Contractor.

618 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

619 8. The Contractor and the Contracting Officer concur that, as of the effective date of
620 this Contract, the Contractor has no non-interest bearing O&M deficits and shall have no further
621 liability therefor.

622 SALES, TRANSFERS, OR EXCHANGES OF WATER

623 9. (a) The right to receive Project Water provided for in this Contract may be sold,
624 transferred, or exchanged to others for reasonable and beneficial uses within the State of California
625 if such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable
626 guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this
627 Contract may take place without the prior written approval of the Contracting Officer, except as
628 provided for in subdivision (b) of this Article, and no such sales, transfers, or exchanges shall be
629 approved absent all appropriate environmental documentation, including but not limited to
630 documents prepared pursuant to NEPA and ESA. Such environmental documentation should
631 include, as appropriate, an analysis of groundwater impacts and economic and social effects,
632 including environmental justice, of the proposed water transfers on both the transferor and
633 transferee.

634 (b) In order to facilitate efficient water management by means of water transfers
635 of the type historically carried out among Project Contractors located within the same geographical
636 area and to allow the Contractor to participate in an accelerated water transfer program during the
637 term of this Contract, the Contracting Officer shall prepare, as appropriate, all necessary
638 environmental documentation including, but not limited to, documents prepared pursuant to NEPA
639 and ESA, analyzing annual transfers within such geographical areas, and the Contracting Officer
640 shall determine whether such transfers comply with applicable law. Following the completion of

641 the environmental documentation, such transfers addressed in such documentation shall be
642 conducted with advance notice to the Contracting Officer, but shall not require prior written
643 approval by the Contracting Officer. Such environmental documentation and the Contracting
644 Officer's compliance determination shall be reviewed every five years and updated, as necessary,
645 prior to the expiration of the then-existing five-year period. All subsequent environmental
646 documentation shall include an alternative to evaluate not less than the quantity of Project Water
647 historically transferred within the same geographical area.

648 (c) For a water transfer to qualify under subdivision (b) of this Article, such
649 water transfer must: (i) be for irrigation purposes for lands irrigated within the previous three years,
650 for M&I use, groundwater recharge, water banking, similar groundwater activities, surface water
651 storage, or fish and wildlife resources; not lead to land conversion; and be delivered to established
652 cropland, wildlife refuges, groundwater basins or M&I use; (ii) occur within a single Year; (iii)
653 occur between a willing seller and a willing buyer; (iv) convey water through existing facilities with
654 no new construction or modifications to facilities and be between existing Project Contractors
655 and/or the Contractor and the United States, Department of the Interior; and (v) comply with all
656 applicable Federal, State, and local or tribal laws and requirements imposed for protection of the
657 environment and Indian Trust Assets, as defined under Federal law.

658 (d) For the purpose of determining whether Section 3405(a)(1)(M) of the CVPIA
659 applies to the Contractor as a transferor or transferee of Project Water, the Contracting Officer
660 acknowledges that the Contractor is within a county, watershed, or other area of origin, as those
661 terms are utilized under California law, of water that constitutes the natural flow of the Sacramento
662 River and its tributaries above the confluence of the American and Sacramento Rivers.

663 APPLICATION OF PAYMENTS AND ADJUSTMENTS

664 10. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,
665 capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of
666 the Contractor arising out of this Contract then due and payable. Overpayments of more than
667 \$1,000 shall be refunded at the Contractor's request. In lieu of a refund, any amount of such

668 overpayment, at the option of the Contractor, may be credited against amounts to become due to the
669 United States by the Contractor. With respect to overpayment, such refund or adjustment shall
670 constitute the sole remedy of the Contractor or anyone having or claiming to have the right to the
671 use of any of the Project Water supply provided for herein. All credits and refunds of overpayments
672 shall be made within 30 days of the Contracting Officer obtaining direction as to how to credit or
673 refund such overpayment in response to the notice to the Contractor that it has finalized the
674 accounts for the Year in which the overpayment was made.

675 (b) All advances for miscellaneous costs incurred for work requested by the
676 Contractor pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs when
677 the work has been completed. If the advances exceed the actual costs incurred, the difference will
678 be refunded to the Contractor. If the actual costs exceed the Contractor's advances, the Contractor
679 will be billed for the additional costs pursuant to Article 25.

680 TEMPORARY REDUCTIONS--RETURN FLOWS

681 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the
682 requirements of Federal law; and (ii) the obligations of the United States under existing contracts, or
683 renewals thereof, providing for water deliveries from the Project, the Contracting Officer shall make
684 all reasonable efforts to optimize Project Water deliveries to the Contractor as provided in this
685 Contract.

686 (b) The Contracting Officer may temporarily discontinue or reduce the quantity
687 of Water Delivered to the Contractor as herein provided for the purposes of investigation,
688 inspection, maintenance, repair, or replacement of any of the Project facilities or any part thereof
689 necessary for the delivery of Project Water to the Contractor, but so far as feasible the Contracting
690 Officer will give the Contractor due notice in advance of such temporary discontinuance or
691 reduction, except in case of emergency, in which case no notice need be given; Provided, That the
692 United States shall use its best efforts to avoid any discontinuance or reduction in such service.
693 Upon resumption of service after such reduction or discontinuance, and if requested by the

694 Contractor, the United States will, if possible, deliver the quantity of Project Water which would
695 have been delivered hereunder in the absence of such discontinuance or reduction.

696 (c) The United States reserves the right to all seepage and return flow water
697 derived from Water Delivered to the Contractor hereunder which escapes or is discharged beyond
698 the Contractor's Service Area; Provided, That this shall not be construed as claiming for the United
699 States any right to seepage or return flow being put to reasonable and beneficial use pursuant to this
700 Contract within the Contractor's Service Area by the Contractor or those claiming by, through, or
701 under the Contractor.

702 CONSTRAINTS ON THE AVAILABILITY OF WATER

703 12. (a) In its operation of the Project, the Contracting Officer will use all reasonable
704 means to guard against a Condition of Shortage in the quantity of water to be made available to the
705 Contractor pursuant to this Contract. In the event the Contracting Officer determines that a
706 Condition of Shortage appears probable, the Contracting Officer will notify the Contractor of said
707 determination as soon as practicable.

708 (b) If there is a Condition of Shortage because of errors in physical operations of
709 the Project, drought, other physical causes beyond the control of the Contracting Officer or actions
710 taken by the Contracting Officer to meet legal obligations then, except as provided in subdivision
711 (a) of Article 18 of this Contract, no liability shall accrue against the United States or any of its
712 officers, agents, or employees for any damage, direct or indirect, arising therefrom.

713 (c) In any Year in which there may occur a shortage for any of the reasons
714 specified in subdivision (b) above, the Contracting Officer shall apportion Project Water among the
715 Contractor and others entitled, under existing contracts and future contracts (to the extent such
716 future contracts are permitted under subsections (a) and (b) of Section 3404 of the CVPIA) and

717 renewals thereof, to receive Irrigation Water consistent with the contractual obligations of the
718 United States.

719 (d) Project Water furnished under this Contract will be allocated in accordance
720 with the then-existing Project M&I Water Shortage Policy. Such policy shall be amended,
721 modified, or superseded only through a public notice and comment procedure.

722 (e) By entering into this Contract, the Contractor does not waive any legal rights
723 or remedies it may have to file or participate in any administrative or judicial proceeding contesting
724 (i) the sufficiency of the manner in which any Project M&I Water Shortage Policy adopted after the
725 effective date of this Contract was promulgated; (ii) the substance of such a policy; or (iii) the
726 applicability of such a policy. By agreeing to the foregoing, the Contracting Officer does not waive
727 any legal defenses or remedies that it may then have to assert in such a proceeding.

728 UNAVOIDABLE GROUNDWATER PERCOLATION

729 13. To the extent applicable, the Contractor shall not be deemed to have delivered
730 Irrigation Water to Excess Lands or Ineligible Lands within the meaning of this Contract if such
731 lands are irrigated with groundwater that reaches the underground strata as an unavoidable result of
732 the delivery of Irrigation Water by the Contractor to Eligible Lands.

733 RULES AND REGULATIONS

734 14. The parties agree that the delivery of Irrigation Water or use of Federal facilities
735 pursuant to this Contract is subject to Federal Reclamation law, including but not limited to the
736 Reclamation Reform Act of 1982 (43 U.S.C.390aa et seq.), as amended and supplemented, and the
737 rules and regulations promulgated by the Secretary of the Interior under Federal Reclamation law.

738 WATER AND AIR POLLUTION CONTROL

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

742

QUALITY OF WATER

743 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant to
744 this Contract shall be operated and maintained to enable the United States to deliver Project Water
745 to the Contractor in accordance with the water quality standards specified in subsection 2(b) of the
746 Act of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October 27, 1986 (100
747 Stat. 3050) or other existing Federal laws. The United States is under no obligation to construct or
748 furnish water treatment facilities to maintain or to improve the quality of Water Delivered to the
749 Contractor pursuant to this Contract. The United States does not warrant the quality of Water
750 Delivered to the Contractor pursuant to this Contract.

751 (b) The O&M of Project facilities shall be performed in such manner as is
752 practicable to maintain the quality of raw water made available through such facilities at the highest
753 level reasonably attainable as determined by the Contracting Officer. The Contractor shall be
754 responsible for compliance with all State and Federal water quality standards applicable to surface
755 and subsurface agricultural drainage discharges generated through the use of Federal or Contractor
756 facilities or Project Water provided by the Contractor within the Contractor's Service Area.

757 WATER ACQUIRED BY THE CONTRACTOR
758 OTHER THAN FROM THE UNITED STATES

759 17. (a) Water or water rights now owned or hereafter acquired by the Contractor
760 other than from the United States and Irrigation Water furnished pursuant to the terms of this
761 Contract may be simultaneously transported through the same distribution facilities of the
762 Contractor subject to the following: (i) if the facilities utilized for commingling Irrigation Water
763 and non-Project water were constructed without funds made available pursuant to Federal
764 Reclamation law, the provisions of Federal Reclamation law will be applicable only to the
765 Landholders of lands which receive Irrigation Water; (ii) the eligibility of land to receive Irrigation

766 Water must be established through the certification requirements as specified in the Acreage
767 Limitation Rules and Regulations (43 CFR Part 426); (iii) the water requirements of Eligible Lands
768 within the Contractor's Service Area can be established and the quantity of Irrigation Water to be
769 utilized is less than or equal to the quantity necessary to irrigate such Eligible Lands; and (iv) if the
770 facilities utilized for commingling Irrigation Water and non-Project water are/were constructed with
771 funds made available pursuant to Federal Reclamation law, the non-Project water will be subject to
772 the acreage limitation provisions of Federal Reclamation law, unless the Contractor pays to the
773 United States the incremental fee described in 43 CFR 426.15. In determining the incremental fee,
774 the Contracting Officer will calculate annually the cost to the Federal Government, including
775 interest, on storing or delivering non-Project water, which for purposes of this Contract shall be
776 determined as follows: The quotient shall be the unpaid Distribution System costs divided by the
777 total irrigable acreage within the Contractor's Service Area. The incremental fee per acre is the
778 mathematical result of such quotient times the interest rate determined using Section 202 (3) of the
779 Act of October 12, 1982 (96 Stat. 1263). Such incremental fee will be charged to each acre of
780 excess or full cost land within the Contractor's Service Area that receives non-Project water through
781 Federally financed or constructed facilities. The incremental fee calculation methodology will
782 continue during the term of this Contract absent the promulgation of a contrary Reclamation-wide
783 rule, regulation, or policy adopted after the Contractor has been afforded the opportunity to review
784 and comment on the proposed rule, regulation, or policy. If such rule, regulation, or policy is
785 adopted it shall supersede this provision.

786 (b) Water or water rights now owned or hereafter acquired by the Contractor,
787 other than from the United States, may be stored, conveyed, and/or diverted through Project
788 facilities, subject to the completion of appropriate environmental documentation, with the approval

789 of the Contracting Officer and the execution of any contract determined by the Contracting Officer
790 to be necessary, consistent with the following provisions:

791 (1) The Contractor may introduce non-Project water into Project facilities
792 and deliver said water to lands within the Contractor's Service Area, including Ineligible Lands,
793 subject to payment to the United States of an appropriate rate as determined by the applicable
794 Project ratesetting policy, the RRA, and the Project use power policy, if such Project use power
795 policy is applicable, each as amended, modified, or superseded from time to time.

796 (2) Delivery of such non-Project water in and through Project facilities
797 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project purposes
798 as determined by the Contracting Officer; (ii) reduce the quantity or quality of water available to
799 other Project Contractors; (iii) interfere with the delivery of contractual water entitlements to any
800 other Project Contractors; or (iv) interfere with the physical maintenance of the Project facilities.

801 (3) The United States shall not be responsible for control, care, or
802 distribution of the non-Project water before it is introduced into or after it is delivered from the
803 Project facilities. The Contractor hereby releases and agrees to defend and indemnify the United
804 States and its respective officers, agents, and employees, from any claim for damage to persons or
805 property, direct or indirect, resulting from the acts of the Contractor, its officers', employees',
806 agents', or assigns', act(s) in (i) extracting or diverting non-Project water from any source, or (ii)
807 diverting such non-Project water into Project facilities.

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

811 (5) After Project purposes are met, as determined by the Contracting
812 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity of

813 the facilities declared to be available by the Contracting Officer for conveyance and transportation
814 of non-Project water prior to any such remaining capacity being made available to non-Project
815 contractors.

816 OPINIONS AND DETERMINATIONS

817 18. (a) Where the terms of this Contract provide for actions to be based upon the
818 opinion or determination of either party to this Contract, said terms shall not be construed as
819 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
820 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly
821 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or
822 unreasonable opinion or determination. Each opinion or determination by either party shall be
823 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is intended to
824 or shall affect or alter the standard of judicial review applicable under Federal law to any opinion or
825 determination implementing a specific provision of Federal law embodied in statute or regulation.

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

831 COORDINATION AND COOPERATION

832 19. (a) In order to further their mutual goals and objectives, the Contracting Officer
833 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other
834 affected Project Contractors, in order to improve the operation and management of the Project. The
835 communication, coordination, and cooperation regarding operations and management shall include,
836 but not be limited to, any action which will or may materially affect the quantity or quality of
837 Project Water supply, the allocation of Project Water supply, and Project financial matters
838 including, but not limited to, budget issues. The communication, coordination, and cooperation

839 provided for hereunder shall extend to all provisions of this Contract. Each party shall retain
840 exclusive decision making authority for all actions, opinions, and determinations to be made by the
841 respective party.

842 (b) Within 120 days following the effective date of this Contract, the Contractor,
843 other affected Project Contractors, and the Contracting Officer shall arrange to meet with interested
844 Project Contractors to develop a mutually agreeable, written Project-wide process, which may be
845 amended as necessary separate and apart from this Contract. The goal of this process shall be to
846 provide, to the extent practicable, the means of mutual communication and interaction regarding
847 significant decisions concerning Project operation and management on a real-time basis.

848 (c) In light of the factors referred to in subdivision (b) of Article 3 of this
849 Contract, it is the intent of the Secretary to improve water supply reliability. To carry out this
850 intent:

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

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

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

860 (3.1) The Secretary and the Contractor desire to work together to maximize
861 the reasonable beneficial use of water for their mutual benefit. As a consequence, the Secretary and
862 the Contractor will work in partnership and with others in the region of the Redding Groundwater
863 Basin, including other Contractors in the Shasta and Trinity Divisions of the Project, to facilitate the
864 better integration with the region of the Redding Groundwater Basin of all water supplies including,
865 but not limited to, the better management and integration of surface water and groundwater,

866 transfers and exchanges of water, the development and better utilization of surface water storage,
867 the effective utilization of waste, seepage and return flow water, and other operational and
868 management options that may be identified in the future.

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

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

874 (d) Without limiting the contractual obligations of the Contracting Officer under
875 the other Articles of this Contract nothing in this Article shall be construed to limit or constrain the
876 Contracting Officer's ability to communicate, coordinate, and cooperate with the Contractor or
877 other interested stakeholders or to make decisions in a timely fashion as needed to protect health,
878 safety, or the physical integrity of structures or facilities.

879 CHARGES FOR DELINQUENT PAYMENTS

880 20. (a) The Contractor shall be subject to interest, administrative and penalty charges
881 on delinquent installments or payments. When a payment is not received by the due date, the
882 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.
883 When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative
884 charge to cover additional costs of billing and processing the delinquent payment. When a payment
885 is delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six
886 (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the
887 Contractor shall pay any fees incurred for debt collection services associated with a delinquent
888 payment.

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

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

897

EQUAL OPPORTUNITY

898 21. During the performance of this Contract, the Contractor agrees as follows:

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

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

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

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

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

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

932 (g) The Contractor will include the provisions of paragraphs (a) through (g) in
933 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
934 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
935 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action

936 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a
937 means of enforcing such provisions, including sanctions for noncompliance: Provided, however,
938 That in the event the Contractor becomes involved in, or is threatened with, litigation with a
939 subcontractor or vendor as a result of such direction, the Contractor may request the United States
940 to enter into such litigation to protect the interests of the United States.

941 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

942 22. (a) The obligation of the Contractor to pay the United States as provided in this
943 Contract is a general obligation of the Contractor notwithstanding the manner in which the
944 obligation may be distributed among the Contractor's water users and notwithstanding the default of
945 individual water users in their obligations to the Contractor.

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

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

954 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

955 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
956 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
957 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws,
958 as well as with their respective implementing regulations and guidelines imposed by the U.S.
959 Department of the Interior and/or Bureau of Reclamation.

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

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

973

PRIVACY ACT COMPLIANCE

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

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

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

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

992 (e) The Contractor shall forward promptly to the System Manager each proposed
993 denial of access under 43 CFR 2.64; and each request for amendment of records filed under 43 CFR
994 2.71; notify the requester accordingly of such referral; and provide the System Manager with
995 information and records necessary to prepare an appropriate response to the requester. These
996 requirements do not apply to individuals seeking access to their own certification and reporting
997 forms filed with the Contractor pursuant to 43 CFR 426.18, unless the requester elects to cite the
998 Privacy Act as a basis for the request.

999 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

1000 25. In addition to all other payments to be made by the Contractor pursuant to this
1001 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and
1002 detailed statement submitted by the Contracting Officer to the Contractor for such specific items of
1003 direct cost incurred by the United States for work requested by the Contractor associated with this
1004 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and
1005 procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in
1006 writing in advance by the Contractor. This Article shall not apply to costs for routine contract
1007 administration.

1008

WATER CONSERVATION

1009 26. (a) Prior to the delivery of water provided from or conveyed through Federally
1010 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be
1011 implementing an effective water conservation and efficiency program based on the Contractor's
1012 water conservation plan that has been determined by the Contracting Officer to meet the
1013 conservation and efficiency criteria for evaluating water conservation plans established under
1014 Federal law. The water conservation and efficiency program shall contain definite water
1015 conservation objectives, appropriate economically feasible water conservation measures, and time
1016 schedules for meeting those objectives. Continued Project Water delivery pursuant to this Contract
1017 shall be contingent upon the Contractor's continued implementation of such water conservation
1018 program. In the event the Contractor's water conservation plan or any revised water conservation
1019 plan completed pursuant to subdivision (d) of Article 26 of this Contract have not yet been
1020 determined by the Contracting Officer to meet such criteria, due to circumstances which the
1021 Contracting Officer determines are beyond the control of the Contractor, water deliveries shall be
1022 made under this Contract so long as the Contractor diligently works with the Contracting Officer to
1023 obtain such determination at the earliest practicable date, and thereafter the Contractor immediately
1024 begins implementing its water conservation and efficiency program in accordance with the time
1025 schedules therein.

1026 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
1027 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall implement
1028 the Best Management Practices identified by the time frames issued by the California Urban Water
1029 Conservation Council for such M&I Water unless any such practice is determined by the
1030 Contracting Officer to be inappropriate for the Contractor.

1031 (c) The Contractor shall submit to the Contracting Officer a report on the status
1032 of its implementation of the water conservation plan on the reporting dates specified in the then
1033 existing conservation and efficiency criteria established under Federal law.

1034 (d) At five-year intervals, the Contractor shall revise its water conservation plan
1035 to reflect the then-current conservation and efficiency criteria for evaluating water conservation
1036 plans established under Federal law and submit such revised water management plan to the
1037 Contracting Officer for review and evaluation. The Contracting Officer will then determine if the
1038 water conservation plan meets Reclamation's then-current conservation and efficiency criteria for
1039 evaluating water conservation plans established under Federal law.

1040 (e) If the Contractor is engaged in direct groundwater recharge, such activity
1041 shall be described in the Contractor's water conservation plan.

1042 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1043 27. Except as specifically provided in Article 17 of this Contract, the provisions of this
1044 Contract shall not be applicable to or affect non-Project water or water rights now owned or
1045 hereafter acquired by the Contractor or any user of such water within the Contractor's Service Area.
1046 Any such water shall not be considered Project Water under this Contract. In addition, this Contract
1047 shall not be construed as limiting or curtailing any rights which the Contractor or any water user
1048 within the Contractor's Service Area acquires or has available under any other contract pursuant to
1049 Federal Reclamation law.

1050 28. Omitted.

1051 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1052 29. The expenditure or advance of any money or the performance of any obligation of
1053 the United States under this Contract shall be contingent upon appropriation or allotment of funds.
1054 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations
1055 under this Contract. No liability shall accrue to the United States in case funds are not appropriated
1056 or allotted.

1057 BOOKS, RECORDS, AND REPORTS

1058 30. (a) The Contractor shall establish and maintain accounts and other books and
1059 records pertaining to administration of the terms and conditions of this Contract, including: the
1060 Contractor's financial transactions, water supply data, and Project land and right-of-way
1061 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
1062 data; and other matters that the Contracting Officer may require. Reports thereon shall be furnished
1063 to the Contracting Officer in such form and on such date or dates as the Contracting Officer may

1064 require. Subject to applicable Federal laws and regulations, each party to this Contract shall
1065 have the right during office hours to examine and make copies of the other party's books and
1066 records relating to matters covered by this Contract.

1067 (b) Notwithstanding the provisions of subdivision (a) of this Article, no
1068 books, records, or other information shall be requested from the Contractor by the Contracting
1069 Officer unless such books, records, or information are reasonably related to the administration or
1070 performance of this Contract. Any such request shall allow the Contractor a reasonable period of
1071 time within which to provide the requested books, records, or information.

1072 (c) Omitted.

1073 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1074 31. (a) The provisions of this Contract shall apply to and bind the successors and
1075 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1076 therein shall be valid until approved in writing by the Contracting Officer.

1077 (b) The assignment of any right or interest in this Contract by either party
1078 shall not interfere with the rights or obligations of the other party to this Contract absent the
1079 written concurrence of said other party.

1080 (c) The Contracting Officer shall not unreasonably condition or withhold his approval
1081 of any proposed assignment.

1082 SEVERABILITY

1083 32. In the event that a person or entity who is neither (i) a party to a Project contract,
1084 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii)
1085 an association or other form of organization whose primary function is to represent parties to
1086 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or
1087 enforceability of a provision included in this Contract and said person, entity, association, or
1088 organization obtains a final court decision holding that such provision is legally invalid or
1089 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s),
1090 the parties to this Contract shall use their best efforts to (i) within 30 days of the date of such

1091 final court decision identify by mutual agreement the provisions in this Contract which must be
1092 revised, and (ii) within three months thereafter promptly agree on the appropriate revision(s).
1093 The time periods specified above may be extended by mutual agreement of the parties. Pending
1094 the completion of the actions designated above, to the extent it can do so without violating any
1095 applicable provisions of law, the United States shall continue to make the quantities of Project
1096 Water specified in this Contract available to the Contractor pursuant to the provisions of this
1097 Contract which were not found to be legally invalid or unenforceable in the final court decision.

1098 RESOLUTION OF DISPUTES

1099 33. Should any dispute arise concerning any provisions of this Contract, or the
1100 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to
1101 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting
1102 Officer referring any matter to Department of Justice, the party shall provide to the other party
1103 30 days' written notice of the intent to take such action; Provided, That such notice shall not be
1104 required where a delay in commencing an action would prejudice the interests of the party that
1105 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer
1106 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,
1107 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the
1108 United States may have.

1109 OFFICIALS NOT TO BENEFIT

1110 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1111 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1112 manner as other water users or landowners.

1113 CHANGES IN CONTRACTOR'S SERVICE AREA

1114 35. (a) While this Contract is in effect, no change may be made in the
1115 Contractor's Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger,
1116 or otherwise, except upon the Contracting Officer's written consent.

1117 (b) Within 30 days of receipt of a request for such a change, the Contracting
1118 Officer will notify the Contractor of any additional information required by the Contracting

1119 Officer for processing said request, and both parties will meet to establish a mutually agreeable
1120 schedule for timely completion of the process. Such process will analyze whether the proposed
1121 change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract;
1122 (ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or
1123 to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii)
1124 have an impact on any Project Water rights applications, permits, or licenses. In addition, the
1125 Contracting Officer shall comply with the NEPA and the ESA. The Contractor will be
1126 responsible for all costs incurred by the Contracting Officer in this process, and such costs will
1127 be paid in accordance with Article 25 of this Contract.

1128 FEDERAL LAWS

1129 36. By entering into this Contract, the Contractor does not waive its rights to contest
1130 the validity or application in connection with the performance of the terms and conditions of this
1131 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with
1132 the terms and conditions of this Contract unless and until relief from application of such Federal
1133 law or regulation to the implementing provision of the Contract is granted by a court of
1134 competent jurisdiction.

1135 NOTICES

1136 37. Any notice, demand, or request authorized or required by this Contract shall be
1137 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
1138 delivered to the Area Manager, Bureau of Reclamation, Northern California Area Office,
1139 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the
1140 United States, when mailed, postage prepaid, or delivered to the Board of Directors of the Bella
1141 Vista Water District, 11368 East Stillwater Way, Redding, California 96003. The designation of
1142 the addressee or the address may be changed by notice given in the same manner as provided in
1143 this Article for other notices.

1144 CONFIRMATION OF CONTRACT

1145 38. The Contractor, after the execution of this Contract, shall promptly seek to secure
1146 a decree of a court of competent jurisdiction of the State of California, confirming the execution
1147 of this Contract. The Contractor shall furnish the United States a certified copy of the final
1148 decree, the validation proceedings, and all pertinent supporting records of the court approving

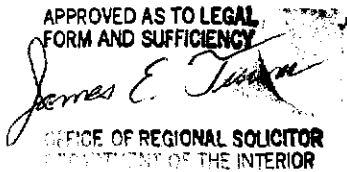
1149 and confirming this Contract, and decreeing and adjudging it to be lawful, valid, and binding on
1150 the Contractor.

1151 AMENDATORY CONTRACT

1152 39. The parties hereto acknowledge and agree that Part A (i.e., Articles 2 through 10)
1153 of Contract No. 14-06-200-851A is replaced by this Contract. The respective duties, covenants,
1154 and obligations of the parties in Contract No. 14-06-200-851A which are not replaced by this
1155 Contract shall continue in full force and effect pending prompt completion of good faith
1156 negotiations between the parties to agree upon an amendatory contract.

1157 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of
1158 the day and year first above written.

1159 THE UNITED STATES OF AMERICA



1160
1161
1162

By: [Signature]
Regional Director, Mid-Pacific Region
Bureau of Reclamation

1163 (SEAL)

1164 BELLA VISTA WATER DISTRICT

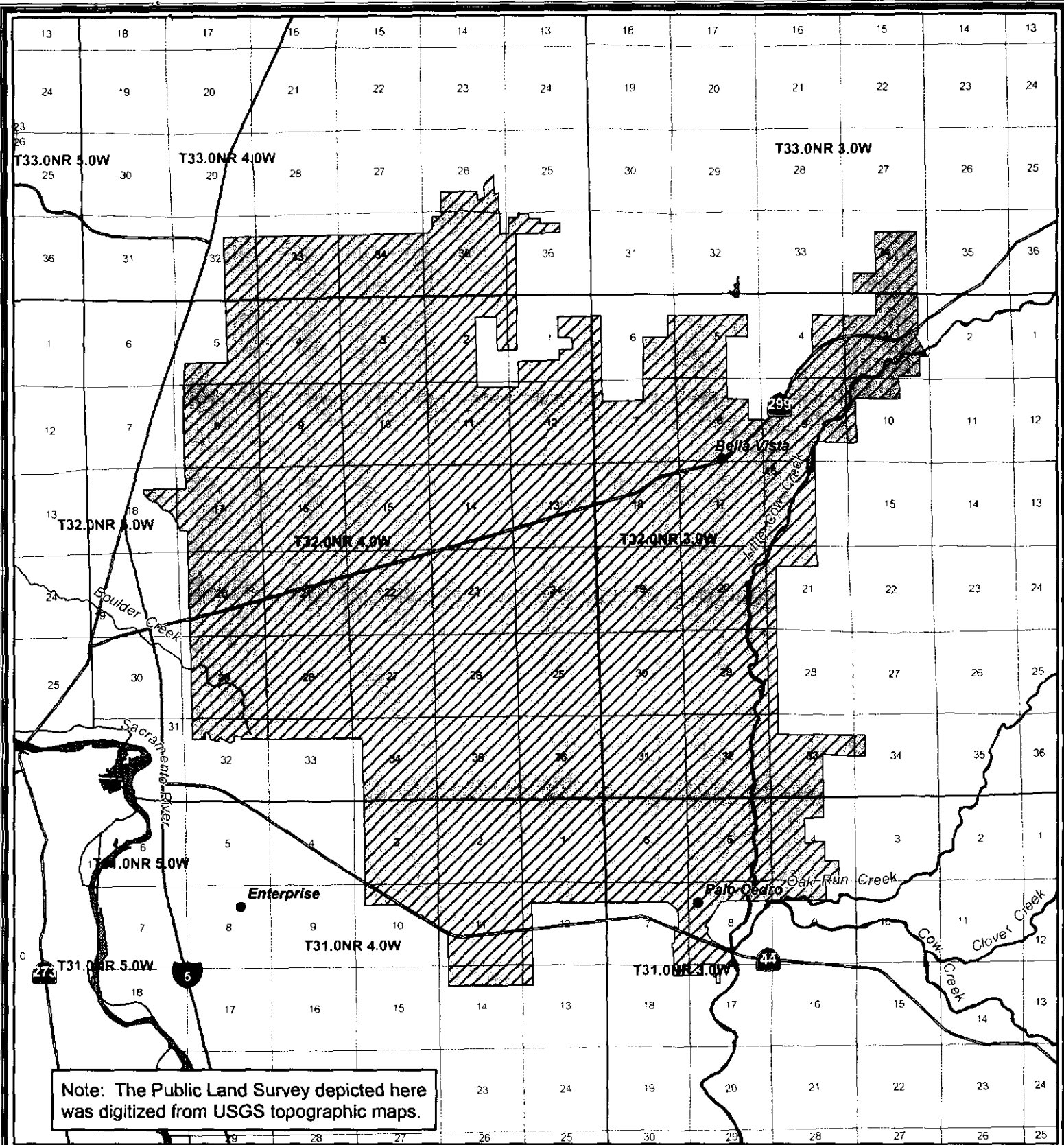
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By: [Signature]
President of the Board of Directors

1167 Attest:

1168 By: [Signature]
1169 Secretary of the Board of Directors

1170 (H:\public\Willows Final LTRC's\2005-01-31 Bella Vista Final LTRC Draft.doc)



Bella Vista Water District

Contract No. 14-06-200-851A-LTR1
Exhibit A



-  Contractor's Service Area
-  District Boundary



EXHIBIT B

BELLA VISTA WATER DISTRICT
2005 Water Rates and Charges per Acre-Foot

	<u>Cost of Service</u>		Calculated Payment Capacity 1/ <u>Irrigation</u>
	<u>Irrigation</u>	<u>M&I</u>	
<u>COST OF SERVICE RATES:</u>			
Capital Rates	\$10.21	\$15.27	\$ 0.00
O&M Rates:			
Water Marketing	6.61	3.89	6.61
Storage	5.93	6.67	5.93
Direct Pumping	6.67	6.67	6.67
Deficit Rates:			
Interest Bearing	0.00	13.84	0.00
CFO/PFR Adjustment Rate 2/	<u>1.61</u>	<u>1.78</u>	<u>1.61</u>
TOTAL	<u>\$31.03</u>	<u>\$48.12</u>	<u>\$20.82</u>

IRRIGATION FULL-COST RATES:

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>\$56.46</u>	<u>\$56.46</u>
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Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.

	<u>\$72.46</u>	<u>\$72.46</u>
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M&I FULL COST RATE:

	<u>\$57.02</u>
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TIERED PRICING COMPONENTS:

Tiered Pricing Component >80% <=90% of Contract
Total [Full Cost Rate – COS Rate / 2]

	<u>\$ 7.93</u>	<u>\$ 4.45</u>	<u>\$13.03</u>
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Tiered Pricing Component >90% of Contract
Total [Full Cost Rate – COS Rate]

	<u>\$15.85</u>	<u>\$ 8.90</u>	<u>\$26.06</u>
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CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 3/

Restoration Payments (3407(d)(2)(A))

	<u>\$ 7.93</u>	<u>\$15.87</u>	<u>\$ 0.00</u>
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1/ Established pursuant to the results of the Payment Capacity Analysis for the Clear Creek CSD and Bella Vista WD as announced by letter dated October 2, 1996.

2/ 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.

3/ 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).

Recent Historic Use, as defined in the CVP M&I Water Shortage Policy, is _____ acre-feet.

EXHIBIT C

GUIDELINES FOR DETERMINING IF PROJECT WATER
IS PUT TO USE AS IRRIGATION WATER

A. Objective:

1. Achieve the proper use of Project Water irrespective of landholding size.
2. Obtain reimbursement to the Reclamation Fund for Project Water at the appropriate Rates.

B. Focus:

1. Usually, the Rates for Irrigation Water are significantly less than the Rates for M&I Water. Contractors that have both irrigation and M&I as purposes of use in their contracts have to determine the appropriate Rates to charge their customers for Project Water. That determination becomes more difficult for smaller landholdings because activities on a rural residence may appear to be similar to activities on a farm or ranch.
2. To qualify as Irrigation Water, Project Water must be used primarily in the production of crops or livestock for sale or barter beyond the quantity needed for personal use.

C. Criteria to consider:

1. Existence of a business or development plan; and
2. Crop or livestock sales or barter; and/or
3. Improvements to land, including but not limited to buildings (barns, storage facilities, workshop, livestock shed), irrigation system, leveling, corrals, fencing, fruit or nut trees, vines, etc.); and
4. Related enterprises involving the landholder. For example, Project Water diverted to irrigate pasture for horses used in a cattle operation would be at the Rates for Irrigation Water in contrast to Project Water diverted to irrigate pasture for horses used only for personal enjoyment which would be at the Rates for M&I Water.

D. Decision:

1. The Contractor shall be responsible for ascertaining whether Project Water delivered by it is put to use as Irrigation Water or M&I Water. In the past, Reclamation's focus has been on landholdings operated in units of less than two acres. More recently, that focus has been on landholdings operated in units of less than five acres.
2. The guidelines recognize that the Contractor surveyed all landholdings between two and five acres during the term of its first interim renewal contract to determine if those landholders were paying the appropriate Rates for Project Water. If the purpose of use has not changed since that survey was completed, those landholders will not be required to submit a new application to the Contractor to receive Project Water at the Rates for Irrigation Water. If the landholder but not the purpose of use has changed after the survey was completed but prior to execution of this Contract, those landholders will not be required to submit a new application requesting Project Water at the Rates for Irrigation Water. The Contractor will require a new application requesting Project Water at the Rates for Irrigation Water when there is a change in ownership of any of those landholdings after the date of execution of this Contract.

E. Review:

A decision made by the Contractor may be reviewed by Reclamation. If Reclamation does not agree with the Contractor's decision, Reclamation shall provide notification, in writing, to the Contractor explaining specifically why Reclamation believes the decision made by the Contractor to deliver Irrigation Water to the landholding was not done so in accordance with these guidelines. Within 30 days of receipt of such notification, Reclamation and the Contractor shall meet and confer to determine what corrective actions should be taken to resolve the disagreement in accordance with these guidelines. If Reclamation and the Contractor cannot resolve the disagreement within 90 days of that notification, Reclamation shall, thereafter, provide its final determination, in writing to the Contractor. The Contractor retains the right to appeal up to and including the Commissioner of Reclamation any final decision they are in disagreement with.

F. Documentation:

These guidelines presume a landholding is only eligible to receive Project Water at the Rates for M&I Water unless documentation is provided to the Contractor to show it qualifies for Irrigation Water or an application by a landholder requesting new service for Irrigation Water is approved by the Contractor. The Contractor shall retain such documentation for a period of six years after the initial determination is made that Project Water is being used for irrigation purposes or after a landholder no longer is using Project Water for irrigation purposes, whichever is longer.

BELLA VISTA WATER DISTRICT

County of Shasta
State of California

RESOLUTION NO. 2004- 08

**A RESOLUTION APPROVING LONG-TERM RENEWAL CONTRACT
FOR WATER SERVICE BETWEEN THE UNITED STATES AND
BELLA VISTA WATER DISTRICT AND
APPROVING NOTICE OF EXEMPTION
UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**

Recitals

- A. On April 3, 1964 the Bella Vista Water District ("District") and the United States of America entered into a contract providing, among other things, for water service, designated Contract No. 14-06-200-851A ("Original Contract").
- B. Water service under the Original Contract began in 1966, and has continued uninterrupted since then.
- C. The water service component of the Original Contract expired on February 28, 1995.
- D. In advance of the expiration of the Original Contract, the District and the United States negotiated an Interim Renewal Contract ("IRC"), in accordance with the Central Valley Project Improvement Act, pending completion of a Programmatic Environmental Impact Statement ("PEIS").
- E. Upon completion of the PEIS, the United States announced its intent to negotiate a long-term renewal of the Original Contract.
- F. The District and the United States engaged in a series of negotiations commencing in 1999 and completed on June 15, 2004. A copy of the proposed Long-Term Renewal Contract, designated Contract No. 14-06-200-851A-LTR1 is attached hereto and incorporated herein by this reference as Exhibit "A".

G. The form of Long-Term Renewal Contract attached hereto reflects the results of the negotiations and contains the terms and conditions that the District and the United States have tentatively agreed upon.

H. Prior to execution of the Long-Term Renewal Contract, the United States must publish the proposed contract for a 60-day public review, complete analysis of renewal of the contract under the National Environmental Policy Act and complete consultations with other federal agencies under the federal Endangered Species Act.

I. The parties intend that the Long-Term Renewal Contract will be ready for execution no later than March 1, 2005, and will be effective as of that date.

J. Prior to execution of the Long-Term Renewal Contract, the District must analyze the action under the California Environmental Quality Act ("CEQA"). The District has previously analyzed its interim renewals of the Original Contract under CEQA, and has found them to be exempt. The District believes that its execution of the Long-Term Renewal Contract is similarly exempt, for the reasons set forth in the Notice of Exemption attached hereto and incorporated herein by this reference as Exhibit "B".

NOW, THEREFORE, be it RESOLVED, ADJUDGED and
ORDAINED that:

1. BELLA VISTA WATER DISTRICT approves the "*Long-Term Renewal Contract Between the United States and Bella Vista Water District Providing for Project Water Service from the Trinity River Division*", Contract No. 14-06-200-851A-LTR1.

2. Once the 60-day public review period and the United States' environmental review and ESA consultations are completed, if the United States presents the District with a Long-Term Renewal Contract that is in substantially the same form as that attached hereto as Exhibit "A", then the District's officers are authorized to execute that Long-Term Renewal Contract, without further action of this Board.

3. The Secretary shall prepare and file a Notice of Exemption under CEQA in the form attached hereto as Exhibit B with the Shasta County Clerk as soon as possible. In accordance with this finding of exemption, no fee is due under California Fish and Game Code Section 711.4.

4. The District's officers, staff and consultants are authorized and directed to do all things necessary and appropriate to carry out this Resolution and to ensure continued and uninterrupted water service to the District under its water service contract.

PASSED AND ADOPTED at a regular meeting on July 26, 2004,
2004 of the Board of Directors by the following vote:

AYES: 3
NOES: 0
ABSENT: 2



President, Board of Directors

ATTEST:



Secretary

CERTIFICATION

I Robert W Dietz, the duly and regularly appointed Secretary of the BELLA WATER DISTRICT, hereby certify that the foregoing is a true, correct and exact copy of a Resolution of the Board of Directors of BELLA VISTA WATER DISTRICT, duly and regularly passed and adopted at a meeting of the said Board of Directors at Redding, California, on July 26 2004, the original of which is on file in my office and duly and regularly entered in the official records of proceedings of the Board of Directors of BELLA VISTA WATER DISTRICT.

Dated: 7/27/2004



Robert W Dietz, Secretary