

1 UNITED STATES
2 DEPARTMENT OF THE INTERIOR
3 BUREAU OF RECLAMATION
4 Central Valley Project, California

5 LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
6 AND
7 SAN LUIS WATER DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE
9 FROM SAN LUIS UNIT AND DELTA DIVISION

10 THIS CONTRACT, made this _____ day of _____, 2001, in pursuance
11 generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto,
12 including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
13 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70 Stat.
14 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1262), October 27, 1986 (100 Stat.
15 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively
16 hereinafter referred to as Federal Reclamation law, between THE UNITED STATES OF AMERICA,
17 hereinafter referred to as the United States, and **SAN LUIS WATER DISTRICT**, hereinafter
18 referred to as the Contractor, a public agency of the State of California, duly organized, existing, and
19 acting pursuant to the laws thereof, with its principal place of business in California;

20 WITNESSETH, That:

21 EXPLANATORY RECITALS

22 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
23 Project, California, for diversion, storage, carriage, distribution and beneficial use, for flood control,

24 irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration,
25 generation and distribution of electric energy, salinity control, navigation and other beneficial uses, of
26 waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River
27 and their tributaries; and

28 [2nd] WHEREAS, the United States constructed the **San Luis Unit and Delta Division** and
29 related facilities, hereinafter collectively referred to as the **San Luis Unit and/or Delta Division**
30 facilities, which will be used in part for the furnishing of water to the Contractor pursuant to the terms
31 of this Contract; and

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

34 [4th] WHEREAS, the Contractor and the United States entered into Contract No. **14-06-**
35 **200-7773A**, as amended, which established terms for the delivery to the Contractor of Project Water
36 from the **San Luis Unit and Delta Division** from **January 1, 1975**, through **December 31, 2008**;
37 and

38 [5th] WHEREAS, the Contractor and the United States have pursuant to Subsection
39 **3404(c)(3) of the Central Valley Project Improvement Act (CVPIA)**, subsequently entered into
40 **Binding Agreements identified as Binding Agreement No. 14-06-200-7773-BA**, which provided
41 **for the non-payment of the additional mitigation and restoration charges if the Contractor**
42 **agreed to renew their contract after completion of the Programmatic Environmental Impact**
43 **Statement and negotiation of a renewal contract; and**

44 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of interim
45 and existing long-term Project Water service contracts following completion of appropriate
46 environmental documentation, including a programmatic environmental impact statement (PEIS)
47 pursuant to the National Environmental Policy Act analyzing the direct and indirect impacts and
48 benefits of implementing the CVPIA and the potential renewal of all existing contracts for Project
49 Water; and

50 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
51 environmental review necessary to provide for long-term renewal of the Existing Contract; and

52 [8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing
53 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws of the
54 State of California, for water service from the Central Valley Project; and

55 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all of
56 its obligations under the Existing Contract; and

57 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting
58 Officer that the Contractor has utilized the Project Water supplies available to it for reasonable and
59 beneficial use and/or has demonstrated projected future demand for water use such that the Contractor
60 has the capability and expects to utilize fully for reasonable and beneficial use the quantity of Project
61 Water to be made available to it pursuant to this Contract; and

62 [11th] WHEREAS, water obtained from the Central Valley Project has been relied upon by
63 urban and agricultural areas within California for more than fifty (50) years, and is considered by the

64 Contractor as an essential portion of its water supply; and

65 [12th] WHEREAS, the economies of regions within the Central Valley Project, including the
66 Contractor's, depend upon the continued availability of water, including water service from the
67 Central Valley Project; and

68 [13th] WHEREAS, the Secretary intends through coordination, cooperation, and partnerships
69 to pursue measures to improve water supply, water quality, and reliability of the Project for all Project
70 purposes; and

71 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
72 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment of
73 the Central Valley Project as required by law; to guard reasonably against Project Water shortages; to
74 achieve a reasonable balance among competing demands for use of Project Water; and to comply
75 with all applicable environmental statutes, all consistent with the legal obligations of the United
76 States relative to the Central Valley Project; and

77 [14.1] WHEREAS, the United States and the Contractor acknowledge that the Base Supply
78 as defined in this Contract is a more accurate reflection of the amount of water the Contractor may
79 realistically expect in many water years in light of such present conditions and expectations, and that
80 the Base Supply Contract Total does not preclude delivery to the Contractor of a Supplemental
81 Supply of Project Water as defined herein; and

82 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
83 relationship in order to achieve their mutual goals; and

84 [16th] WHEREAS, the United States and the Contractor are willing to enter into this long-
85 term renewal contract pursuant to Federal Reclamation law on the terms and conditions set forth
86 below;

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

89 DEFINITIONS

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

92 (a) "Base Supply" shall mean that quantity of Project Water so designated in
93 subdivision (a) of Article 3 of this Contract.

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

96 (b) "Charges" shall mean the payments required by Federal Reclamation law in
97 addition to the Rates and Tiered Pricing Components specified in this Contract as determined
98 annually by the Contracting Officer pursuant to this Contract;

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

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

104 (e) “Contract Total” shall mean the total of Base Supply and Supplemental Supply
105 of Project Water to which the Contractor is entitled under subdivision (a) of Article 3 of this
106 Contract;

107 (f) “Contractor's Service Area” shall mean the area to which the Contractor is
108 permitted to provide Project Water under this Contract as described in Exhibit “A” attached hereto,
109 which may be modified from time to time in accordance with Article 35 of this Contract without
110 amendment of this Contract;

111 (g) “CVPIA” shall mean the Central Valley Project Improvement Act, Title
112 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);

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

116 (i) “Excess Lands” shall mean all lands in excess of the limitations contained in
117 Section 204 of the RRA, other than those lands exempt from acreage limitation under Federal
118 Reclamation law;

119 (j) “Full Cost Rate” shall mean that water rate described in Sections 205(a)(3) or
120 202(3) of the RRA, whichever is applicable;

121 (k) “Ineligible Lands” shall mean all lands to which Irrigation Water may not be
122 delivered in accordance with Section 204 of the RRA;

123 (l) “Irrigation Full Cost Water Rate” shall have the same meaning as “full cost” as

124 that term is used in paragraph (3) of Section 202 of the RRA;

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

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

130 (o) "Municipal and Industrial (M&I) Water" shall mean water made available from
131 the Project other than Irrigation Water made available to the Contractor. M&I Water shall include
132 water used for human use and purposes such as the watering of landscaping or pasture for animals
133 (e.g., horses) which are kept for personal enjoyment or water delivered to land holdings operated in
134 units of less than five (5) acres unless the Contractor establishes to the satisfaction of the Contracting
135 Officer that the use of water delivered to any such landholding is a use described in subdivision (m)
136 of this Article;

137 (p) "M&I Full Cost Water Rate" shall mean the annual rate, which, as determined
138 by the Contracting Officer, shall amortize the expenditures for construction allocable to Project M&I
139 facilities in service, including, O&M deficits funded, less payments, over such periods as may be
140 required under Federal Reclamation law with interest accruing from the dates such costs were first
141 incurred plus the applicable rate for the O&M of such Project facilities. Interest rates used in the
142 calculation of the M&I Full Cost Rate shall comply with the Interest Rate methodology contained in
143 Section 202 (3) (B) and (C) of the RRA;

144 (q) “Operation and Maintenance” or “O&M” shall mean normal and reasonable
145 care, control, operation, repair, replacement (other than Capital replacement), and maintenance of
146 Project facilities;

147 (r) “Operating Non-Federal Entity” shall mean, a Non-Federal entity which has the
148 obligation to operate and maintain all or a portion of the **San Luis Unit and Delta Division** facilities
149 pursuant to an agreement with the United States, and which may have funding obligations with
150 respect thereto;

151 (s) “Project” shall mean the Central Valley Project owned by the United States and
152 managed by the Department of the Interior, Bureau of Reclamation;

153 (t) “Project Contractors” shall mean all parties who have water service contracts
154 for Project Water from the Project with the United States pursuant to Federal Reclamation law;

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

158 (v) “Rates” shall mean the payments determined annually by the Contracting
159 Officer in accordance with the then current applicable water ratesetting policies for the Project, as
160 described in subdivision (a) of Article 7 of this Contract;

161 (w) “Recent Historic Average” shall mean the most recent five (5) -year average of
162 the final forecast of Water Made Available to the Contractor pursuant to this Contract or its preceding
163 contract(s);

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

167 (x.1) "Supplemental Supply" shall mean that quantity of Project Water so designated
168 in subdivision (a) of Article 3 of this Contract as that portion of the Contract Total that is in addition
169 to and less reliable than the Base Supply, **exclusive of M&I water**;

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

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

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

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

180 (cc) "Year" shall mean the period from and including March 1 of each Calendar
181 Year through the last day of February of the following Calendar Year.

182 TERM OF CONTRACT

183 2. (a) This Contract shall be effective **March 1, 20__ through February 28, 20__**.
184 **This contract when effective supersedes Contract No. 14-06-200-7773A, as amended.** In the
185 event the Contractor wishes to renew the Contract beyond **February 28, 20__**, the Contractor shall
186 submit a request for renewal in writing to the Contracting Officer no later than two (2) years prior to
187 the date this Contract expires. The renewal of this Contract insofar as it pertains to the furnishing of
188 Irrigation Water to the Contractor shall be governed by subdivision (b) of this Article, and the
189 renewal of this Contract insofar as it pertains to the furnishing of M&I Water to the Contractor shall
190 be governed by subdivision (c) of this Article.

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

196 (2) The conditions which must be met for this Contract to be renewed are:
197 (i) the Contractor has prepared a water conservation plan that has been determined by the Contracting
198 Officer in accordance with Article 26 of this Contract to meet the conservation and efficiency criteria
199 for evaluating such plans established under Federal law; (ii) the Contractor is implementing an
200 effective water conservation and efficiency program based on the Contractor's water conservation
201 plan as required by Article 26 of this Contract; (iii) the Contractor is operating and maintaining all
202 water measuring devices and implementing all water measurement methods as approved by the

203 Contracting Officer pursuant to Article 6 of this Contract; (iv) the Contractor has reasonably and
204 beneficially used the Project Water supplies made available to it and, based on projected demands, is
205 reasonably anticipated and expects fully to utilize for reasonable and beneficial use the quantity of
206 Project Water to be made available to it pursuant to such renewal; (v) the Contractor is complying
207 with all terms and conditions of this Contract; and (vi) the Contractor has the physical and legal
208 ability to deliver Project Water.

209 (3) The terms and conditions of the renewal contract described in
210 subdivision (b)(1) of this Article and any subsequent renewal contracts shall be developed consistent
211 with the parties' respective legal rights and obligations, and in consideration of all relevant facts and
212 circumstances, as those circumstances exist at the time of renewal, including, without limitation, the
213 Contractor's need for continued delivery of Project Water; environmental conditions affected by
214 implementation of the Contract to be renewed, and specifically changes in those conditions that
215 occurred during the life of the Contract to be renewed; the Secretary's progress toward achieving the
216 purposes of the CVPIA as set out in Section 3402 and in implementing the specific provisions of the
217 CVPIA; and current and anticipated economic circumstances of the region served by the Contractor.

218 (c) This Contract, insofar as it pertains to the furnishing of M&I Water to the
219 Contractor, shall be renewed for a period of twenty-five (25) years and thereafter shall be renewed for
220 successive periods of up to forty (40) years each, which periods shall be consistent with the then-
221 existing Reclamation-wide policy, under terms and conditions mutually agreeable to the parties and
222 consistent with Federal and State law. The present Reclamation-wide policy, dated March 20, 2000,

223 provides that the term of such contracts shall be no more than twenty-five (25) years each, subject to a
224 variance to allow a longer term in appropriate circumstances. The Contractor shall be afforded the
225 opportunity to comment to the Contracting Officer on the proposed adoption and application of any
226 revised Reclamation-wide policy applicable to the delivery of Project M&I Water that would affect
227 the term of any subsequent renewal contract with the Contractor for the furnishing of M&I Water
228 twenty-five (25) years.

229 (d) The Contracting Officer anticipates that by December 31, 2024, all
230 authorized Project construction expected to occur will have occurred, and on that basis the
231 Contracting Officer agrees by that date to allocate all costs that are properly assignable to the
232 Contractor, and agrees further that, at any time after such allocation is made, and subject to
233 satisfaction of the condition set out in this subdivision, this Contract shall, at the request of the
234 Contractor, be converted to a contract under subsection (c1) & (d) , Section 9 of the Reclamation
235 Project Act of 1939, subject to applicable Federal law and under stated terms and conditions mutually
236 agreeable to the Contractor and the Contracting Officer. A condition for such conversion to occur
237 shall be a determination by the Contracting Officer that, account being taken of the amount credited
238 to return by the Contractor as provided for under Reclamation law, the remaining amount of
239 construction costs assignable for ultimate return by the Contractor can probably be repaid to the
240 United States within the term of a contract under said subsection 9(c)(1) & (d). If the remaining
241 amount of costs that are properly assignable to the Contractor cannot be determined by December 31,
242 2024, the Contracting Officer shall notify the Contractor, and provide the reason(s) why such a

243 determination could not be made. Further, the Contracting Officer shall make such a determination
244 as soon thereafter as possible so as to permit, upon request of the Contractor and satisfaction of the
245 conditions set out above, conversion to a contract under said subsection 9(d). In the event such
246 determination of costs has not been made at a time which allows conversion of this Contract during
247 the term of this Contract or the Contractor has not requested conversion of this Contract within such
248 term, the parties shall incorporate in any subsequent renewal contract as described in Article 2(b) and
249 (c) a provision that carries forth in substantially identical terms the provisions of this Article 2(d). In
250 the event the Contracting Officer is able to make a determination of the remaining amount of costs
251 that are properly assignable to the Contractor before December 31, 2024, the Contracting Officer shall
252 do so at the earliest time the Contracting Officer has such ability.

253 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

254 3. (a) During each Year, consistent with all applicable State water rights, permits,
255 and licenses; Federal law; and subject to the provisions set forth in Articles 11 and 12 of this
256 Contract, the Contracting Officer shall make available for delivery to the Contractor **87,151** acre-feet
257 designated Base Supply and **37,351** acre-feet designated Supplemental Supply, **and 578 acre-feet of**
258 **water for M&I purposes** for a Contract Total of **125,080** acre-feet for irrigation and M&I purposes.
259 To reflect changes in reliability, the quantity of Base Supply and Supplemental Supply will be
260 reassessed at least every five (5) years and may be adjusted upon mutual agreement of the parties. The
261 quantity of Water Delivered to the Contractor in accordance with this subdivision shall be scheduled
262 and paid for pursuant to the provisions of Articles 4 and 7 of this Contract.

263 (b) Because the capacity of the Central Valley Project to deliver Project Water has
264 been constrained in recent years and may be constrained in the future due to many factors including
265 hydrologic conditions and implementation of Federal and State laws, the likelihood of the Contractor
266 actually receiving the Contract Total set out in subdivision (a) of this Article in any given Year is
267 uncertain. The Contracting Officer's most recent modeling referenced in the PEIS projected that the
268 Base Supply and Supplemental Supply set forth in this Contract will not be available to the
269 Contractor in many years. During the most recent five (5) years, the Recent Historic Average of Base
270 Supply water made available to the Contractor was **87,151** acre-feet, Supplemental Supply made
271 available to the Contractor was **5,981** acre-feet, **and M&I water made available to the Contractor**
272 **was 532 acre-feet.** Nothing in subdivision (b) of this Article shall affect the rights and obligations of
273 the parties under any provision of this Contract.

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

276 (d) The Contractor shall make reasonable and beneficial use of all Project Water or
277 other water furnished pursuant to this Contract. Groundwater recharge programs, groundwater
278 banking programs, surface water storage programs, and other similar programs utilizing Project
279 Water or other water furnished pursuant to this Contract conducted within the Contractor's Service
280 Area which are consistent with applicable State law and result in use consistent with Reclamation law
281 will be allowed; Provided, That any direct recharge program(s) is (are) described in the Contractor's
282 Water Conservation Plan submitted pursuant to Article 26 of this Contract; Provided, further, That

283 such Water Conservation Plan demonstrates sufficient lawful uses exist in the Contractor's Service
284 Area so that using a long-term average, the quantity of Delivered Water is demonstrated to be
285 reasonable for such uses and in compliance with Reclamation law. Groundwater recharge programs,
286 groundwater banking programs, surface water storage programs, and other similar programs utilizing
287 Project Water or other water furnished pursuant to this Contract conducted outside the Contractor's
288 Service Area may be permitted upon written approval of the Contracting Officer, which approval will
289 be based upon environmental documentation, Project Water rights, and Project operational concerns.
290 The Contracting Officer will address such concerns in regulations, policies, or guidelines.

291 (e) The Contractor shall comply with requirements applicable to the Contractor in
292 biological opinion(s) prepared as a result of a consultation regarding the execution of this Contract
293 undertaken pursuant to Section 7 of the Endangered Species Act of 1973, as amended, that are within
294 the Contractor's legal authority to implement. The Contractor shall comply with the limitations or
295 requirements imposed by environmental documentation applicable to the Contractor and within its
296 legal authority to implement regarding specific activities, including conversion of Irrigation Water to
297 M&I Water. Nothing herein shall be construed to prevent the Contractor from challenging or seeking
298 judicial relief in a court of competent jurisdiction with respect to any biological opinion or other
299 environmental documentation referred to in this Article.

300 (f) Following the declaration of Water Made Available under Article 4 of this
301 Contract, the Contracting Officer will make a determination whether Project Water, or other water
302 available to the Project, can be made available to the Contractor in addition to the Contract Total

303 under Article 3 of this Contract during the Year without adversely impacting other Project
304 Contractors. At the request of the Contractor, the Contracting Officer will consult with the
305 Contractor prior to making such a determination. If the Contracting Officer determines that Project
306 Water, or other water available to the Project, can be made available to the Contractor, the
307 Contracting Officer will announce the availability of such water and shall so notify the Contractor as
308 soon as practical. The Contracting Officer will thereafter meet with the Contractor and other Project
309 Contractors capable of taking such water to determine the most equitable and efficient allocation of
310 such water. If the Contractor requests the delivery of any quantity of such water, the Contracting
311 Officer shall make such water available to the Contractor in accordance with applicable statutes,
312 regulations, guidelines, and policies.

313 (g) The Contractor may request permission to reschedule for use during the
314 subsequent Year some or all of the Water Made Available to the Contractor during the current Year
315 referred to as “carryover.” The Contractor may request permission to use during the current Year a
316 quantity of Project Water which may be made available by the United States to the Contractor during
317 the subsequent Year referred to as “preuse.” The Contracting Officer’s written approval may permit
318 such uses in accordance with applicable statutes, regulations, guidelines, and policies.

319 (h) The Contractor’s right pursuant to Federal Reclamation law and applicable
320 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract during the
321 term thereof and any subsequent renewal contracts, as described in Article 2 of this Contract, during
322 the terms thereof shall not be disturbed so long as the Contractor shall fulfill all of its obligations

323 under this Contract and any renewals thereof. Nothing in the preceding sentence shall affect the
324 Contracting Officer's ability to impose shortages under Article 11 or subdivision (b) of Article 12 of
325 this Contract or applicable provisions of any subsequent renewal contracts.

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

330 (j) The Contracting Officer shall make reasonable efforts to protect the water
331 rights necessary for the Project and to provide the water available under this Contract. The
332 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
333 extent permitted by law, in administrative proceedings related to the Project Water rights; Provided,
334 however, That the Contracting Officer retains the right to object to the substance of the Contractor's
335 position in such a proceeding.

336 TIME FOR DELIVERY OF WATER

337 (4) (a) On or about February 20 of each Calendar Year, the Contracting Officer shall
338 announce the Contracting Officer's expected declaration of the Water Made Available. The
339 declaration will be updated monthly, and more frequently if necessary, based on then-current
340 operational and hydrologic conditions and a new declaration with changes, if any, to the Water Made
341 Available will be made. The Contracting Officer shall provide forecasts of Project operations and the
342 basis of the estimate, with relevant supporting information, upon the written request of the

343 Contractor. Concurrently with the declaration of the Water Made Available, the Contracting Officer
344 shall provide the Contractor with the updated Recent Historic Average. The declaration of Project
345 operations will be expressed in terms of both Water Made Available and the Recent Historic
346 Average.

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

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

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

361 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

362 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this

363 Contract shall be delivered to the Contractor at a point or points of delivery either on Project facilities
364 or another location or locations mutually agreed to in writing by the Contracting Officer and the
365 Contractor.

366 (b) The Contracting Officer, the Operating Non-Federal Entity, or other
367 appropriate entity shall make all reasonable efforts to maintain sufficient flows and levels of water in
368 the Project facilities to deliver Project Water to the Contractor at specific turnouts established
369 pursuant to subdivision (a) of this Article.

370 (c) The Contractor shall deliver Irrigation Water in accordance with any applicable
371 land classification provisions of Federal Reclamation law and the associated regulations. The
372 Contractor shall not deliver Project Water to land outside the Contractor's Service Area unless
373 approved in advance by the Contracting Officer.

374 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
375 measured and recorded with equipment furnished, installed, operated, and maintained by the United
376 States, the Operating Non-Federal Entity or other appropriate entity as designated by the Contracting
377 Officer (hereafter "other appropriate entity") at the point or points of delivery established pursuant to
378 subdivision (a) of this Article. Upon the request of either party to this Contract, the Contracting
379 Officer shall investigate, or cause to be investigated by the responsible Operating Non-Federal Entity,
380 the accuracy of such measurements and shall take any necessary steps to adjust any errors appearing
381 therein. For any period of time when accurate measurements have not been made, the Contracting
382 Officer shall consult with the Contractor and the responsible Operating Non-Federal Entity prior to

383 making a final determination of the quantity delivered for that period of time.

384 (e) Neither the Contracting Officer nor any Operating Non-Federal Entity shall be
385 responsible for the control, carriage, handling, use, disposal, or distribution of Project Water
386 Delivered to the Contractor pursuant to this Contract beyond the delivery points specified in
387 subdivision (a) of this Article. The Contractor shall indemnify the United States, its officers,
388 employees, agents, and assigns on account of damage or claim of damage of any nature whatsoever
389 for which there is legal responsibility, including property damage, personal injury, or death arising out
390 of or connected with the control, carriage, handling, use, disposal, or distribution of such Project
391 Water beyond such delivery points, except for any damage or claim arising out of: (i) acts or
392 omissions of the Contracting Officer or any of its officers, employees, agents, or assigns, including
393 any responsible Operating Non-Federal Entity, with the intent of creating the situation resulting in any
394 damage or claim; (ii) willful misconduct of the Contracting Officer or any of its officers, employees,
395 agents, or assigns, including any responsible Operating Non-Federal Entity; (iii) negligence of the
396 Contracting Officer or any of its officers, employees, agents, or assigns including any responsible
397 Operating Non-Federal Entity; or (iv) damage or claims resulting from a malfunction of facilities
398 owned and/or operated by the United States or responsible Operating Non-Federal Entity; Provided,
399 That the Contractor is not the Operating Non-Federal Entity that owned or operated the
400 malfunctioning facility(ies) from which the damage claim arose.

401 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

402 6. (a) The Contractor has established a measuring program satisfactory to the

403 Contracting Officer. The Contractor shall ensure that all surface water delivered for irrigation
404 purposes within the Contractor's Service Area is measured at each agricultural turnout and such water
405 delivered for municipal and industrial purposes is measured at each municipal and industrial service
406 connection. The water measuring devices or water measuring methods of comparable effectiveness
407 must be acceptable to the Contracting Officer. The Contractor shall be responsible for installing,
408 operating, and maintaining and repairing all such measuring devices and implementing all such water
409 measuring methods at no cost to the United States. The Contractor shall use the information obtained
410 from such water measuring devices or water measuring methods to ensure its proper management of
411 the water, to bill water users for water delivered by the Contractor; and, if applicable, to record water
412 delivered for municipal and industrial purposes by customer class as defined in the Contractor's water
413 conservation plan provided for in Article 26 of this Contract. Nothing herein contained, however,
414 shall preclude the Contractor from establishing and collecting any charges, assessments, or other
415 revenues authorized by California law. The Contractor shall include a summary of all its annual
416 surface water deliveries in the annual report described in subdivision (c) of Article 26 of this
417 Contract.

418 (b) To the extent the information has not otherwise been provided, upon execution
419 of this Contract, the Contractor shall provide to the Contracting Officer a written report describing the
420 measurement devices or water measuring methods being used or to be used to implement subdivision
421 (a) of this Article and identifying the agricultural turnouts and the municipal and industrial service
422 connections or alternative measurement programs approved by the Contracting Officer, at which such

423 measurement devices or water measuring methods are being used, and, if applicable, identifying the
424 locations at which such devices and/or methods are not yet being used including a time schedule for
425 implementation at such locations. The Contracting Officer shall advise the Contractor in writing
426 within sixty (60) days as to the adequacy of, and necessary modifications, if any, of the measuring
427 devices or water measuring methods identified in the Contractor's report and if the Contracting
428 Officer does not respond in such time, they shall be deemed adequate. If the Contracting Officer
429 notifies the Contractor that the measuring devices or methods are inadequate, the parties shall within
430 sixty (60) days following the Contracting Officer's response, negotiate in good faith the earliest
431 practicable date by which the Contractor shall modify said measuring devices and/or measuring
432 methods as required by the Contracting Officer to ensure compliance with subdivision (a) of this
433 Article.

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

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

440 (e) The Contractor shall inform the Contracting Officer and the Operating Non-
441 Federal Entity on or before the twentieth (20th) calendar day of each month of the quantity of
442 Irrigation Water and M&I Water taken during the preceding month.

443 RATES AND METHOD OF PAYMENT FOR WATER

444 7. (a) The Contractor shall pay the United States as provided in this Article for all
445 Delivered Water at Rates, Charges, and the Tiered Pricing Component established in accordance
446 with: (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and the Secretary's
447 then-existing ratesetting policy for M&I Water. Such ratesetting policies shall be amended, modified,
448 or superseded only through a public notice and comment procedure; (ii) applicable Reclamation law
449 and associated rules and regulations, or policies; and (iii) other applicable provisions of this Contract.
450 Payment shall be made by cash transaction, wire, or any other mechanism as may be agreed to in
451 writing by the Contractor and the Contracting Officer. The Rates, charges, and Tiered Pricing
452 Components applicable to the Contractor upon execution of this Contract are set forth in Exhibit "B",
453 as may be revised annually.

454 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges, and
455 Tiered Pricing Components as follows:

456 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
457 provide the Contractor an estimate of the Charges for Project Water that will be applied to the period
458 October 1, of the current Calendar Year, through September 30, of the following Calendar Year, and
459 the basis for such estimate. The Contractor shall be allowed not less than two (2) months to review
460 and comment on such estimates. On or before September 15 of each Calendar Year, the Contracting
461 Officer shall notify the Contractor in writing of the Charges to be in effect during the period October
462 1 of the current Calendar Year, through September 30, of the following Calendar Year, and such

463 notification shall revise Exhibit “B.”

464 (2) Prior to October 1 of each Calendar Year, the Contracting Officer shall
465 make available to the Contractor an estimate of the Rates and Tiered Pricing Components for Project
466 Water for the following Year and the computations and cost allocations upon which those Rates are
467 based. The Contractor shall be allowed not less than two (2) months to review and comment on such
468 computations and cost allocations. By December 31 of each Calendar Year, the Contracting Officer
469 shall provide the Contractor with the final Rates and Tiered Pricing Components to be in effect for
470 the upcoming Year, and such notification shall revise Exhibit “B.”

471 (c) At the time the Contractor submits the initial schedule for the delivery of
472 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractor
473 shall make an advance payment to the United States equal to the total amount payable pursuant to the
474 applicable Rate(s) set under subdivision (a) of this Article, for the Project Water scheduled to be
475 delivered pursuant to this Contract during the first two (2) calendar months of the Year. Before the
476 end of the first month and before the end of each calendar month thereafter, the Contractor shall make
477 an advance payment to the United States, at the Rate(s) set under subdivision (a) of this Article, for
478 the Water Scheduled to be delivered pursuant to this Contract during the second month immediately
479 following. Adjustments between advance payments for Water Scheduled and payments at Rates due
480 for Water Delivered shall be made before the end of the following month; Provided, That any revised
481 schedule submitted by the Contractor pursuant to Article 4 of this Contract which increases the
482 amount of Water Delivered pursuant to this Contract during any month shall be accompanied with

483 appropriate advance payment, at the Rates then in effect, to assure that Project Water is not delivered
484 to the Contractor in advance of such payment. In any month in which the quantity of Water Delivered
485 to the Contractor pursuant to this Contract equals the quantity of Water Scheduled and paid for by the
486 Contractor, no additional Project Water shall be delivered to the Contractor unless and until an
487 advance payment at the Rates then in effect for such additional Project Water is made. Final
488 adjustment between the advance payments for the Water Scheduled and payments for the quantities
489 of Water Delivered during each Year pursuant to this Contract shall be made as soon as practicable
490 but no later than April 30th of the following Year, or sixty (60) days after the delivery of Project
491 Water carried over under subdivision (f) of Article 3 of this Contract if such water is not delivered by
492 the last day of February.

493 (d) The Contractor shall also make a payment in addition to the Rate(s) in
494 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
495 appropriate Tiered Pricing Component then in effect, before the end of the month following the
496 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered
497 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be consistent
498 with the quantities of Irrigation Water and M&I Water Delivered as shown in the water delivery
499 report for the subject month prepared by the Operating Non-Federal Entity or, if there is no Operating
500 Non-Federal Entity, by the Contracting Officer. The water delivery report shall be deemed a bill for
501 the payment of Charges and the applicable Tiered Pricing Component for Water Delivered.
502 Adjustment for overpayment or underpayment of Charges shall be made through the adjustment of

503 payments due to the United States for Charges for the next month. Any amount to be paid for past
504 due payment of Charges and the Tiered Pricing Component shall be computed pursuant to Article 20
505 of this Contract.

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

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

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

518 (h) The Contracting Officer shall keep its accounts pertaining to the administration
519 of the financial terms and conditions of its long-term contracts, in accordance with applicable Federal
520 standards, so as to reflect the application of Project costs and revenues. The Contracting Officer
521 shall, each Year upon request of the Contractor, provide to the Contractor a detailed accounting of all
522 Project and Contractor expense allocations, the disposition of all Project and Contractor revenues,

523 and a summary of all water delivery information. The Contracting Officer and the Contractor shall
524 enter into good faith negotiations to resolve any discrepancies or disputes relating to accountings,
525 reports, or information.

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

533 (j) (1) Beginning at such time as deliveries of Project Water in a Year exceed
534 eighty (80%) percent of the Contract Total, then before the end of the month following the month of
535 delivery the Contractor shall make an additional payment to the United States equal to the applicable
536 Tiered Pricing Component. The Tiered Pricing Component for the amount of Water Delivered in
537 excess of eighty (80%) percent of the Contract Total, but less than or equal to ninety (90%) percent of
538 the Contract Total, shall equal the one-half of the difference between the Rate established under
539 subdivision (a) of this Article and the Irrigation Full Cost Water Rate or M&I Full Cost Water Rate,
540 whichever is applicable. The Tiered Pricing Component for the amount of Water Delivered which
541 exceeds ninety (90%) percent of the Contract Total shall equal the difference between (i) the Rate
542 established under subdivision (a) of this Article and (ii) the Irrigation Full Cost Water Rate or M&I

543 Full Cost Water Rate, whichever is applicable.

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

551 (3) For purposes of determining the applicability of the Tiered Pricing
552 Components pursuant to this Article, Water Delivered shall include Project Water that the Contractor
553 transfers to others but shall not include Project Water transferred and delivered to the Contractor.

554 (k) For the term of this Contract, Rates applied to under the respective ratesetting
555 policies will be established to recover only reimbursable operation and maintenance (including any
556 deficits) and capital costs of the Project, as those terms are used in the then-current Project ratesetting
557 policies, and interest, where appropriate, except in instances where a minimum Rate is applicable in
558 accordance with the relevant Project ratesetting policy. Changes of significance in practices which
559 implement the Contracting Officer's ratesetting policies will not be implemented until the
560 Contracting Officer has provided the Contractor an opportunity to discuss the nature, need, and
561 impact of the proposed change.

562 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,

563 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates adjusted
564 upward or downward to reflect the changed costs of delivery (if any) of the transferred Project Water
565 to the transferee's point of delivery in accordance with the then applicable CVP Ratesetting Policy. If
566 the Contractor is receiving lower Rates and Charges because of inability to pay and is transferring
567 Project Water to another entity whose Rates and Charges are not adjusted due to inability to pay, the
568 Rates and Charges for transferred Project Water shall be the Contractor's Rates and Charges
569 unadjusted for ability to pay.

570 (m) Pursuant to the Act of October 27, 1986 (100 Stat. 3050), the Contracting
571 Officer is authorized to adjust determinations of ability to pay every five (5) years.

572 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

573 8. The Contractor and the Contracting Officer concur that, as of the effective date of this
574 Contract, the Contractor has no non-interest bearing operation and maintenance deficits and shall
575 have no further liability therefor.

576 SALES, TRANSFERS, OR EXCHANGES OF WATER

577 9. (a) The right to receive Project Water provided for in this Contract may be sold,
578 transferred, or exchanged to others for reasonable and beneficial uses within the State of California if
579 such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable
580 guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this
581 Contract may take place without the prior written approval of the Contracting Officer, except as
582 provided for in subdivision (b) of this Article, and no such sales, transfers, or exchanges shall be

583 approved absent compliance with appropriate environmental documentation including but not limited
584 to the National Environmental Policy Act and the Endangered Species Act. Such environmental
585 documentation should include, as appropriate, an analysis of groundwater impacts and economic and
586 social effects, including environmental justice, of the proposed water transfers on both the transferor
587 and transferee.

588 (b) In order to facilitate efficient water management by means of water transfers of
589 the type historically carried out among Project Contractors located within the same geographical area
590 and to allow the Contractor to participate in an accelerated water transfer program during the term of
591 this Contract, the Contracting Officer shall prepare, as appropriate, necessary environmental
592 documentation including, but not limited to, the National Environmental Policy Act and the
593 Endangered Species Act analyzing annual transfers within such geographical areas and the
594 Contracting Officer shall determine whether such transfers comply with applicable law. Following
595 the completion of the environmental documentation, such transfers addressed in such documentation
596 shall be conducted with advance notice to the Contracting Officer, but shall not require prior written
597 approval by the Contracting Officer. Such environmental documentation and the Contracting
598 Officer's compliance determination shall be reviewed every five (5) years and updated, as necessary,
599 prior to the expiration of the then existing five (5) -year period. All subsequent environmental
600 documentation shall include an alternative to evaluate not less than the quantity of Project Water
601 historically transferred within the same geographical area.

602 (c) For a water transfer to qualify under subdivision (b) of this Article, such water

603 transfer must: (i) be for irrigation purposes for lands irrigated within the previous three (3) years, for
604 M&I use, groundwater recharge, groundwater banking, or similar groundwater activities, surface
605 water storage, or fish and wildlife resources; not lead to land conversion; and be delivered to
606 established cropland, wildlife refuges, groundwater basins or municipal and industrial use; (ii) occur
607 within a single Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water
608 through existing facilities with no new construction or modifications to facilities and be between
609 existing Project Contractors and/or the Contractor and the United States, Department of the Interior;
610 and (v) comply with all applicable Federal, State, and local or tribal laws and requirements imposed
611 for protection of the environment and Indian Trust Assets, as defined under Federal law.

612 APPLICATION OF PAYMENTS AND ADJUSTMENTS

613 10. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,
614 Capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of
615 the Contractor arising out of this Contract then due and payable. Overpayments of more than One
616 Thousand Dollars (\$1,000) shall be refunded at the Contractor's request. In lieu of a refund, any
617 amount of such overpayment at the option of the Contractor, may be credited against amounts to
618 become due to the United States by the Contractor. With respect to overpayment, such refund or
619 adjustment shall constitute the sole remedy of the Contractor or anyone having or claiming to have
620 the right to the use of any of the Project Water supply provided for herein. All credits and refunds of
621 overpayments shall be made within thirty (30) days of the Contracting Officer obtaining direction as
622 to how to credit or refund such overpayment in response to the notice to the Contractor that it has

623 finalized the accounts for the Year in which the overpayment was made.

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

629 TEMPORARY REDUCTIONS--RETURN FLOWS

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

635 (b) The Contracting Officer or Operating Non-Federal Entity may temporarily
636 discontinue or reduce the quantity of Water Delivered to the Contractor as herein provided for the
637 purposes of investigation, inspection, maintenance, repair, or replacement of any of the Project
638 facilities or any part thereof necessary for the delivery of Project Water to the Contractor, but so far as
639 feasible the Contracting Officer or Operating Non-Federal Entity will give the Contractor due notice
640 in advance of such temporary discontinuance or reduction, except in case of emergency, in which case
641 no notice need be given; Provided, That the United States shall use its best efforts to avoid any
642 discontinuance or reduction in such service. Upon resumption of service after such reduction or

643 discontinuance, and if requested by the Contractor, the United States will, if possible, deliver the
644 quantity of Project Water which would have been delivered hereunder in the absence of such
645 discontinuance or reduction.

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

652 CONSTRAINTS ON THE AVAILABILITY OF WATER

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

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

663 (b.1) In any Year in which there may occur a shortage the Contracting Officer shall
664 apportion the available Project Water supply among the Contractor and others entitled, under
665 contracts existing at the time of the shortage to receive Project Water consistent with the terms of
666 those contracts.

667 (c) Project Water furnished under this Contract for M&I purposes will be allocated
668 in accordance with the then existing Project M&I Water Shortage Policy. Project Water furnished
669 under this long-term renewal contract will be allocated in accordance with the then existing Project
670 M&I Water Shortage Policy. **Such policy shall be amended, modified, or superseded only**
671 **through a public notice and comment procedure.**

672 UNAVOIDABLE GROUNDWATER PERCOLATION

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

677 RULES AND REGULATIONS

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

682 WATER AND AIR POLLUTION CONTROL

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

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QUALITY OF WATER

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

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

WATER ACQUIRED BY THE CONTRACTOR
OTHER THAN FROM THE UNITED STATES

17. (a) Water or water rights now owned or hereafter acquired by the Contractor other than from the United States and Irrigation Water furnished pursuant to the terms of this Contract may be simultaneously transported through the same distribution facilities of the Contractor subject to the following: (i) if the facilities utilized for commingling Irrigation Water and non-project water were

707 constructed without funds made available pursuant to Federal Reclamation law, the provisions of
708 Federal Reclamation law will be applicable only to the Landholders of lands which receive Irrigation
709 Water; (ii) the eligibility of land to receive Irrigation Water must be established through the
710 certification requirements as specified in the Acreage Limitation Rules and Regulations (43 CFR Part
711 426); (iii) the water requirements of Eligible Lands within the Contractor's Service Area can be
712 established and the quantity of Irrigation Water to be utilized is less than or equal to the quantity
713 necessary to irrigate such Eligible Lands; and (iv) if the facilities utilized for commingling Irrigation
714 Water and non-project water are/were constructed with funds made available pursuant to Federal
715 Reclamation law, the non-project water will be subject to the acreage limitation provisions of Federal
716 Reclamation law, unless the Contractor pays to the United States the incremental fee described in 43
717 CFR 426.15. In determining the incremental fee, the Contracting Officer will calculate annually the
718 cost to the Federal Government, including interest of storing or delivering non-project water, which
719 for purposes of this Contract shall be determined as follows: The quotient shall be the unpaid
720 distribution system costs divided by the total irrigable acreage within the Contractor's Service Area.
721 The incremental fee per acre is the mathematical result of such quotient times the interest rate
722 determined using Section 202 (3) of the Act of October 12, 1982 (96 Stat. 1263). Such incremental
723 fee will be charged to each acre of excess or full cost land within the Contractor's Service Area that
724 receives non-project water through Federally financed or constructed facilities. The incremental fee
725 calculation methodology will continue during the term of this Contract absent the promulgation of a
726 contrary Reclamation-wide rule, regulation or policy adopted after the Contractor has been afforded

727 the opportunity to review and comment on the proposed rule, regulation or policy. If such rule,
728 regulation or policy is adopted it shall supersede this provision.

729 (b) Water or water rights now owned or hereafter acquired by the Contractor, other
730 than from the United States or adverse to the Project or its contractors (i.e. non-project water), may be
731 stored, conveyed and/or diverted through Project facilities, subject to the completion of appropriate
732 environmental documentation, with the approval of the Contracting Officer and the execution of any
733 contract determined by the Contracting Officer to be necessary, consistent with the following
734 provisions:

735 (1) The Contractor may introduce non-project water into Project facilities
736 and deliver said water to lands within the Contractor's Service Area, including Ineligible Lands,
737 subject to payment to the United States and/or to any applicable Operating Non-Federal Entity of an
738 appropriate rate as determined by the CVP Ratesetting Policy and the RRA, each as amended,
739 modified or superseded from time to time. In addition, if electrical power is required to pump non-
740 project water through the facilities, the Contractor shall be responsible for obtaining the necessary
741 power and paying the necessary charges therefor.

742 (2) Delivery of such non-project water in and through Project facilities
743 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project purposes as
744 determined by the Contracting Officer; (ii) reduce the quantity or quality of water available to other
745 Project water service contractors; (iii) interfere with the delivery of contractual water entitlements to
746 any other Project water service contractors; or (iv) interfere with the physical maintenance of the

747 Project facilities.

748 (3) Neither the United States nor the Operating Non-Federal Entity shall be
749 responsible for control, care or distribution of the non-project water before it is introduced into or
750 after it is delivered from the Project facilities. The Contractor hereby releases and agrees to defend
751 and indemnify the United States and the Operating Non-Federal Entity, and their respective officers,
752 agents, and employees, from any claim for damage to persons or property, direct or indirect, resulting
753 from Contractor's diversion or extraction of non-project water from any source.

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

757 (5) After Project purposes are met, as determined by the Contracting
758 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity of
759 the facilities declared to be available by the Contracting Officer for conveyance and transportation of
760 non-project water prior to any such remaining capacity being made available to non-Project
761 contractors.

OPINIONS AND DETERMINATIONS

763 18. (a) Where the terms of this Contract provide for actions to be based upon the
764 opinion or determination of either party to this Contract, said terms shall not be construed as
765 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
766 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly reserve

767 the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or
768 unreasonable opinion or determination. Each opinion or determination by either party shall be
769 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is intended to
770 or shall affect or alter the standard of judicial review applicable under federal law to any opinion or
771 determination implementing a specific provision of federal law embodied in statute or regulation.

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

777 COORDINATION AND COOPERATION

778 19. (a) In order to further their mutual goals and objectives, the Contracting Officer
779 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other
780 affected Project Contractors, in order to improve the operation and management of the Project. The
781 communication, coordination, and cooperation regarding operations and management shall include,
782 but not be limited to, any action which will or may materially affect the quantity or quality of Project
783 Water supply, the allocation of Project Water supply, and Project financial matters including, but not
784 limited to, budget issues. The communication, coordination, and cooperation provided for hereunder
785 shall extend to all provisions of this Contract. Each party shall retain exclusive decision making
786 authority for all actions, opinion, and determinations to be made by the respective party.

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

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

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

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

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

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

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

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

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

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

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

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

867 (g) The Contractor will include the provisions of paragraphs (a) through (g) in

868 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
869 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
870 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action
871 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a
872 means of enforcing such provisions, including sanctions for noncompliance: Provided, however, That
873 in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor
874 or vendor as a result of such direction, the Contractor may request the United States to enter into such
875 litigation to protect the interests of the United States.

876 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

889 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

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

895 (b) These statutes require that no person in the United States shall, on the grounds
896 of race, color, national origin, handicap, or age, be excluded from participation in, be denied the
897 benefits of, or be otherwise subjected to discrimination under any program or activity receiving
898 financial assistance from the Bureau of Reclamation. By executing this Contract, the Contractor
899 agrees to immediately take any measures necessary to implement this obligation, including permitting

900 officials of the United States to inspect premises, programs, and documents.

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

908 PRIVACY ACT COMPLIANCE

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

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

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

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

927 (e) The Contractor shall forward promptly to the System Manager each proposed
928 denial of access under 43 CFR 2.64; and each request for amendment of records filed under 43 CFR
929 2.71; notify the requester accordingly of such referral; and provide the System Manager with
930 information and records necessary to prepare an appropriate response to the requester. These
931 requirements do not apply to individuals seeking access to their own certification and reporting forms
932 filed with the Contractor pursuant to 43 CFR 426.18, unless the requester elects to cite the Privacy

933 Act as a basis for the request.

934 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

935 25. In addition to all other payments to be made by the Contractor pursuant to this
936 Contract, the Contractor shall pay to the United States, within sixty (60) days after receipt of a bill
937 and detailed statement submitted by the Contracting Officer to the Contractor for such specific items
938 of direct cost incurred by the United States for work requested by the Contractor associated with this
939 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and
940 procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in
941 writing in advance by the Contractor. This Article shall not apply to costs for routine contract
942 administration.

943 WATER CONSERVATION

944 26. (a) Prior to the delivery of water provided from or conveyed through Federally
945 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be
946 implementing an effective water conservation and efficiency program based on the Contractor's water
947 conservation plan that has been determined by the Contracting Officer to meet the conservation and
948 efficiency criteria for evaluating water conservation plans established under Federal law. The water
949 conservation and efficiency program shall contain definite water conservation objectives, appropriate
950 economically feasible water conservation measures, and time schedules for meeting those objectives.
951 Continued Project Water delivery pursuant to this Contract shall be contingent upon the Contractor's
952 continued implementation of such water conservation program. In the event the Contractor's water

953 conservation plan or any revised water conservation plan completed pursuant to subdivision (d) of
954 Article 26 of this Contract have not yet been determined by the Contracting Officer to meet such
955 criteria, due to circumstances which the Contracting Officer determines are beyond the control of the
956 Contractor, water deliveries shall be made under this Contract so long as the Contractor diligently
957 works with the Contracting Officer to obtain such determination at the earliest practicable date, and
958 thereafter the Contractor immediately begins implementing its water conservation and efficiency
959 program in accordance with the time schedules therein.

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

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

968 (d) At five (5) -year intervals, the Contractor shall revise its water conservation
969 plan to reflect the then current conservation and efficiency criteria for evaluating water conservation
970 plans established under Federal law and submit such revised water management plan to the
971 Contracting Officer for review and evaluation. The Contracting Officer will then determine if the
972 water conservation plan meets Reclamation's then current conservation and efficiency criteria for

973 evaluating water conservation plans established under Federal law.

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

976 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

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

984 OPERATION AND MAINTENANCE BY NON-FEDERAL ENTITY

985 28. (a) The Operation and Maintenance of a portion of the Project facilities which
986 serve the Contractor, and responsibility for funding a portion of the costs of such Operation and
987 Maintenance, have been transferred to the Operating Non-Federal Entity by separate agreement
988 between the United States and the Operating Non-Federal Entity. That separate agreement shall not
989 interfere with or affect the rights or obligations of the Contractor or the United States hereunder.

990 (b) The Contracting Officer has previously notified the Contractor in writing that
991 the Operation and Maintenance of a portion of the Project facilities which serve the Contractor has
992 been transferred to the Operating Non-Federal Entity, and therefore, the Contractor shall pay directly

993 to the Operating Non-Federal Entity, or to any successor approved by the Contracting Officer under
994 the terms and conditions of the separate agreement between the United States and the Operating Non-
995 Federal Entity described in subdivision (a) of this Article, all rates, charges, or assessments of any
996 kind, including any assessment for reserve funds, which the Operating Non-Federal Entity or such
997 successor determines, sets, or establishes for the Operation and Maintenance of the portion of the
998 Project facilities operated and maintained by the Operating Non-Federal Entity or such successor.
999 Such direct payments to the Operating Non-Federal Entity or such successor shall not relieve the
1000 Contractor of its obligation to pay directly to the United States the Contractor's share of the Project
1001 Rates, Charges, and Tiered Pricing Components except to the extent the Operating Non-Federal
1002 Entity collects payments on behalf of the United States in accordance with the separate agreement
1003 identified in subdivision (a) of this Article.

1004 (c) For so long as the Operation and Maintenance of any portion of the Project
1005 facilities serving the Contractor is performed by the Operating Non-Federal Entity, or any successor
1006 thereto, the Contracting Officer shall adjust those components of the Rates for Water Delivered under
1007 this Contract representing the cost associated with the activity being performed by the Operating Non-
1008 Federal Entity or its successor.

1009 (d) In the event the Operation and Maintenance of the Project facilities operated
1010 and maintained by the Operating Non-Federal Entity is re-assumed by the United States during the
1011 term of this Contract, the Contracting Officer shall so notify the Contractor, in writing, and present to
1012 the Contractor a revised Exhibit "B" which shall include the portion of the Rates to be paid by the

1013 Contractor for Project Water under this Contract representing the Operation and Maintenance costs of
1014 the portion of such Project facilities which have been re-assumed. The Contractor shall, thereafter, in
1015 the absence of written notification from the Contracting Officer to the contrary, pay the Rates,
1016 Charges, and Tiered Pricing Component(s) specified in the revised Exhibit "B" directly to the United
1017 States in compliance with Article 7 of this Contract.

1018 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1019 29. The expenditure or advance of any money or the performance of any obligation of the
1020 United States under this Contract shall be contingent upon appropriation or allotment of funds.
1021 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations
1022 under this Contract. No liability shall accrue to the United States in case funds are not appropriated
1023 or allotted.

1024 BOOKS, RECORDS, AND REPORTS

1025 30. (a) The Contractor shall establish and maintain accounts and other books and
1026 records pertaining to administration of the terms and conditions of this Contract, including: the
1027 Contractor's financial transactions, water supply data, and Project land and right-of-way agreements;
1028 the water users' land-use (crop census), land ownership, land-leasing and water use data; and other
1029 matters that the Contracting Officer may require. Reports thereon shall be furnished to the
1030 Contracting Officer in such form and on such date or dates as the Contracting Officer may require.
1031 Subject to applicable Federal laws and regulations, each party to this Contract shall have the right
1032 during office hours to examine and make copies of the other party's books and records relating to
1033 matters covered by this Contract.

1034 (b) Notwithstanding the provisions of subdivision (a) of this Article, no books,
1035 records, or other information shall be requested from the Contractor by the Contracting Officer unless
1036 such books, records, or information are reasonably related to the administration or performance of
1037 this Contract. Any such request shall allow the Contractor a reasonable period of time within which
1038 to provide the requested books, records, or information.

1039 (c) At such time as the Contractor provides information to the Contracting Officer
1040 pursuant to subdivision (a) of this Article, a copy of such information shall be provided to the
1041 Operating Non-Federal Entity.

1042 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1043 31. (a) The provisions of this Contract shall apply to and bind the successors and
1044 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1045 therein shall be valid until approved in writing by the Contracting Officer.

1046 (b) The assignment of any right or interest in this Contract by either party shall not
1047 interfere with the rights or obligations of the other party to this Contract absent the written
1048 concurrence of said other party.

1049 (c) The Contracting Officer shall not unreasonably condition or withhold approval
1050 of any proposed assignment.

1051 SEVERABILITY

1052 32. In the event that a person or entity who is neither (i) a party to a Project contract, nor
1053 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an
1054 association or other form of organization whose primary function is to represent parties to Project
1055 contracts, brings an action in a court of competent jurisdiction challenging the legality or
1056 enforceability of a provision included in this Contract and said person, entity, association, or
1057 organization obtains a final court decision holding that such provision is legally invalid or
1058 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the
1059 parties to this Contract shall use their best efforts to (i) within thirty (30) days of the date of such final

1060 court decision identify by mutual agreement the provisions in this Contract which must be revised
1061 and (ii) within three (3) months thereafter promptly agree on the appropriate revision(s). The time
1062 periods specified above may be extended by mutual agreement of the parties. Pending the completion
1063 of the actions designated above, to the extent it can do so without violating any applicable provisions
1064 of law, the United States shall continue to make the quantities of Project Water specified in this
1065 Contract available to the Contractor pursuant to the provisions of this Contract which were not found
1066 to be legally invalid or unenforceable in the final court decision.

1067 RESOLUTION OF DISPUTES

1068 33. Should any dispute arise concerning any provisions of this Contract, or the parties'
1069 rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the
1070 dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring
1071 any matter to Department of Justice, the party shall provide to the other party thirty (30) days' written
1072 notice of the intent to take such action; Provided, That such notice shall not be required where a delay
1073 in commencing an action would prejudice the interests of the party that intends to file suit. During
1074 the thirty (30) -day notice period, the Contractor and the Contracting Officer shall meet and confer in
1075 an attempt to resolve the dispute. Except as specifically provided, nothing herein is intended to waive
1076 or abridge any right or remedy that the Contractor or the United States may have.

1077 OFFICIALS NOT TO BENEFIT

1078 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1079 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1080 manner as other water users or landowners.

1081 CHANGES IN CONTRACTOR'S SERVICE AREA

1082 35. (a) While this Contract is in effect, no change may be made in the Contractor's
1083 Service Area or boundaries, by inclusion or exclusion of lands, dissolution, consolidation, merger, or
1084 otherwise, except upon the Contracting Officer's written consent.

1085 (b) Within thirty (30) days of receipt of a request for such a change, the
1086 Contracting Officer will notify the Contractor of any additional information required by the
1087 Contracting Officer for processing said request, and both parties will meet to establish a mutually
1088 agreeable schedule for timely completion of the process. Such process will analyze whether the
1089 proposed change is likely to: (i) result in the use of Project Water contrary to the terms of this
1090 Contract; (ii) impair the ability of the Contractor to pay for Project Water furnished under this
1091 Contract or to pay for any Federally-constructed facilities for which the Contractor is responsible; and
1092 (iii) have an impact on any Project Water rights applications, permits, or licenses. In addition, the
1093 Contracting Officer shall comply with the National Environmental Policy Act and the Endangered
1094 Species Act. The Contractor will be responsible for all costs incurred by the Contracting Officer in
1095 this process, and such costs will be paid in accordance with Article 25 of this Contract.

1096 FEDERAL LAWS

1097 36. By entering into this Contract, the Contractor does not waive its rights to contest the
1098 validity or application in connection with the performance of the terms and conditions of this
1099 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the
1100 terms and conditions of this Contract unless and until relief from application of such Federal law or
1101 regulation to the implementing provision of the Contract is granted by a court of competent

1102 jurisdiction.

1103 NOTICES

1104 37. Any notice, demand, or request authorized or required by this Contract shall be
1105 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered
1106 to the Area Manager, South-Central California Area Office, 1243 N Street, Fresno, CA 97321, and on
1107 behalf of the United States, when mailed, postage prepaid, or delivered to the Board of Directors of
1108 **San Luis Water District, PO Box 2135, Los Banos, California 93635.** The designation of the
1109 addressee or the address may be changed by notice given in the same manner as provided in this
1110 Article for other notices.

1111 CONFIRMATION OF CONTRACT

1112 38. The Contractor, after the execution of this Contract, shall promptly seek to secure a
1113 decree of a court of competent jurisdiction of the State of California, confirming the execution of this
1114 Contract. The Contractor shall furnish the United States a certified copy of the final decree, the
1115 validation proceedings, and all pertinent supporting records of the court approving and confirming
1116 this Contract, and decreeing and adjudging it to be lawful, valid, and binding on the Contractor.

1117 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and
1118 year first above written.

THE UNITED STATES OF AMERICA

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

SAN LUIS WATER DISTRICT

By: _____

San Luis Unit 8/15-2001
Contract No. 14-06-200-7773A- LTR1

President of the Board of Directors

Attest:

By: _____
Secretary of the Board of Directors