United States Department of the Interior

BUREAU OF RECLAMATION
Washington, D.C. 20240

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IN REPLY REFER TO:

W-6400

MAY 19 1993

Memorandum

To: Regional Director PN, MP, LC, UC, GP

From: Acting Commissioner (sgd.) Lawrence F. Hancock

Subject: Policy for Terms of Contracts

Long-term contracts have generally been negotiated for the maximum term permitted by the authority under which each contract was executed. To better protect the interests of the United States while still adequately meeting the needs of water users, and to provide more operational flexibility and improved project efficiency, effective immediately, the maximum term for new or renewed long-term contracts executed pursuant to Reclamation law shall be 25 years. An exception may be granted by the Commissioner if a strong justification can be provided. You are encouraged to negotiate even shorter terms when practical and advantageous to the United States. This policy shall apply to all long-term contracts except where the law under which the contract is executed explicitly requires a term longer than 25 years.

Secretary Babbitt has publicly announced that the Central Valley Project Improvement Act, Title 34 of Public Law 102-575 (Act), infuses market principles and environmental values into the water contracting process and that it will serve as a vehicle for reform throughout the Bureau. Section 3404 of the Act clearly indicates that 25 years will be the upper limit for long-term repayment and water service contracts in the Central Valley Project. This policy, together with reforms in water pricing will encourage water conservation and negate the need for amortization periods of 40 years or longer.

Please insert this memorandum in section II of the looseleaf book "Policy Instructions for Repayment, Water Service, and Other Contracts" sent to you by our memorandum of February 26, 1980.

bc: Solicitor
Associate Solicitor, Energy and Resources
AS/WS (Rieke)
W-1000 (Beard), W-6400(2), W-6500, W-6600
D-5000

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Revised:LMauro:05/11/93:208-5007
H:\HOME\WBERG\DOC\CONTERM (Policy Book, Contract Term)