

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

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

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3 BUREAU OF RECLAMATION  
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6 AND  
7 CENTERVILLE COMMUNITY SERVICES DISTRICT  
8 PROVIDING FOR PROJECT WATER SERVICE  
9 FROM THE TRINITY RIVER DIVISION  
10

11 THIS CONTRACT, made this \_\_\_\_ day of \_\_\_\_\_, 2004, in  
12 pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or  
13 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as  
14 amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2,  
15 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986  
16 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all  
17 collectively hereinafter referred to as Federal Reclamation law, between THE UNITED STATES  
18 OF AMERICA, hereinafter referred to as the United States, and CENTERVILLE COMMUNITY  
19 SERVICES DISTRICT, hereinafter referred to as the Contractor, a public agency of the State of  
20 California, duly organized, existing, and acting pursuant to the laws thereof, with its principal place  
21 of business in California;  
22 WITNESSETH, That:

23 EXPLANATORY RECITALS

24 [1<sup>st</sup>] WHEREAS, the United States has constructed and is operating the Central Valley  
25 Project, California, for diversion, storage, carriage, distribution and beneficial use, for flood control,  
26 irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration,  
27 generation and distribution of electric energy, salinity control, navigation and other beneficial uses,  
28 of waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin  
29 River and their tributaries; and

30 [2<sup>nd</sup>] WHEREAS, the United States constructed the Clear Creek South Unit facilities,  
31 including the Muletown Conduit, which will be used in part for the furnishing of water to the  
32 Contractor pursuant to the terms of this Contract; and

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

35 [4<sup>th</sup>] WHEREAS, the Contractor and the United States entered into Contract  
36 No. 14-06-200-3367X, hereinafter referred to as the Existing Contract, which established terms for  
37 the delivery to the Contractor of Central Valley Project Water from the Muletown Conduit through  
38 December 31, 2004; and

39 [5<sup>th</sup>] WHEREAS, the United States and the Contractor have, pursuant to subsection  
40 3404(c)(3) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into a  
41 Binding Agreement identified as Binding Agreement No. 14-06-200-3367A-BA; and

42 [6<sup>th</sup>] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of  
43 interim and existing long-term Central Valley Project Water service contracts following completion  
44 of appropriate environmental documentation, including a programmatic environmental impact  
45 statement (PEIS) pursuant to the National Environmental Policy Act analyzing the direct and  
46 indirect impacts and benefits of implementing the CVPIA and the potential renewal of all existing  
47 contracts for Project Water; and

48 [7<sup>th</sup>] WHEREAS, the United States has completed the PEIS and all other appropriate  
49 environmental review necessary to provide for long-term renewal of the Existing Contract; and

50 [8<sup>th</sup>] WHEREAS, the Contractor has requested the long-term renewal of the Existing  
51 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws of  
52 the State of California, for water service from the Central Valley Project; and

53 [9<sup>th</sup>] WHEREAS, the United States has determined that the Contractor has fulfilled all of  
54 its obligations under the Existing Contract; and

55 [10<sup>th</sup>] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting  
56 Officer that the Contractor has utilized the Central Valley Project Water supplies available to it for  
57 reasonable and beneficial use and/or has demonstrated projected future demand for water use such  
58 that the Contractor has the capability and expects to utilize fully for reasonable and beneficial use  
59 the quantity of Project Water to be made available to it pursuant to this Contract; and

60 [11<sup>th</sup>] WHEREAS, water obtained from the Central Valley Project has been relied upon by  
61 urban and agricultural areas within California for more than 50 years, and is considered by the  
62 Contractor as an essential portion of its water supply; and

63 [12<sup>th</sup>] WHEREAS, the economies of regions within the Central Valley Project, including  
64 the Contractor's, depend upon the continued availability of water, including water service from the  
65 Central Valley Project; and

66 [12.1] WHEREAS, Contractor has made and will continue to make substantial capital  
67 investments in diversion and treatment facilities, and requires a consistent, predictable quality of  
68 raw water in order to meet Safe Drinking Water Act requirements for its municipal customers, and  
69 to provide a consistent and predictable quality of water for its industrial customers; and

70 [13<sup>th</sup>] WHEREAS, the Secretary intends through coordination, cooperation, and  
71 partnerships to pursue measures to improve water supply, water quality, and reliability of the  
72 Project for all Project purposes; and

73 [13.1] WHEREAS, the Contractor is located in the region of the Redding Groundwater  
74 Basin, and it is the desire of both the United States and the Contractor to facilitate the cooperative  
75 efforts of local water service agencies to develop the Redding Groundwater Basin for conjunctive  
76 management and use with Project Water supplies, to maximize the reasonable beneficial use of  
77 water for the water service agencies and their customers in the region; and

78 [14<sup>th</sup>] WHEREAS, the mutual goals of the United States and the Contractor include: to  
79 provide for reliable Central Valley Project Water supplies; to control costs of those supplies; to  
80 achieve repayment of the Central Valley Project as required by law; to guard reasonably against  
81 Central Valley Project Water shortages; to achieve a reasonable balance among competing demands  
82 for use of Central Valley Project Water; and to comply with all applicable environmental statutes,  
83 all consistent with the legal obligations of the United States relative to the Central Valley Project;  
84 and

85 [15<sup>th</sup>] WHEREAS, the parties intend by this Contract to develop a more cooperative  
86 relationship in order to achieve their mutual goals; and

87 [16<sup>th</sup>] WHEREAS, the United States and the Contractor are willing to enter into this  
88 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

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

91 DEFINITIONS

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

94 (a) "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  
103 authorized representative acting pursuant to this Contract or applicable Reclamation law or  
104 regulation;

105 (e) "Contract Total" shall mean the maximum amount of water to which the  
106 Contractor is entitled under subdivision (a) of Article 3 of this 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  
109 hereto, which may be modified from time to time in accordance with Article 35 of this Contract  
110 without 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) ~~Omitted "Eligible Lands" shall mean all lands to which Irrigation Water may~~  
114 ~~be delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982~~  
115 ~~(96 Stat. 1263), as amended, hereinafter referred to as RRA;~~

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

119 (j) “Full Cost Rate” shall mean an annual rate, determined by the Contracting  
120 Officer that amortizes the expenditures for construction properly allocable to the Project Irrigation  
121 or M&I functions, as appropriate, of facilities in service including operation and maintenance  
122 deficits funded, less payments, over such periods as may be required under Federal Reclamation  
123 law, or applicable contract provisions. Interest will accrue on both the construction expenditures  
124 and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the date  
125 incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated in  
126 accordance with subsections 202(3)(B) and (3)(C) of the RRA. The Full Cost Rate includes actual  
127 operation, maintenance, and replacement costs consistent with Section 426.2 of the Rules and  
128 Regulations for the RRA;

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

131 (l) ~~Omitted~~ “Irrigation Full Cost Water Rate” shall mean the Full Cost Rate  
132 applicable to the delivery of Irrigation Water;

133 (m) ~~Omitted~~ “Irrigation Water” shall mean water made available from the Project  
134 that is used primarily in the production of agricultural crops or livestock, including domestic use  
135 incidental thereto, and watering of livestock;

136 (n) ~~Omitted~~ “Landholder” shall mean a party that directly or indirectly owns or  
137 leases nonexempt land, as provided in 43 CFR 426.2;

138 (o) “Municipal and Industrial (M&I) Water” shall mean Project Water, other  
139 than Irrigation Water, made available to the Contractor for purposes other than the commercial

140 ~~production of agricultural crops or livestock; M&I Water shall include water used for human use~~  
141 ~~and purposes such as the watering of landscaping or pasture for animals (e.g., horses) which are~~  
142 ~~kept for personal enjoyment or water delivered to land holdings operated in units of less than 5~~  
143 ~~acres unless the Contractor establishes to the satisfaction of the Contracting Officer that the use of~~  
144 ~~water delivered to any such landholding is a use described in subdivision (m) of this Article;~~

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

147 (q) "Operation and Maintenance" or "O&M" shall mean normal and reasonable  
148 care, control, operation, repair, replacement (other than Capital replacement), and maintenance of  
149 Project facilities;

150 (r) "Operating Non-Federal Entity" shall mean the Clear Creek Community  
151 Services District, a Non-Federal entity which has the obligation to operate and maintain all or a  
152 portion of the Clear Creek South Unit facilities pursuant to an agreement with the United States, and  
153 which may have funding obligations with respect thereto;

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

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

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

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

164 (w) "Recent Historic Average" shall mean the most recent 5-year average of the  
165 final forecast of Water Made Available to the Contractor pursuant to this Contract or its preceding  
166 contract(s);

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

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  
173 for 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  
176 Officer, pursuant to subdivision (a) of Article 4 of this Contract;

177 (bb) "Water Scheduled" shall mean Project Water made available to the  
178 Contractor for which times and quantities for delivery have been established by the Contractor and  
179 Contracting 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, 2004, through February 28, 2029.  
184 In the event the Contractor wishes to renew the Contract beyond February 28, 2029, the Contractor  
185 shall submit a request for renewal in writing to the Contracting Officer no later than 2 years prior to  
186 the date this Contract expires. ~~The renewal of this Contract insofar as it pertains to the furnishing of~~  
187 ~~Irrigation Water to the Contractor shall be governed by subdivision (b) of this Article, and the~~

188 renewal of this Contract insofar as it pertains to the furnishing of M&I Water to the Contractor shall  
189 be governed by subdivision (c) of this Article.

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

195 \_\_\_\_\_ (2) The conditions which must be met for this Contract to be renewed  
196 are: (i) the Contractor has prepared a water conservation plan that has been determined by the  
197 Contracting Officer in accordance with Article 26 of this Contract to meet the conservation and  
198 efficiency criteria for evaluating such plans established under Federal law; (ii) the Contractor is  
199 implementing an effective water conservation and efficiency program based on the Contractor's  
200 water conservation plan as required by Article 26 of this Contract; (iii) the Contractor is maintaining  
201 all water measuring devices and implementing all water measurement methods as approved by the  
202 Contracting Officer pursuant to Article 6 of this Contract; (iv) the Contractor has reasonably and  
203 beneficially used the Project Water supplies made available to it and, based on projected demands,  
204 is reasonably anticipated and expects fully to utilize for reasonable and beneficial use the quantity  
205 of Project Water to be made available to it pursuant to such renewal; (v) the Contractor is  
206 complying with all terms and conditions of this Contract; and (vi) the Contractor has the physical  
207 and legal ability to deliver Project Water.

208 \_\_\_\_\_ (3) The terms and conditions of the renewal contract described in  
209 subdivision (b)(1) of this Article and any subsequent renewal contracts shall be developed  
210 consistent with the parties' respective legal rights and obligations, and in consideration of all  
211 relevant facts and circumstances, as those circumstances exist at the time of renewal, including,  
212 without limitation, the Contractor's need for continued delivery of Project Water; environmental

213 ~~conditions affected by implementation of the Contract to be renewed, and specifically changes in~~  
214 ~~those conditions that occurred during the life of the Contract to be renewed; the Secretary's progress~~  
215 ~~toward achieving the purposes of the CVPIA as set out in Section 3402 and in implementing the~~  
216 ~~specific provisions of the CVPIA; and current and anticipated economic circumstances of the region~~  
217 ~~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 25 years and thereafter shall be renewed for successive  
220 periods of up to 40 years each, which periods shall be consistent with the then-existing  
221 Reclamation-wide policy, under terms and conditions mutually agreeable to the parties and  
222 consistent with federal and state law. The Contractor shall be afforded the opportunity to comment  
223 to the Contracting Officer on the proposed adoption and application of any revised Reclamation-  
224 wide policy applicable to the delivery of Project M&I Water that would limit the term of any  
225 subsequent renewal contract with the Contractor for the furnishing of M&I Water to less than 25  
226 years.

227 (d) The Contracting Officer shall make a determination 10 years after the date of  
228 execution of this Contract, and every 5 years thereafter during the term of this Contract, of whether  
229 a conversion to a contract under said subsection 9(d) can be accomplished pursuant to the Act of  
230 July 2, 1956 (Public Law 643). Notwithstanding any provision of this Contract, the Contractor  
231 reserves and shall have all rights and benefits under Public Law 643. The Contracting Officer  
232 anticipates that during the term of this contract, all authorized Project construction expected to  
233 occur will have occurred, and on that basis the Contracting Officer agrees upon such completion to  
234 allocate all costs that are properly assignable to the Contractor, and agrees further that, at any time  
235 after such allocation is made, and subject to satisfaction of the condition set out in this subdivision,  
236 this Contract shall, at the request of the Contractor, be converted to a contract under subsection (d),  
237 Section 9 of the Reclamation Project Act of 1939, subject to applicable Federal law and under stated

238 terms and conditions mutually agreeable to the Contractor and the Contracting Officer. A condition  
239 for such conversion to occur shall be a determination by the Contracting Officer that, account being  
240 taken of the amount credited to return by the Contractor as provided for under Reclamation law, the  
241 remaining amount of construction costs assignable for ultimate return by the Contractor can  
242 probably be repaid to the United States within the term of a contract under said subsection (d). If  
243 the remaining amount of costs that are properly assignable to the Contractor cannot be determined  
244 during the term of this Contract, the Contracting Officer shall notify the Contractor, and provide the  
245 reason(s) why such a determination could not be made. Further, the Contracting Officer shall make  
246 such a determination as soon thereafter as possible so as to permit, upon request of the Contractor  
247 and satisfaction of the condition set out above, conversion to a contract under said subsection (d).  
248 In the event such determination of costs has not been made at a time which allows conversion of  
249 this Contract during the term of this Contract or the Contractor has not requested conversion of this  
250 Contract within such term, the parties shall incorporate in any subsequent renewal contract as  
251 described in subdivision (b) of this Article a provision that carries forth in substantially identical  
252 terms the provisions of this subdivision.

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 2,900 acre-feet  
257 of water for irrigation and M&I purposes. The quantity of Water Delivered to the Contractor in  
258 accordance with this subdivision shall be scheduled and paid for pursuant to the provisions of  
259 Articles 4 and 7 of this Contract.

260 (b) Because the capacity of the Central Valley Project to deliver Project Water  
261 has been constrained in recent years and may be constrained in the future due to many factors

262 including hydrologic conditions and implementation of Federal and State laws, the likelihood of the  
263 Contractor actually receiving the amount of Water set out in subdivision (a) of this Article in any  
264 given Year is uncertain. The Contracting Officer's most recent modeling referenced in the PEIS  
265 projected that the Contract Total set forth in this Contract will not be available to the Contractor in  
266 many years. During the most recent 5 years, the Recent Historic Average of water made  
267 available to the Contractor was 2,668 acre-feet. Nothing in subdivision (b) of this Article shall  
268 affect the rights and obligations of the parties under any provision of this Contract.

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

271 (d) The Contractor shall make reasonable and beneficial use of all Project Water  
272 or other water furnished pursuant to this Contract. Ground-water recharge programs (direct,  
273 indirect, or in lieu), ground-water banking programs, surface water storage programs, and other  
274 similar programs utilizing Project Water or other water furnished pursuant to this Contract  
275 conducted within the Contractor's Service Area which are consistent with applicable State law and  
276 result in use consistent with Reclamation law will be allowed; Provided, that any direct recharge  
277 program(s) is (are) described in the Contractor's Water Conservation Plan submitted pursuant to  
278 Article 26 of this Contract; Provided, further, that such Water Conservation Plan demonstrates  
279 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average, the  
280 quantity of Delivered Water is demonstrated to be reasonable for such uses and in compliance with  
281 Reclamation Law. Ground-water recharge programs, ground-water banking programs, surface  
282 water storage programs, and other similar programs utilizing Project Water or other water furnished  
283 pursuant to this Contract conducted outside the Contractor's Service Area may be permitted upon  
284 written approval of the Contracting Officer, which approval will be based upon environmental  
285 documentation, Project Water rights, and Project operational concerns. The Contracting Officer  
286 will address such concerns in regulations, policies, or guidelines.

287                   (e)     The Contractor shall comply with requirements applicable to the Contractor  
288 in biological opinion(s) prepared as a result of a consultation regarding the execution of this  
289 Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973, as amended, that  
290 are within the Contractor's legal authority to implement. The Existing Contract, which evidences in  
291 excess of 37 years of diversions for irrigation and/or municipal and industrial purposes of the  
292 quantities of water provided in subdivision (a) of Article 3 of this Contract, will be considered in  
293 developing an appropriate baseline for the Biological Assessment prepared pursuant to the  
294 Endangered Species Act, and any other needed environmental review. Nothing herein shall be  
295 construed to prevent the Contractor from challenging or seeking judicial relief in a court of  
296 competent jurisdiction with respect to any biological opinion or other environmental documentation  
297 referred to in this Article.

298                   (f)     As soon as possible following each declaration of Water Made Available  
299 under Article 4 of this Contract, the Contracting Officer will make a determination whether Project  
300 Water, or other water available to the Project, can be made available to the Contractor in addition to  
301 the Contract Total under Article 3 of this Contract during the Year without adversely impacting  
302 other Project Contractors. At the request of the Contractor, the Contracting Officer will consult  
303 with the Contractor prior to making such a determination. If the Contracting Officer determines  
304 that Project Water, or other water available to the Project, can be made available to the Contractor,  
305 the Contracting Officer will announce the availability of such water and shall so notify the  
306 Contractor as soon as practical. The Contracting Officer will thereafter meet with the Contractor  
307 and other Project Contractors capable of taking such water to determine the most equitable and  
308 efficient allocation of such water. If the Contractor requests the delivery of any quantity of such  
309 water, the Contracting Officer shall make such water available to the Contractor in accordance with  
310 applicable statutes, regulations, guidelines, and policies.

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

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

324 (i) Project Water furnished to the Contractor pursuant to this Contract may be  
325 delivered for ~~other than irrigation or M&I purposes~~ upon written approval by the Contracting  
326 Officer in accordance with the terms and conditions of such approval.

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

335

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. Such  
339 declaration will be expressed in terms of both Water Made Available and the Recent Historic  
340 Average and will be updated monthly, and more frequently if necessary, based on then-current  
341 operational and hydrologic conditions and a new declaration with changes, if any, to the Water  
342 Made Available will be made. The Contracting Officer shall provide forecasts of Project operations  
343 and the basis of the estimate, with relevant supporting information, upon the written request of the  
344 Contractor. Concurrently with the declaration of the Water Made Available, the Contracting  
345 Officer shall provide the Contractor with the updated Recent Historic Average.

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

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

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

360

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 station 376+50 of the Muletown Conduit and any  
364 additional point or points of delivery either on Project facilities or another location or locations  
365 mutually agreed to in writing by the Contracting Officer and the 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  
368 in the Muletown Conduit to deliver Project Water to the Contractor at specific turnouts established  
369 pursuant to subdivision (a) of this Article.

370 (c) ~~Omitted The Contractor shall deliver Irrigation Water in accordance with any~~  
371 ~~applicable land classification provisions of Federal Reclamation law and the associated regulations.~~  
372 ~~The 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  
377 Contracting Officer (hereafter "other appropriate entity") at the point or points of delivery  
378 established pursuant to subdivision (a) of this Article. Upon the request of either party to this  
379 Contract, the Contracting Officer shall investigate, or cause to be investigated by the responsible  
380 Operating Non-Federal Entity, the accuracy of such measurements and shall take any necessary  
381 steps to adjust any errors appearing therein. For any period of time when accurate measurements  
382 have not been made, the Contracting Officer shall consult with the Contractor and the responsible  
383 Operating Non-Federal Entity prior to making a final determination of the quantity delivered for  
384 that period of time.

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

402 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

403 6. (a) The Contractor shall ensure that, unless the Contractor has established an  
404 alternative measurement program satisfactory to the Contracting Officer, all surface water delivered  
405 for irrigation purposes within the Contractor's Service Area is measured at each agricultural turnout  
406 and such water delivered for municipal and industrial purposes is measured at each municipal and  
407 industrial service connection. The water measuring devices or water measuring methods of  
408 comparable effectiveness must be acceptable to the Contracting Officer. The Contractor shall be  
409 responsible for installing, operating, and maintaining and repairing all such measuring devices and

410 implementing all such water measuring methods at no cost to the United States. The Contractor  
411 shall use the information obtained from such water measuring devices or water measuring methods  
412 to ensure its proper management of the water, to bill water users for water delivered by the  
413 Contractor; and, if applicable, to record water delivered for municipal and industrial purposes by  
414 customer class as defined in the Contractor's water conservation plan provided for in Article 26 of  
415 this Contract. Nothing herein contained, however, shall preclude the Contractor from establishing  
416 and collecting any charges, assessments, or other revenues authorized by California law. The  
417 Contractor shall include a summary of all its annual surface water deliveries in the annual report  
418 described in subdivision (c) of Article 26.

419           (b)       To the extent the information has not otherwise been provided, upon  
420 execution of this Contract, the Contractor shall provide to the Contracting Officer a written report  
421 describing the measurement devices or water measuring methods being used or to be used to  
422 implement subdivision (a) of this Article and identifying the agricultural turnouts and the municipal  
423 and industrial service connections or alternative measurement programs approved by the  
424 Contracting Officer, at which such measurement devices or water measuring methods are being  
425 used, and, if applicable, identifying the locations at which such devices and/or methods are not yet  
426 being used including a time schedule for implementation at such locations. The Contracting Officer  
427 shall advise the Contractor in writing within 60 days as to the adequacy of, and necessary  
428 modifications, if any, of the measuring devices or water measuring methods identified in the  
429 Contractor's report and if the Contracting Officer does not respond in such time, they shall be  
430 deemed adequate. If the Contracting Officer notifies the Contractor that the measuring devices or  
431 methods are inadequate, the parties shall within 60 days following the Contracting Officer's  
432 response, negotiate in good faith the earliest practicable date by which the Contractor shall modify  
433 said measuring devices and/or measuring methods as required by the Contracting Officer to ensure  
434 compliance with subdivision (a) of this Article.

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

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

441 (e) The Contractor shall inform the Contracting Officer and the Operating Non-  
442 Federal Entity on or before the 20 10<sup>th</sup> calendar day of each month of the quantity of Irrigation and  
443 M&I Water taken during the preceding month.

444 RATES AND METHOD OF PAYMENT FOR WATER

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

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

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

460 Year, and the basis for such estimate. The Contractor shall be allowed not less than 2 months to  
461 review and comment on such estimates. On or before September 15 of each Calendar Year, the  
462 Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during the  
463 period October 1 of the current Calendar Year, through September 30, of the following Calendar  
464 Year, and such notification shall revise Exhibit "B."

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

472 (c) At the time the Contractor submits the initial schedule for the delivery of  
473 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractor  
474 shall make an advance payment to the United States equal to the total amount payable pursuant to  
475 the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water scheduled to be  
476 delivered pursuant to this Contract during the first 2 calendar months of the Year. Before the end of  
477 the first month and before the end of each calendar month thereafter, the Contractor shall make an  
478 advance payment to the United States, at the Rate(s) set under subdivision (a) of this Article, for the  
479 Water Scheduled to be delivered pursuant to this Contract during the second month immediately  
480 following. Adjustments between advance payments for Water Scheduled and payments at Rates  
481 due for Water Delivered shall be made before the end of the following month; Provided, that any  
482 revised schedule submitted by the Contractor pursuant to Article 4 of this Contract which increases  
483 the amount of Water Delivered pursuant to this Contract during any month shall be accompanied  
484 with appropriate advance payment, at the Rates then in effect, to assure that Project Water is not

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

494 (d) The Contractor shall also make a payment in addition to the Rate(s) in  
495 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the  
496 appropriate Tiered Pricing Component then in effect, before the end of the month following the  
497 month of delivery; Provided, that the Contractor may be granted an exception from the Tiered  
498 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be consistent  
499 with the quantities of ~~Irrigation Water and~~ M&I Water Delivered as shown in the water delivery  
500 report for the subject month prepared by the Operating Non-Federal Entity or, ~~if there is no~~  
501 ~~Operating Non-Federal Entity~~, by the Contracting Officer. The water delivery report shall be  
502 deemed a bill for the payment of Charges and the applicable Tiered Pricing Component for Water  
503 Delivered. Adjustment for overpayment or underpayment of Charges shall be made through the  
504 adjustment of payments due to the United States for Charges for the next month. Any amount to be  
505 paid for past due payment of Charges and the Tiered Pricing Component shall be computed  
506 pursuant to Article 20 of this Contract.

507 (e) The Contractor shall pay for any Water Delivered under subdivision (d), (f),  
508 or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable  
509 statutes, associated regulations, any applicable provisions of guidelines or ratesetting policies;

510 Provided, that the Rate for Water Delivered under subdivision (d) or (f) of Article 3 of this Contract  
511 shall be no more than the otherwise applicable Rate for ~~Irrigation Water or~~ M&I Water under  
512 subdivision (a) of this Article.

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

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

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

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

535 (j) (1) Beginning at such time as deliveries of Project Water in a Year  
536 exceed 80 percent of the Contract Total, then before the end of the month following the month of  
537 delivery the Contractor shall make an additional payment to the United States equal to the  
538 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water  
539 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the  
540 Contract Total, shall equal one-half of the difference between the Rate established under  
541 subdivision (a) of this Article and the ~~Irrigation Full Cost Water Rate or M&I Full Cost Water Rate,~~  
542 ~~whichever is applicable.~~ The Tiered Pricing Component for the amount of Water Delivered which  
543 exceeds 90 percent of the Contract Total shall equal the difference between (i) the Rate established  
544 under subdivision (a) of this Article and (ii) the ~~Irrigation Full Cost Water Rate or M&I Full Cost~~  
545 ~~Water Rate, whichever is applicable.~~ ~~For all Water Delivered pursuant to subdivision (a) of Article~~  
546 ~~3 of this Contract which is in excess of 80 percent of the Contract Total, this increment shall be~~  
547 ~~deemed to be divided between Irrigation Water and M&I Water in the same proportion as actual~~  
548 ~~deliveries of each bear to the cumulative total Water Delivered.~~

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

557 (3) For purposes of determining the applicability of the Tiered Pricing  
558 Components pursuant to this Article, Water Delivered shall include Project Water that the

559 Contractor transfers to others but shall not include Project Water transferred and delivered to the  
560 Contractor nor shall it include the additional water provided to the Contractor under the provisions  
561 of subdivision (f) of Article 3 of this Contract.

562 (k) For the term of this Contract, Rates under the respective ratesetting policies  
563 will be established to recover only reimbursable “operation and maintenance” (including any  
564 deficits) and capital costs of the Project, as those terms are used in the then-current Project  
565 ratesetting policies, and interest, where appropriate, except in instances where a minimum Rate is  
566 applicable in accordance with the relevant Project ratesetting policy. Changes of significance in  
567 practices which implement the Contracting Officer’s ratesetting policies will not be implemented  
568 until the Contracting Officer has provided the Contractor an opportunity to discuss the nature, need,  
569 and impact of the proposed change.

570 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,  
571 the Rates for Project Water transferred by the Contractor shall be the Contractor’s Rates adjusted  
572 upward or downward to reflect the changed costs, (if any), incurred by the Contracting Officer in  
573 the delivery of the transferred Project Water to the transferee’s point of delivery in accordance with  
574 the then applicable CVP Ratesetting Policy. If the Contractor is receiving lower Rates and Charges  
575 because of inability to pay and is transferring Project Water to another entity whose Rates and  
576 Charges are not adjusted due to inability to pay, the Rates and Charges for transferred Project Water  
577 shall be the Contractor’s Rates and Charges unadjusted for inability to pay.

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

580 (n) *(Note this proposed language is still under review) The Contractor asserts*  
581 *that it is not legally obligated to repay any Central Valley Project deficits or deficit related interest*  
582 *charges claimed by the United States to have accrued as of the date of this Contract. By entering*  
583 *into this Contract, the Contractor does not waive any legal rights or remedies that it may have with*

584 respect to such disputed issues. Notwithstanding the execution of this Contract, and payments made  
585 hereunder, the Contractor may challenge in the appropriate administrative or judicial forums: (1) the  
586 computation, or imposition of any deficit charges accruing under the Existing Contract; (2) interest  
587 accruing on any such deficits; (3) the inclusion of any such deficit charges or interest in the Rates;  
588 (4) the application by the United States of payments made by the Contractor under its Existing  
589 Contract; and (5) the application of such payments in the Rates. The Contracting Officer agrees that  
590 the Contractor shall be entitled to the benefit of any administrative or judicial ruling in favor of any  
591 other Central Valley Project M&I contractor on any of these issues, provided that, the basis for such  
592 ruling is applicable to the Contractor.

593 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

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

597 SALES, TRANSFERS, OR EXCHANGES OF WATER

598 9. (a) The right to receive Project Water provided for in this Contract may be sold,  
599 transferred, or exchanged to others for reasonable and beneficial uses within the State of California  
600 if such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable  
601 guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this  
602 Contract may take place without the prior written approval of the Contracting Officer, except as  
603 provided for in subdivision (b) of this Article, and no such sales, transfers, or exchanges shall be  
604 approved absent compliance with appropriate environmental documentation including but not  
605 limited to the National Environmental Policy Act and the Endangered Species Act. Such  
606 environmental documentation should include, as appropriate, an analysis of ground-water impacts  
607 and economic and social effects, including environmental justice, of the proposed water transfers on  
608 both the transferor and transferee.

609                   (b)     In order to facilitate efficient water management by means of water transfers  
610 of the type historically carried out among Project Contractors located within the same geographical  
611 area and to allow the Contractor to participate in an accelerated water transfer program during the  
612 term of this Contract, the Contracting Officer shall prepare, as appropriate, necessary environmental  
613 documentation including, but not limited to, the National Environmental Policy Act and the  
614 Endangered Species Act analyzing annual transfers within such geographical areas and the  
615 Contracting Officer shall determine whether such transfers comply with applicable law. Following  
616 the completion of the environmental documentation, such transfers addressed in such  
617 documentation shall be conducted with advance notice to the Contracting Officer, but shall not  
618 require prior written approval by the Contracting Officer. Such environmental documentation and  
619 the Contracting Officer's compliance determination shall be reviewed every 5 years and updated, as  
620 necessary, prior to the expiration of the then-existing 5-year period. All subsequent environmental  
621 documentation shall include an alternative to evaluate not less than the quantity of Project Water  
622 historically transferred within the same geographical area.

623                   (c)     For a water transfer to qualify under subdivision (b) of this Article, such  
624 water transfer must: (i) be for irrigation purposes for lands irrigated within the previous 3 years, for  
625 M&I use, groundwater recharge, groundwater banking, similar groundwater activities, surface water  
626 storage, or fish and wildlife resources; not lead to land conversion; and be delivered to established  
627 cropland, wildlife refuges, ground-water basins or municipal and industrial use; (ii) occur within a  
628 single Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water through  
629 existing facilities with no new construction or modifications to facilities and be between existing  
630 Project Contractors and/or the Contractor and the United States, Department of the Interior; and (v)  
631 comply with all applicable Federal, State, and local or tribal laws and requirements imposed for  
632 protection of the environment and Indian Trust Assets, as defined under Federal law.

633                   (d)     For the purpose of determining whether section 3405(a)(1)(M) of the CVPIA

634 applies to the Contractor as a transferor or transferee of Project Water, the Contracting Officer  
635 acknowledges that the Contractor is within a county, watershed, or other area of origin, as those  
636 terms are utilized under California law, of water that constitutes the natural flow of the Sacramento  
637 River and its tributaries above the confluence of the American and Sacramento Rivers.

638 APPLICATION OF PAYMENTS AND ADJUSTMENTS

639 10. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,  
640 Capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of  
641 the Contractor arising out of this Contract then due and payable. Overpayments of more than  
642 \$1,000 shall be refunded at the Contractor's request. In lieu of a refund, any amount of such  
643 overpayment at the option of the Contractor, may be credited against amounts to become due to the  
644 United States by the Contractor. With respect to overpayment, such refund or adjustment shall  
645 constitute the sole remedy of the Contractor or anyone having or claiming to have the right to the  
646 use of any of the Project Water supply provided for herein. All credits and refunds of overpayments  
647 shall be made within 30 days of the Contracting Officer obtaining direction as to how to credit or  
648 refund such overpayment in response to the notice to the Contractor that it has finalized the  
649 accounts for the Year in which the overpayment was made.

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

655 TEMPORARY REDUCTIONS--RETURN FLOWS

656 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the  
657 requirements of Federal law; and (ii) the obligations of the United States under existing contracts, or  
658 renewals thereof, providing for water deliveries from the Project, the Contracting Officer shall make

659 all reasonable efforts to optimize Project Water deliveries to the Contractor as provided in this  
660 Contract.

661 (b) The Contracting Officer or Operating Non-Federal Entity may temporarily  
662 discontinue or reduce the quantity of Water Delivered to the Contractor as herein provided for the  
663 purposes of investigation, inspection, maintenance, repair, or replacement of any of the Project  
664 facilities or any part thereof necessary for the delivery of Project Water to the Contractor, but so far  
665 as feasible the Contracting Officer or Operating Non-Federal Entity will give the Contractor due  
666 notice in advance of such temporary discontinuance or reduction, except in case of emergency, in  
667 which case no notice need be given; Provided, that the United States shall use its best efforts to  
668 avoid any discontinuance or reduction in such service. Upon resumption of service after such  
669 reduction or discontinuance, and if requested by the Contractor, the United States will, if possible,  
670 deliver the quantity of Project Water which would have been delivered hereunder in the absence of  
671 such discontinuance or reduction.

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

678 CONSTRAINTS ON THE AVAILABILITY OF WATER

679 12. (a) In its operation of the Project, the Contracting Officer will use all reasonable  
680 means to guard against a Condition of Shortage in the quantity of water to be made available to the

681 Contractor pursuant to this Contract. In the event the Contracting Officer determines that a  
682 Condition of Shortage appears probable, the Contracting Officer will notify the Contractor of said  
683 determination as soon as practicable.

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

689 (c) In any Year in which there may occur a shortage for any of the reasons  
690 specified in subdivision (b) above, the Contracting Officer shall apportion the available Project  
691 Water supply among the Contractor and others entitled, under existing contracts and future  
692 contracts (to the extent such future contracts are permitted under subsections (a) and (b) of Section  
693 3404 of the CVPIA) and renewals thereof, to receive Project Water consistent with the contractual  
694 obligations of the United States.

695 (d) Project Water furnished under this long-term renewal contract will be  
696 allocated in accordance with the then-existing Project M&I Water Shortage Policy. Such policy  
697 shall be amended, modified, or superseded only through a public notice and comment procedure.

#### 698 UNAVOIDABLE GROUNDWATER PERCOLATION

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

703

RULES AND REGULATIONS

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

709

WATER AND AIR POLLUTION CONTROL

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

713

QUALITY OF WATER

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

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(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

727 Federal or Contractor facilities or Project Water provided by the Contractor within the Contractor's  
728 Service Area.

729 WATER ACQUIRED BY THE CONTRACTOR  
730 OTHER THAN FROM THE UNITED STATES

731 17. (a) ~~Omitted~~ Water or water rights now owned or hereafter acquired by the  
732 Contractor other than from the United States and Irrigation Water furnished pursuant to the terms of  
733 this Contract may be simultaneously transported through the same distribution facilities of the  
734 Contractor subject to the following: (i) if the facilities utilized for commingling Irrigation Water  
735 and non-Project water were constructed without funds made available pursuant to Federal  
736 Reclamation law, the provisions of Federal Reclamation law will be applicable only to the  
737 Landholders of lands which receive Irrigation Water; (ii) the eligibility of land to receive Irrigation  
738 Water must be established through the certification requirements as specified in the Acreage  
739 Limitation Rules and Regulations (43 CFR Part 426); (iii) the water requirements of Eligible Lands  
740 within the Contractor's Service Area can be established and the quantity of Irrigation Water to be  
741 utilized is less than or equal to the quantity necessary to irrigate such Eligible Lands; and (iv) if the  
742 facilities utilized for commingling Irrigation Water and non-Project water are/were constructed with  
743 funds made available pursuant to Federal Reclamation law, the non-Project water will be subject to  
744 the acreage limitation provisions of Federal Reclamation law, unless the Contractor pays to the  
745 United States the incremental fee described in 43 CFR 426.15. In determining the incremental fee,  
746 the Contracting Officer will calculate annually the cost to the Federal Government, including  
747 interest of on storing or delivering non-Project water, which for purposes of this Contract shall be  
748 determined as follows: The quotient shall be the unpaid distribution system costs divided by the  
749 total irrigable acreage within the Contractor's Service Area. The incremental fee per acre is the  
750 mathematical result of such quotient times the interest rate determined using Section 202 (3) of the  
751 Act of October 12, 1982 (96 Stat. 1263). Such incremental fee will be charged to each acre of

752 ~~excess or full cost land within the Contractor's Service Area that receives non-Project water through~~  
753 ~~Federally financed or constructed facilities. The incremental fee calculation methodology will~~  
754 ~~continue during the term of this Contract absent the promulgation of a contrary Reclamation-wide~~  
755 ~~rule, regulation, or policy adopted after the Contractor has been afforded the opportunity to review~~  
756 ~~and comment on the proposed rule, regulation, or policy. If such rule, regulation, or policy is~~  
757 ~~adopted it shall supersede this provision.~~

758 (b) Water or water rights now owned or hereafter acquired by the Contractor,  
759 other than from the United States, may be stored, conveyed, and/or diverted through Project  
760 facilities, subject to the completion of appropriate environmental documentation, with the approval  
761 of the Contracting Officer and the execution of any contract determined by the Contracting Officer  
762 to be necessary, consistent with the following provisions:

763 (1) The Contractor may introduce non-Project water into Project facilities  
764 and deliver said water to lands within the Contractor's Service Area, ~~including Ineligible Lands,~~  
765 subject to payment to the United States and/or to any applicable Operating Non-Federal Entity of an  
766 appropriate rate as determined by the CVP Ratesetting Policy and the RRA of 1982, each as  
767 amended, modified, or superceded from time to time. In addition, if electrical power is required to  
768 pump non-Project water through the facilities, the Contractor shall be responsible for obtaining the  
769 necessary power and paying the necessary charges therefor.

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

776                   (3)     Neither the United States nor the Operating Non-Federal Entity shall  
777 be responsible for control, care, or distribution of the non-Project water before it is introduced into  
778 or after it is delivered from the Project facilities. The Contractor hereby releases and agrees to  
779 defend and indemnify the United States and the Operating Non-Federal Entity, and their respective  
780 officers, agents, and employees, from any claim for damage to persons or property, direct or  
781 indirect, arising out of or relating to the Contractor's or its officer's, employee's, agent's or  
782 assign's, act of (i) extracting or diverting non-Project water from any source, or (ii) diverting such  
783 non-Project water into Project facilities.

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

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

792   OPINIONS AND DETERMINATIONS

793           18.     (a)     Where the terms of this Contract provide for actions to be based upon the  
794 opinion or determination of either party to this Contract, said terms shall not be construed as  
795 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or  
796 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly  
797 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or  
798 unreasonable opinion or determination. Each opinion or determination by either party shall be  
799 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is intended to

800 or shall affect or alter the standard of judicial review applicable under Federal law to any opinion or  
801 determination implementing a specific provision of Federal law embodied in statute or regulation.

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

807 COORDINATION AND COOPERATION

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

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

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

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

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

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

836 (3.1) The Secretary and the Contractor desire to work together to maximize  
837 the reasonable beneficial use of water for their mutual benefit. As a consequence, the Secretary and  
838 the Contractor will work in partnership and with others in the region of the Redding Groundwater  
839 Basin, including other Contractors in the Shasta and Trinity Divisions of the CVP, to facilitate the  
840 better integration with the region of the Redding Groundwater Basin of all water supplies including,  
841 but not limited to, the better management and integration of surface water and groundwater,  
842 transfers and exchanges of water, the development and better utilization of surface water storage,  
843 the effective utilization of waste, seepage and return flow water, and other operational and  
844 management options that may be identified in the future.

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

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

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

855 CHARGES FOR DELINQUENT PAYMENTS

856 20. (a) The Contractor shall be subject to interest, administrative and penalty charges  
857 on delinquent installments or payments. When a payment is not received by the due date, the  
858 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.  
859 When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative  
860 charge to cover additional costs of billing and processing the delinquent payment. When a payment  
861 is delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six  
862 (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the  
863 Contractor shall pay any fees incurred for debt collection services associated with a delinquent  
864 payment.

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

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

873 EQUAL OPPORTUNITY

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

875 (a) The Contractor will not discriminate against any employee or applicant for  
876 employment because of race, color, religion, sex, or national origin. The Contractor will take  
877 affirmative action to ensure that applicants are employed, and that employees are treated during

878 employment, without regard to their race, color, religion, sex, or national origin. Such action shall  
879 include, but not be limited to, the following: Employment, upgrading, demotion, or transfer;  
880 recruitment or recruitment advertising; layoff or termination, rates of payment or other forms of  
881 compensation; and selection for training, including apprenticeship. The Contractor agrees to post in  
882 conspicuous places, available to employees and applicants for employment, notices to be provided  
883 by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

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

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

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

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

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

908 (g) The Contractor will include the provisions of paragraphs (a) through (g) in  
909 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the  
910 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such  
911 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action  
912 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a  
913 means of enforcing such provisions, including sanctions for noncompliance: Provided, however,  
914 That in the event the Contractor becomes involved in, or is threatened with, litigation with a

915 subcontractor or vendor as a result of such direction, the Contractor may request the United States  
916 to enter into such litigation to protect the interests of the United States.

917 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

930 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

931 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964  
932 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the  
933 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws,  
934 as well as with their respective implementing regulations and guidelines imposed by the U.S.  
935 Department of the Interior and/or Bureau of Reclamation.

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

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

949 PRIVACY ACT COMPLIANCE

950 24. ~~Omitted.~~ (a) ~~The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C.~~  
951 ~~552a) (the Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45~~  
952 ~~et seq.) in maintaining Landholder acreage certification and reporting records, required to be~~  
953 ~~submitted to the Contractor for compliance with Sections 206 and 228 of the Reclamation Reform~~  
954 ~~Act of 1982 (96 Stat. 1266), and pursuant to 43 CFR 426.18.~~

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

959 ~~\_\_\_\_\_ (c) The Contracting Officer or a designated representative shall provide the~~  
960 ~~Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau of~~  
961 ~~Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation Interior,~~  
962 ~~Reclamation 31) which govern the maintenance, safeguarding, and disclosure of information~~  
963 ~~contained in the Landholder's certification and reporting records.~~

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

968 ~~\_\_\_\_\_ (e) The Contractor shall forward promptly to the System Manager each proposed~~  
969 ~~denial of access under 43 CFR 2.64; and each request for amendment of records filed under 43 CFR~~  
970 ~~2.71; notify the requester accordingly of such referral; and provide the System Manager with~~  
971 ~~information and records necessary to prepare an appropriate response to the requester. These~~  
972 ~~requirements do not apply to individuals seeking access to their own certification and reporting~~  
973 ~~forms filed with the Contractor pursuant to 43 CFR 426.18, unless the requester elects to cite the~~  
974 ~~Privacy Act as a basis for the request.~~

#### 975 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

976 25. In addition to all other payments to be made by the Contractor pursuant to this  
977 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and  
978 detailed statement submitted by the Contracting Officer to the Contractor for such specific items of  
979 direct cost incurred by the United States for work requested by the Contractor associated with this  
980 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and  
981 procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in

982 writing in advance by the Contractor. This Article shall not apply to costs for routine contract  
983 administration.

984 WATER CONSERVATION

985 26. (a) Prior to the delivery of water provided from or conveyed through Federally  
986 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be  
987 implementing an effective water conservation and efficiency program based on the Contractor's  
988 water conservation plan that has been determined by the Contracting Officer to meet the  
989 conservation and efficiency criteria for evaluating water conservation plans established under  
990 Federal law. The water conservation and efficiency program shall contain definite water  
991 conservation objectives, appropriate economically feasible water conservation measures, and time  
992 schedules for meeting those objectives. Continued Project Water delivery pursuant to this Contract  
993 shall be contingent upon the Contractor's continued implementation of such water conservation  
994 program. In the event the Contractor's water conservation plan or any revised water conservation  
995 plan completed pursuant to subdivision (d) of Article 26 of this Contract have not yet been  
996 determined by the Contracting Officer to meet such criteria, due to circumstances which the  
997 Contracting Officer determines are beyond the control of the Contractor, water deliveries shall be  
998 made under this Contract so long as the Contractor diligently works with the Contracting Officer to  
999 obtain such determination at the earliest practicable date, and thereafter the Contractor immediately  
1000 begins implementing its water conservation and efficiency program in accordance with the time  
1001 schedules therein.

1002 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of  
1003 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall implement  
1004 the Best Management Practices identified by the time frames issued by the California Urban Water  
1005 Conservation Council for such M&I Water unless any such practice is determined by the  
1006 Contracting Officer to be inappropriate for the Contractor.

1007 (c) The Contractor shall submit to the Contracting Officer a report on the status  
1008 of its implementation of the water conservation plan on the reporting dates specified in the then  
1009 existing conservation and efficiency criteria established under Federal law.

1010 (d) At 5-year intervals, the Contractor shall revise its water conservation plan to  
1011 reflect the then current conservation and efficiency criteria for evaluating water conservation plans  
1012 established under Federal law and submit such revised water management plan to the Contracting  
1013 Officer for review and evaluation. The Contracting Officer will then determine if the water  
1014 conservation plan meets Reclamation's then current conservation and efficiency criteria for  
1015 evaluating water conservation plans established under Federal law.

1016 (e) If the Contractor is engaged in direct ground-water recharge, such activity  
1017 shall be described in the Contractor's water conservation plan.

1018 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1019 27. Except as specifically provided in Article 17 of this Contract, the provisions of this  
1020 Contract shall not be applicable to or affect non-Project water or water rights now owned or  
1021 hereafter acquired by the Contractor or any user of such water within the Contractor's Service Area.  
1022 Any such water shall not be considered Project Water under this Contract. In addition, this Contract  
1023 shall not be construed as limiting or curtailing any rights which the Contractor or any water user  
1024 within the Contractor's Service Area acquires or has available under any other contract pursuant to  
1025 Federal Reclamation law.

1026 OPERATION AND MAINTENANCE BY NON-FEDERAL ENTITY

1027 28. (a) The Operation and Maintenance of a portion of the Project facilities which  
1028 serve the Contractor, and responsibility for funding a portion of the costs of such Operation and  
1029 Maintenance, have been transferred to the Operating Non-Federal Entity by separate agreement  
1030 between the United States and the Operating Non-Federal Entity. That separate agreement shall not  
1031 interfere with or affect the rights or obligations of the Contractor or the United States hereunder.

1032                   (b)     The Contracting Officer has previously notified the Contractor in writing that  
1033 the Operation and Maintenance of a portion of the Project facilities which serve the Contractor has  
1034 been transferred to the Operating Non-Federal Entity, and therefore, the Contractor shall pay  
1035 directly to the Operating Non-Federal Entity, or to any successor approved by the Contracting  
1036 Officer under the terms and conditions of the separate agreement between the United States and the  
1037 Operating Non-Federal Entity described in subdivision (a) of this Article, all rates, charges, or  
1038 assessments of any kind, including any assessment for reserve funds, which the Operating Non-  
1039 Federal Entity or such successor determines, sets, or establishes for the Operation and Maintenance  
1040 of the portion of the Project facilities operated and maintained by the Operating Non-Federal Entity  
1041 or such successor. Such direct payments to the Operating Non-Federal Entity or such successor  
1042 shall not relieve the Contractor of its obligation to pay directly to the United States the Contractor's  
1043 share of the Project Rates, Charges, and Tiered Pricing Components except to the extent the  
1044 Operating Non-Federal Entity collects payments on behalf of the United States in accordance with  
1045 the separate agreement identified in subdivision (a) of this Article.

1046                   (c)     For so long as the Operation and Maintenance of any portion of the Project  
1047 facilities serving the Contractor is performed by the Operating Non-Federal Entity, or any successor  
1048 thereto, the Contracting Officer shall adjust those components of the Rates for Water Delivered  
1049 under this Contract representing the cost associated with the activity being performed by the  
1050 Operating Non-Federal Entity or its successor.

1051                   (d)     In the event the Operation and Maintenance of the Project facilities  
1052 operated and maintained by the Operating Non-Federal Entity is re-assumed by the United States  
1053 during the term of this Contract, the Contracting Officer shall so notify the Contractor, in  
1054 writing, and present to the Contractor a revised Exhibit "B" which shall include the portion of  
1055 the Rates to be paid by the Contractor for Project Water under this Contract representing the  
1056 Operation and Maintenance costs of the portion of such Project facilities which have been re-

1057 assumed. The Contractor shall, thereafter, in the absence of written notification from the  
1058 Contracting Officer to the contrary, pay the Rates, Charges, and Tiered Pricing Component(s)  
1059 specified in the revised Exhibit "B" directly to the United States in compliance with Article 7 of  
1060 this Contract.

1061 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1062 29. The expenditure or advance of any money or the performance of any obligation of  
1063 the United States under this Contract shall be contingent upon appropriation or allotment of  
1064 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any  
1065 obligations under this Contract. No liability shall accrue to the United States in case funds are  
1066 not appropriated or allotted.

1067 BOOKS, RECORDS, AND REPORTS

1068 30. (a) The Contractor shall establish and maintain accounts and other books and  
1069 records pertaining to administration of the terms and conditions of this Contract, including: the  
1070 Contractor's financial transactions, water supply data, and Project land and right-of-way  
1071 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use  
1072 data; and other matters that the Contracting Officer may require. Reports thereon shall be  
1073 furnished to the Contracting Officer in such form and on such date or dates as the Contracting  
1074 Officer may require. Subject to applicable Federal laws and regulations, each party to this  
1075 Contract shall have the right during office hours to examine and make copies of the other party's  
1076 books and records relating to matters covered by this Contract.

1077 (b) Notwithstanding the provisions of subdivision (a) of this Article, no  
1078 books, records, or other information shall be requested from the Contractor by the Contracting  
1079 Officer unless such books, records, or information are reasonably related to the administration or  
1080 performance of this Contract. Any such request shall allow the Contractor a reasonable period of  
1081 time within which to provide the requested books, records, or information.

1082 (c) At such time as the Contractor provides information to the Contracting  
1083 Officer pursuant to subdivision (a) of this Article, a copy of such information shall be provided  
1084 to the Operating Non-Federal Entity.

1085 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED



1113 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting  
1114 Officer referring any matter to Department of Justice, the party shall provide to the other party  
1115 30 days' written notice of the intent to take such action; Provided, that such notice shall not be  
1116 required where a delay in commencing an action would prejudice the interests of the party that  
1117 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer  
1118 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,  
1119 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the  
1120 United States may have.

1121 OFFICIALS NOT TO BENEFIT

1122 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the  
1123 Contractor shall benefit from this Contract other than as a water user or landowner in the same  
1124 manner as other water users or landowners.

1125 CHANGES IN CONTRACTOR'S SERVICE AREA

1126 35. (a) While this Contract is in effect, no change may be made in the  
1127 Contractor's Service Area or boundaries, by inclusion or exclusion of lands, dissolution,  
1128 consolidation, merger, or otherwise, except upon the Contracting Officer's written consent.

1129 (b) Within 30 days of receipt of a request for such a change, the Contracting  
1130 Officer will notify the Contractor of any additional information required by the Contracting  
1131 Officer for processing said request, and both parties will meet to establish a mutually agreeable  
1132 schedule for timely completion of the process. Such process will analyze whether the proposed  
1133 change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract;  
1134 (ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or  
1135 to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii)  
1136 have an impact on any Project Water rights applications, permits, or licenses. In addition, the  
1137 Contracting Officer shall comply with the National Environmental Policy Act and the  
1138 Endangered Species Act. The Contractor will be responsible for all costs incurred by the

1139 Contracting Officer in this process, and such costs will be paid in accordance with Article 25 of  
1140 this Contract.

1141 FEDERAL LAWS

1142 36. By entering into this Contract, the Contractor does not waive its rights to contest  
1143 the validity or application in connection with the performance of the terms and conditions of this  
1144 Contract of any Federal law or regulation; Provided, that the Contractor agrees to comply with  
1145 the terms and conditions of this Contract unless and until relief from application of such Federal  
1146 law or regulation to the implementing provision of the Contract is granted by a court of  
1147 competent jurisdiction.

1148 NOTICES

1149 37. Any notice, demand, or request authorized or required by this Contract shall be  
1150 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or  
1151 delivered to the Area Manager, Bureau of Reclamation, Northern California Area Office, 16349  
1152 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United States, when  
1153 mailed, postage prepaid, or delivered to the Board of Directors of the Centerville Community  
1154 Services District, 8930 Placer Road, P.O. Box 990431, Redding, California 96099. The  
1155 designation of the addressee or the address may be changed by notice given in the same manner  
1156 as provided in this Article for other notices.

1157 CONFIRMATION OF CONTRACT

1158 38. The Contractor, after the execution of this Contract, shall promptly seek to secure  
1159 a decree of a court of competent jurisdiction of the State of California, confirming the execution  
1160 of this Contract. The Contractor shall furnish the United States a certified copy of the final  
1161 decree, the validation proceedings, and all pertinent supporting records of the court approving  
1162 and confirming this Contract, and decreeing and adjudging it to be lawful, valid, and binding on  
1163 the Contractor.

1164                    IN WITNESS WHEREOF, the parties hereto have executed this Contract as of  
1165 the day and year first above written.

1166                    THE UNITED STATES OF AMERICA

1167                    By: \_\_\_\_\_  
1168                    Regional Director, Mid-Pacific Region  
1169                    Bureau of Reclamation

1170                    CENTERVILLE COMMUNITY  
SERVICES DISTRICT

1171                    By: \_\_\_\_\_  
1172                    President of the Board of Directors

1173                    Attest:

1174                    By: \_\_\_\_\_  
1175                    Secretary of the Board of Directors

Centerville CSD Draft 6/16-2003  
Shasta/Trinity Division Draft 6/16-2003  
CVP-Wide Draft 5/23-2003  
Contract No.14-06-200-3367X- LTR1

EXHIBIT A

[Map or Description of Service Area]

EXHIBIT B

2003 Water Rates and Charges  
Centerville Community Services District– Clear Creek South

M&I COST OF SERVICE RATES:

Capital Rate:	\$ 8.54
O&M Rates:	
Water Marketing	3.68
Storage	5.78
Deficit Rate:	6.23
CFO/PRF Adjustment Rate 1/	<u>0.03</u>
TOTAL	<u>\$24.26</u>

CHARGES UNDER P.L. 102-575 TO THE  
RESTORATION FUND 2/

Restoration Payments (3407(d)(2)(A))	<u>\$15.38</u>
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1/ Chief Financial Officer (CFO) adjustment and Provision for Replacement (PFR) expense is being distributed over a 5-year period beginning in FY 2003 for those contractors that requested those costs be deferred.

2/ Restoration fund charges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund charges are on a fiscal year basis (10/1 - 9/30).