Long Form - Irrigation
Contract No.
14-06-200-2148A-R-1

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

CONTRACT BETWEEN THE UNITED STATES AND KNAGGS WALNUT RANCHES COMPANY, L.P., DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES, SETTLING WATER RIGHTS DISPUTES AND PROVIDING FOR PROJECT WATER

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THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into by THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made this 31st day of March, 2005, pursuant to the applicable authority granted to it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, including, but not limited to, Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, and KNAGGS WALNUT RANCHES COMPANY, L.P., hereinafter referred to as the Contractor, acting pursuant to Sections 12003 and 12004 of the California Water Code, with its principal place of business in California;

WITNESSETH, that:

above Shasta Lake during the year in question, and shall be used as the full natural flow to Shasta Lake. In the event that major construction has occurred or occurs above Shasta Lake after September 1, 1963, and which has materially altered or alters the regimen of the stream systems contributing to Shasta Lake, the computed inflow to Shasta Lake used to define a Critical Year will be adjusted to eliminate the effect of such material alterations. After consultation with the State of California, the National Weather Service, and other recognized forecasting agencies, the Contracting Officer will select the forecast to be used and will make the details of it available to the Contractor. The same forecasts used by the United States for the operation of the Project shall be used to make the forecasts hereunder;

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

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

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

(i) "Full Cost Rate" shall mean that water rate described in Sections 205(a)(3) or 202(3) of the RRA, whichever is applicable;

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

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

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

(m) "Project Water" shall mean all Surface Water diverted or scheduled to be diverted each month during the period April through October of each Year by the Contractor from the Sacramento River which is in excess of the Base Supply. The United States recognizes the right of the Contractor to make arrangements for acquisition of water from projects of others than the United States for delivery through the Sacramento River and tributaries subject to written agreement between Contractor and the United States as to identification of such water which water when so identified shall not be deemed Project Water under this Settlement Contract;

(n) "Rates" shall mean the payments for Project Water determined annually by the Contracting Officer in accordance with the then current applicable water ratesetting policies for the Project, as described in subdivision (a) of Article 8 of this Settlement Contract;

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

(p) "Surface Water" shall mean only those waters that are considered as surface water under California law;

(q) "Water Year" shall mean the period commencing with October 1 of one year and extending through September 30 of the next; and

(r) "Year" shall mean a calendar year.

161 at the locations shown in Exhibit A, for beneficial use within the area delineated on Exhibit B,
162 (both Exhibits are attached hereto and made a part hereof), the Contract Total designated in
163 Exhibit A, or any revision thereof, in accordance with the monthly operating schedule required
164 by Article 3(c) of this Settlement Contract. The quantity of any water diverted under this
165 Settlement Contract from the Sacramento River, during the period April through October, for use
166 on any lands delineated on Exhibit B, by the owner of such lands or otherwise shall constitute a
167 part of the Contract Total as shown on Exhibit A and shall be subject to all the provisions of this
168 Settlement Contract relating to such Contract Total as if such diversion were made by the
169 Contractor.

170 (b) The Contractor may have acquired rights to divert water from the
171 Sacramento River during the period April through October, that were obtained after the date of
172 execution of the Existing Contract, or the Contractor may acquire such rights in the future. All
173 diversions made from the Sacramento River, pursuant to such rights, during the period April
174 through October, shall not be considered a part of the quantity of Base Supply and Project Water
175 specified in Exhibit A; Provided, that the quantities diverted pursuant to the above rights shall be
176 identified on the schedule submitted pursuant to Article 3(c) below, and shall not be substituted
177 for any Base Supply or Project Water; Provided, further, that any such identified quantities of
178 other acquired rights may be diverted by the Contractor before incurring any fee pursuant to
179 Article 3(c)(1), below.

180 (c) Before April 1 and before the first day of each month thereafter when a
181 revision is needed, the Contractor shall submit a written schedule to the Contracting Officer
182 indicating the Contract Total to be diverted by the Contractor during each month under this
183 Settlement Contract. The United States shall furnish water to the Contractor in accordance with

the monthly operating schedule or any revisions thereof. However, the United States recognizes the need of the Contractor to change from time to time its monthly diversions of water from the quantities shown in Exhibit A; the Contractor may make such changes, provided:

(1) that for the quantity of Base Supply diverted in excess of the monthly quantity shown in Exhibit A, and as may be reduced in accordance with Article 5(a), during June, July, August, September, or October of any Water Year, the Contractor shall be charged a rescheduling fee equal to 50 percent of the sum of the storage operations and maintenance rate and the storage capital rate components of the Project ratesetting policy.

(2) that in no event shall the total quantity scheduled for diversion by the Contractor from the Sacramento River:

(i) During the period April through October exceed the aggregate of the Contract Total for that period shown in Exhibit A or any revision thereof;

(ii) During the period July through September exceed the aggregate of the Contract Total for that period shown in Exhibit A or any revision thereof.

(d) In the event conditions warrant, the Contracting Officer reserves the right to require the Contractor to submit, at least 72 hours prior to the beginning of each weekly period, its estimate of daily diversion requirements for each such period from the Sacramento River; Provided, however, that changes during any such period may be made upon the giving of 72 hours' notice thereof to the Contracting Officer.

(e) No sale, transfer, exchange, or other disposal of any of the Contract Total designated in Exhibit A or the right to the use thereof for use on land other than that shown on

Exhibit B shall be made by the Contractor without first obtaining the written consent of the Contracting Officer. Such consent will not be unreasonably withheld and a decision will be rendered in a timely manner. For short-term actions that will occur within one year or less, the decision will be rendered within 30 days after receipt of a complete written proposal. For long-term actions that will occur in a period longer than one year, the decision will be rendered within 90 days after receipt of a complete written proposal. For a proposal to be deemed complete by the Contracting Officer, it must comply with all provisions required by State and Federal law, including information sufficient to enable the Contracting Officer to comply with the National Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then in effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate or effectuate the sale, transfer, exchange, or other disposal of Base Supply. Such use of Federal facilities will be the subject of a separate agreement to be entered into between the Contractor and Reclamation.

(f) For the purpose of determining whether Section 3405(a)(1)(M) of the CVPIA applies to the Contractor as a transferor or transferee of Project Water, the Contracting Officer acknowledges that the Contractor is within a county, watershed, or other area of origin, as those terms are utilized under California law.

(g) Nothing herein contained shall prevent the Contractor from diverting water during the months of November through March for beneficial use on the land shown on Exhibit B or elsewhere to the extent authorized under the laws of the State of California.

(h) The United States assumes no responsibility for and neither it nor its officers, agents, or employees shall have any liability for or on account of:

(1) The quality of water to be diverted by the Contractor;

(2) The control, carriage, handling, use, disposal, or distribution of water diverted by the Contractor outside the facilities constructed and then being operated and maintained by or on behalf of the United States;

(3) Claims of damage of any nature whatsoever, including but not limited to, property loss or damage, personal injury, or death arising out of or connected with the control, carriage, handling, use, disposal, or distribution of said water outside of the hereinabove referred to facilities; and

(4) Any damage whether direct or indirect arising out of or in any manner caused by a shortage of water whether such shortage be on account of errors in operation, drought, or unavoidable causes.

(i) In addition to the provisions of subdivision (h) of Article 3 of this Contract, if there is a shortage of Project Water because of actions taken by the Contracting Officer to meet legal obligations then, except as provided in subdivision (a) of Article 30 of this Contract, no liability shall accrue against the United States or any of its officers, agents, or employees for any damage, direct or indirect, arising therefrom.

RETURN FLOW

4. Nothing herein shall be construed as an abandonment or a relinquishment by the United States of any right it may have to the use of waste, seepage, and return flow water derived from water diverted by the Contractor hereunder and which escapes or is discharged beyond the boundaries of the lands shown on Exhibit B; Provided, that this shall not be construed as claiming for the United States any right to such water which is recovered by the Contractor pursuant to California law from within the boundaries of the lands shown on Exhibit B, and

252 which is being used pursuant to this Settlement Contract for surface irrigation or underground
253 storage for the benefit of the lands shown on Exhibit B by the Contractor.

254 CONSTRAINTS ON THE AVAILABILITY OF WATER

255 5. (a) In a Critical Year, the Contractor's Base Supply and Project Water agreed
256 to be diverted during the period April through October of the Year in which the principal portion
257 of the Critical Year occurs and, each monthly quantity of said period shall be reduced by
258 25 percent.

259 (b) The amount of any overpayment by the Contractor shall, at its option, be
260 refunded or credited upon amounts to become due to the United States from the Contractor under
261 the provisions hereof in the ensuing Year. To the extent of such deficiency such adjustment of
262 overpayment shall constitute the sole remedy of the Contractor.

263 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

264 6. The Contractor and United States desire to work together to maximize the
265 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States
266 and the Contractor will work in partnership and with others within the Sacramento Valley,
267 including other contractors, to facilitate the better integration within the Sacramento Valley of all
268 water supplies including, but not limited to, the better management and integration of surface
269 water and groundwater, the development and better utilization of surface water storage, the
270 effective utilization of waste, seepage and return flow water, and other operational and
271 management options that may be identified in the future.

272 USE OF WATER FURNISHED TO CONTRACTOR

273 7. (a) Project Water furnished to the Contractor pursuant to this Settlement
274 Contract shall not be delivered or furnished by the Contractor for any purposes other than

agricultural purposes without the written consent of the Contracting Officer. For purposes of this Settlement Contract, "agricultural purposes" includes, but is not restricted to, the irrigation of crops, the watering of livestock, incidental domestic use including related landscape irrigation, and underground water replenishment.

(b) The Contractor shall comply with requirements applicable to the Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973, as amended, that are within the Contractor's legal authority to implement. The Existing Contract, which evidences in excess of 40 years of diversions, for agricultural uses, of the quantities of water provided for in Article 3, and the underlying water rights of the Contractor will be considered in developing an appropriate base-line for the Biological Assessment prepared pursuant to the Endangered Species Act, and in any other needed environmental review. Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial relief in a court of competent jurisdiction with respect to any biological opinion or other environmental documentation referred to in this Article.

RATE AND METHOD OF PAYMENT

8. (a) The Contract Total in this Settlement Contract does not include Project Water. In order to recover Reclamation's costs for administration of this Settlement Contract, the Contractor shall pay the United States an annual fee of $300.00 that shall be increased by $50.00 beginning April 1, 2009, and every five years thereafter. Payment of this fee shall be due and payable on May 1 of each Year. This annual fee shall cover activities including, but not limited to, operation and maintenance of water measurement devices, preparation of monthly

297 water delivery statements, and maintenance of official records. Payment for activities performed
298 by Reclamation at the request of the Contractor shall be covered under Article 31.

299 (b) Payments to be made by the Contractor to the United States under this
300 Settlement Contract may be paid from any revenues available to the Contractor. All revenues
301 received by the United States from the Contractor relating to the delivery of non-Project Water
302 through Project facilities shall be allocated and applied in accordance with Federal Reclamation
303 law and the associated rules or regulations, and the then current Project ratesetting policies for
304 irrigation water.

305 (c) The parties acknowledge and agree that the efficient administration of this
306 Settlement Contract is their mutual goal. Recognizing that experience has demonstrated that
307 mechanisms, policies, and procedures used for making and allocating payments, other than those
308 set forth in this Article may be in the mutual best interest of the parties, it is expressly agreed that
309 the parties may enter into agreements to modify the mechanisms, policies, and procedures for
310 any of those purposes while this Settlement Contract is in effect without amendment of this
311 Settlement Contract.

312 (d) Each payment to be made pursuant to subdivision (a) of this Article shall
313 be made at the office of the Bureau of Reclamation, MP Region: Mid-Pacific, P.O. Box 894242,
314 Los Angeles, CA 90189-4242, or at such other place as the United States may designate in a
315 written notice to the said Contractor. Payments shall be made by cash transaction, wire, or any
316 other mechanism as may be agreed to in writing by the Contractor and the Contracting Officer.
317 In the event there should be a default in the payment of the amount due, the delinquent payment
318 provisions of Article 13 shall apply. The Contractor shall not be relieved of the whole or any
319 part of its said obligation by, on account of, or notwithstanding, as the case may be, the default in

payment to it by any water user of assessments, tolls, or other charges levied by or owing to said Contractor.

AGREEMENT ON WATER QUANTITIES

9. (a) During the term of this Settlement Contract and any renewals thereof:

(1) It shall constitute full agreement as between the United States and the Contractor as to the quantities of water and the allocation thereof between Base Supply and Project Water which may be diverted by the Contractor from the Sacramento River for beneficial use on the land shown on Exhibit B from April 1 through October 31, which said diversion, use, and allocation shall not be disturbed so long as the Contractor shall fulfill all of its obligations hereunder;

(2) Neither party shall claim any right against the other in conflict with the provisions of Article 9(a)(1) hereof.

(b) Nothing herein contained is intended to or does limit rights of the Contractor against others than the United States or of the United States against any person other than the Contractor; Provided, however, that in the event the Contractor, the United States, or any other person shall become a party to a general adjudication of rights to the use of water of the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position of either party hereto or of any other person and the rights of all such persons in respect to the use of such water shall be determined in such proceedings the same as if this Settlement Contract had not been entered into, and if final judgment in any such general adjudication shall determine that the rights of the parties hereto are different from the rights as assumed herein, the parties shall negotiate an amendment to give effect to such judgment. In the event the parties are unable to agree on an appropriate amendment they shall, within 60 days of determining that there is an

343 impasse, employ the services of a neutral mediator, experienced in resolving water rights
344 disputes, to assist in resolving the impasse. The cost of the mediation will be shared equally. A
345 failure to reach agreement on an amendment within 60 days of the end of mediation will cause
346 the immediate termination of this Settlement Contract.

347 (c) In the event that the California State Water Resources Control Board or a
348 court of competent jurisdiction issues a final decision or order modifying the terms and
349 conditions of the water rights of either party to this Settlement Contract in order to impose Bay-
350 Delta water quality obligations, the Contractor and the United States shall promptly meet to
351 determine whether or not to modify any of the terms of this Settlement Contract to comply with
352 the final decision or order, including, but not limited to, the applicability of the rescheduling
353 charge in Article 3(c)(1) of this Settlement Contract. If within 60 days of the date of the issuance
354 of the final decision or order the parties are not able to reach agreement regarding either the need
355 to modify this Settlement Contract or the manner in which this Settlement Contract is to be
356 modified, the parties shall promptly retain a neutral mediator, experienced in resolving water
357 right disputes, to assist the parties in resolving their dispute. The cost of the mediator shall be
358 shared equally. In the event that either of the parties to this Settlement Contract determines that
359 the parties will not be able to develop mutually-agreeable modification(s) to this Settlement
360 Contract even with the assistance of a mediator, either of the parties to this Settlement Contract
361 may attempt to resolve the impasse by seeking appropriate judicial relief including, but not
362 limited to, filing a general adjudication of the rights to the use of water in the Sacramento River
363 system. The foregoing provisions of this sub-article shall only apply to the incremental
364 obligations contained within a final decision or order of the State Water Resources Control
365 Board that reflects a modification to the obligations imposed in State Water Resources Control

366 Board Revised Water Rights Decision 1641 dated March 15, 2000, and its associated 1995 Water
367 Quality Control Plan which, taken together, will be considered the baseline for the application of
368 the provisions of this sub-article.

369 (d) In the event this Settlement Contract terminates, the rights of the parties to
370 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;
371 and the fact that as a compromise settlement of a controversy as to the respective rights of the
372 parties to divert and use water and the yield of such rights during the term hereof, this Settlement
373 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the
374 Settlement Contract term and segregates it into Base Supply and Project Water shall not
375 jeopardize the rights or position of either party with respect to its water rights or the yield thereof
376 at all times after the Settlement Contract terminates. It is further agreed that the Contractor at all
377 times will first use water to the use of which it is entitled by virtue of its own water rights, and
378 neither the provisions of this Settlement Contract, action taken thereunder, nor payments made
379 thereunder to the United States by the Contractor shall be construed as an admission that any part
380 of the water used by the Contractor during the term of this Settlement Contract was in fact water
381 to which it would not have been entitled under water rights owned by it nor shall receipt of
382 payments thereunder by the United States from the Contractor be construed as an admission that
383 any part of the water used by the Contractor during the term of this Settlement Contract was in
384 fact water to which it would have been entitled under water rights owned by it.

385 MEASUREMENT OF WATER

386 10. (a) All water diverted by the Contractor from the Sacramento River will be
387 diverted at the existing point or points of diversion shown on Exhibit A or at such other points as
388 may be mutually agreed upon in writing by the Contracting Officer and the Contractor.

389 (b) All water diverted from the Sacramento River pursuant to this Settlement
390 Contract will be measured or caused to be measured by the United States at each point of
391 diversion with existing equipment or equipment to be installed, operated, and maintained by the
392 United States, and/or others, under contract with and at the option of the United States. The
393 equipment and methods used to make such measurement shall be in accordance with sound
394 engineering practices. Upon request of the Contractor, the accuracy of such measurements will
395 be investigated by the Contracting Officer and any errors appearing therein will be corrected.
396 (c) The right of ingress to and egress from all points of diversion is hereby
397 granted to all authorized employees of the United States. The Contractor also hereby grants to
398 the United States the right to install, operate, maintain, and replace such equipment on diversion
399 or carriage facilities at each point of diversion as the Contracting Officer deems necessary.
400 (d) The Contractor shall not modify, alter, remove, or replace diversion
401 facilities or do any other act which would alter the effectiveness or accuracy of the measuring
402 equipment installed by the United States or its representatives unless and until the Contracting
403 Officer has been notified with due diligence and has been given an opportunity to modify such
404 measuring equipment in such manner as may be necessary or appropriate. In the event of an
405 emergency the Contractor shall notify the United States within a reasonable time thereafter as to
406 the existence of the emergency and the nature and extent of such modification, alteration,
407 removal, or replacement of diversion facilities.
408 (e) The Contractor shall pay the United States for the costs to repair, relocate,
409 or replace measurement equipment when the Contractor modifies, alters, removes, or replaces
410 diversion or carriage facilities.

411 (f) Contractor and Contracting Officer shall develop a mutually agreeable
412 surface water delivery water measurement program which shall be implemented by the
413 Contractor, and such measurement program shall be consistent with the conservation and
414 efficiency criteria for evaluating water conservation plans as provided in Article 29(a).

415 (g) All new surface water delivery systems installed within the lands
416 delineated on Exhibit B after the effective date of this Settlement Contract shall also comply with
417 the measurement provisions described in this Article.

418 RULES AND REGULATIONS

419 11. The parties agree that the delivery of Project Water for irrigation use or use of
420 Federal facilities pursuant to this Settlement Contract is subject to Federal Reclamation law,
421 including but not limited to, the Reclamation Reform Act of 1982 (43 U.S.C. 390aa et seq.), as
422 amended and supplemented, and the rules and regulations promulgated by the Secretary of the
423 Interior under Federal Reclamation law.

424 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

425 12. (a) The obligation of the Contractor to pay the United States as provided in
426 this Settlement Contract is a general obligation of the Contractor notwithstanding the manner in
427 which the obligation may be distributed among the Contractor's water users and notwithstanding
428 the default of individual water users in their obligations to the Contractor.

429 (b) The payment of Charges becoming due hereunder is a condition precedent
430 to receiving benefits under this Settlement Contract. The United States shall not make water
431 available to the Contractor through Project facilities during any period in which the Contractor
432 may be in arrears in the advance payment of water Rates due the United States. The Contractor
433 shall not furnish water made available pursuant to this Settlement Contract for lands or parties
434 which are in arrears in the advance payment of water rates levied or established by the
435 Contractor.

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

CHARGES FOR DELINQUENT PAYMENTS

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

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

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

QUALITY OF WATER

14. 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 United States does not warrant the quality of water and is under no obligation to construct or furnish water treatment facilities to maintain or better the quality of water.

WATER AND AIR POLLUTION CONTROL

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

EQUAL OPPORTUNITY

16. During the performance of this Settlement Contract, the Contractor agrees as follows:

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

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

(c) The Contractor will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Contracting Officer, advising the said labor union or workers' representative of the Contractor's commitments under Section 202 of Executive Order No. 11246 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

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

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

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

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

17. Omitted.

MINGLING OF CONTRACTOR'S PROJECT AND NON-PROJECT WATER

18. (a) Project Water must of necessity be transported by the Contractor to its water users by means of the same works and channels used for the transport of its non-Project Water including Base Supply. Notwithstanding such mingling of water, the provisions of Article 11 hereof shall be applicable only to Project Water, and such mingling of water shall not in any manner subject to the provisions of Article 11 hereof the Contractor's non-Project Water including Base Supply.

(b) If required in accordance with subdivision (c) of this Article, the Contractor shall install and maintain such measuring equipment and distribution facilities and maintain such records as may be necessary to determine the amounts of water delivered to Excess Lands served by the Contractor. The Contractor shall not within any month deliver to Ineligible Lands water in excess of the non-Project Water, including Base Supply, for that month. The Contracting Officer or authorized representative shall have the right at all reasonable times to inspect such records and measuring equipment.

(c) The Contractor will not be considered in violation of the requirement that Project Water be delivered only to Eligible Lands during any month of the irrigation season that the water requirement for beneficial use on Eligible Lands for that month is equal to or in excess

of the Project Water for that month as shown on Exhibit A or any revision thereof pursuant to subdivision (c) of Article 3. The water requirement for beneficial use on Eligible Lands will be determined by multiplying:

(1) the number of irrigable acres of the particular types of crops grown in that year on the acreage designated as eligible by

(2) the Unit Duties as set forth in Exhibit C attached hereto and made a part hereof, or by such other Unit Duties mutually agreed upon by the Contractor and the Contracting Officer. In order to make the computation of the water requirement for Eligible Lands, on April 1 of each Year and concurrently with its order for water for the irrigation season, the Contractor shall designate the acreage of and type of crops to be grown on its Eligible Lands that irrigation season. During any month the water requirement as above determined for crops growing on Eligible Lands during such month is equal to or in excess of the Project Water for that month as provided herein the Contractor shall not be required to measure the water delivered to Excess Lands. Any month the said water requirement is less than the amount of Project Water as provided herein, the Contractor will be required to measure water delivered to excess land in accordance with subdivision (b) hereof.

BOOKS, RECORDS, AND REPORTS

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

558 CHANGE OF PLACE OF USE OR ORGANIZATION

559 20. (a) Unless the written consent of the United States is first obtained no change
560 shall be made in the place of water use shown on Exhibit B.

561 CONSOLIDATION OF CONTRACTING ENTITIES

562 21. Consolidation of Contractors may be approved by the Contracting Officer
563 provided: (i) the Contracting Officer approves the form and organization of the resulting entity
564 and the utilization by it of the Contract Total; and (ii) the obligations of the Contractors are
565 assumed by such entity.

566 No such consolidation shall be valid unless and until approved by the Contracting
567 Officer.

568 NOTICES

569 22. Any notice, demand, or request authorized or required by this Settlement Contract
570 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,
571 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,
572 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United
573 States, when mailed, postage prepaid, or delivered to Ms. Dorothy Wood, Knaggs Walnut
574 Ranches Company, L.P., P.O. Box 970, Woodland, California 95776. The designation of the
575 addressee or the address may be changed by notice given in the same manner as provided in this
576 Article for other notices.

577 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

578 23. (a) The provisions of this Settlement Contract shall apply to and bind the
579 successors and assigns of the parties hereto, but no assignment or transfer of this Settlement
580 Contract or any right or interest therein shall be valid until approved in writing by the
581 Contracting Officer.

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

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

OFFICIALS NOT TO BENEFIT

24. (a) No Member of or Delegate to Congress, Resident Commissioner, or official of the Contractor shall benefit from this Settlement Contract other than as a water user or landowner in the same manner as other water users or landowners.

(b) No officer or member of the governing board of the Contractor shall receive any benefit that may arise by reason of this Settlement Contract other than as a landowner within the Contractor's Service Area and in the same manner as other landowners within the said service area.

CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

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

CONFIRMATION OF SETTLEMENT CONTRACT

26. The Contractor, after the execution of this Settlement Contract, shall promptly seek to secure a decree of a court of competent jurisdiction of the State of California, if appropriate, confirming the execution of this Settlement Contract. The Contractor shall furnish the United States a certified copy of the final decree, the validation proceedings, and all pertinent supporting records of the court approving and confirming this Settlement Contract, and decreeing and adjudging it to be lawful, valid, and binding on the Contractor. This Settlement Contract shall not be binding on the United States until such final decree has been secured.

UNAVOIDABLE GROUNDWATER PERCOLATION

27. To the extent applicable, the Contractor shall not be deemed to have delivered Project Water to Excess Lands or Ineligible Lands if such lands are irrigated with groundwater that reaches the underground strata as an unavoidable result of the delivery of Project Water by the Contractor to Eligible Lands.

PRIVACY ACT COMPLIANCE

28. (a) The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C. 552a) (the Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45 et seq.) in maintaining Landholder acreage certification and reporting records, required to be

submitted to the Contractor for compliance with Sections 206 and 228 of the Reclamation Reform Act of 1982 (96 Stat. 1266), and pursuant to 43 CFR 426.18.

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

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

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

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

WATER CONSERVATION

29. (a) Prior to the diversion of Project Water, the Contractor shall be implementing an effective water conservation and efficiency program based on the Basin-Wide Water Management Plan and/or Contractor's water conservation plan that has been determined by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water conservation plans established under Federal law. The water conservation and efficiency program shall contain definite water conservation objectives, appropriate economically feasible water conservation measures, and time schedules for meeting those objectives. Continued diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the Contractor's continued implementation of such water conservation program. In the event the

650 Contractor's water conservation plan or any revised water conservation plan completed pursuant
651 to subdivision (c) of Article 29 of this Settlement Contract have not yet been determined by the
652 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer
653 determines are beyond the control of the Contractor, Project Water deliveries shall be made
654 under this Settlement Contract so long as the Contractor diligently works with the Contracting
655 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
656 immediately begins implementing its water conservation and efficiency program in accordance
657 with the time schedules therein.

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

661 (c) At five-year intervals, the Contractor shall revise its water conservation
662 plan to reflect the then current conservation and efficiency criteria for evaluating water
663 conservation plans established under Federal law and submit such revised water management
664 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then
665 determine if the water conservation plan meets Reclamation's then current conservation and
666 efficiency criteria for evaluating water conservation plans established under Federal law.

667 (d) If the Contractor is engaged in direct groundwater recharge, such activity
668 shall be described in the Contractor's water conservation plan.

669 (e) In order to provide incentives for water conservation, the Contractor may
670 reduce the amount of Project Water for which payment is required under Article 8(a) in
671 accordance with the provisions of this Article 29(e).

(1) On or before February 15 of any Water Year, the Contractor may file with Reclamation an offer to reduce Project Water use, hereinafter referred to as Offer. The Offer shall specify the maximum quantity of Project Water to be diverted by the Contractor for each month that Project Water is available for that Water Year under this Settlement Contract. The Contracting Officer shall provide the Contractor with a decision, in writing, to the Offer on or before March 15 of that Water Year. The dates specified in this Article 29(e)(1) can be changed if mutually agreed to, in writing, by the Contractor and Contracting Officer.

(2) If Reclamation accepts the Offer, the Contractor's payment obligation under Article 8(a)(1) shall be reduced to the maximum quantity of Project Water to be diverted by the Contractor as specified in the Offer. The Contractor shall not divert Project Water in excess of the quantities set forth in the Offer; Provided, however, if the Contractor's diversions of Project Water exceed the quantities set forth in the Offer, the Contractor shall pay to Reclamation the applicable Rates and Charges plus an amount equal to the applicable Rates and Charges, unadjusted for ability to pay, for each acre-foot of Project Water diverted in excess of the quantities set forth in the Offer.

(3) If Reclamation decides not to accept the Offer, the Contractor's payment obligation will remain as specified in Article 8(a)(1).

(4) The provisions of this Article 29(e) shall be in addition to and shall not affect the provisions of Article 3(e) pertaining to the sale, transfer, exchange, or other disposal of the Contract Total designated in Exhibit A.

OPINIONS AND DETERMINATIONS

30. (a) Where the terms of this Settlement Contract provide for actions to be based upon the opinion or determination of either party to this Settlement Contract, said terms

695 shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or
696 unreasonable opinions or determinations. Both parties, notwithstanding any other provisions of
697 this Settlement Contract, expressly reserve the right to seek relief from and appropriate
698 adjustment for any such arbitrary, capricious, or unreasonable opinion or determination. Each
699 opinion or determination by either party shall be provided in a timely manner. Nothing in
700 subdivision (a) of Article 30 of this Settlement Contract is intended to or shall affect or alter the
701 standard of judicial review applicable under Federal law to any opinion or determination
702 implementing a specific provision of Federal law embodied in statute or regulation.

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

708 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

709 31. (a) In addition to all other payments to be made by the Contractor pursuant to
710 this Settlement Contract, the Contractor shall pay to the United States, within 60 days after
711 receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for
712 such specific items of direct cost incurred by the United States for work requested by the
713 Contractor associated with this Settlement Contract plus indirect costs in accordance with
714 applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this
715 Article shall not exceed the amount agreed to in writing in advance by the Contractor. This
716 Article shall not apply to costs for routine contract administration.

(b) All advances for miscellaneous costs incurred for work requested by the Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the actual costs when the work has been completed. If the advances exceed the actual costs incurred, the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this Settlement Contract.

WAIVER OF DEFAULT

32. The waiver by either party to this Settlement Contract as to any default shall not be construed as a waiver of any other default or as authority of the other party to continue such default or to make, do, or perform, or not to make, do, or perform, as the case may be, any act or thing which would constitute a default.

CONTRACT ASSIGNMENT OR TERMINATION UPON TRANSFER OF LAND

33. (a) The rights and obligations of the Contractor may be transferred in connection with the transfer of title to the land or any portion thereof delineated on Exhibit B on the following terms and conditions:

(1) A voluntary inter vivos transfer may be made, upon mutual agreement of the United States and the Contractor, to a person eligible to hold title to the land as a nonexcess landowner:

(2) A voluntary inter vivos transfer may be made to a person ineligible to hold title to the land as a nonexcess landowner provided that no Project Water may thereafter be used on Excess Lands and the assignee shall not be privileged to obtain such use of Project Water on Excess Lands.

(3) In the event the title of the Contractor to such land, or any portion thereof, is transferred by operation of law, such as by conveyance in satisfaction of a mortgage, by inheritance, or by devise, the rights and obligations of the Contractor shall pass with the title and the land shall be subject to provisions of Reclamation law pertaining to such transfers. Any transfer of the rights and obligations of this Settlement Contract by the person acquiring title by operation of law shall be in accordance with provisions of subsection (1) or (2) above.

(b) The Contractor shall notify the Contracting Officer in writing of any proposed transfer of this Settlement Contract. In addition, in the case of a partial assignment the Contractor shall:

(1) Designate the proportionate quantities of Base Supply and Project Water which it desires to assign;

(2) Furnish the United States with a copy of the deed transferring title.

(c) No transfer of this Settlement Contract shall be effective unless and until approved by the Contracting Officer, and, if approved, shall be effective from the date of such approval.

(d) Upon mutual agreement between the United States and the Contractor, this Settlement Contract or a portion thereof may be terminated and the new landowner will have the privilege of entering into a Settlement Contract for water service for a proportionate share of the Contract Total provided he is duly qualified to receive water for such land.

TERMINATION

34. This Settlement Contract will terminate upon mutual agreement of the parties prior to the end of the term or any renewal thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Settlement Contract as of the day and year first hereinabove written.

THE UNITED STATES OF AMERICA

APPROVED AS TO LEGAL FORM AND SUFFICIENCY
OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

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

(SEAL)

KNAGGS WALNUT RANCHES COMPANY, L.P.

By: Ken Astle for DAW, Inc
General Partner

Ken Astle Co-Trustee
Scott Daley Co-Trustee
For Knaggs Family Trust
General Partner

ATTEST:

_____
Secretary

(H:\pub 440\Sac River Final LTRC's/---------\2005-01-31 Knaggs Walnut Ranches Company, L.P. Final Draft Contract with exhibits.doc)

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Sacramento } ss.

On March 7, 2005 (Date) before me, Karen Gibbs, notary public (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),

personally appeared Scott Daley (Name(s) of Signer(s)),

☐ personally known to me
☒ proved to me on the basis of satisfactory evidence

to be the person(~~s~~) whose name(s) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(~~ies~~), and that by his/~~her/their~~ signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

KAREN GIBBS
Commission # 1377947
Notary Public - California
Butte County
My Comm. Expires Oct 3, 2006

WITNESS my hand and official seal.

Karen Gibbs
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

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CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of Sacramento } ss.

On March 7, 2005 (Date) before me, Karen Gibbs, notary public (Name and Title of Officer (e.g., "Jane Doe, Notary Public")),
personally appeared Ken Astle (Name(s) of Signer(s)),

☒ personally known to me
☐ proved to me on the basis of satisfactory evidence

to be the person(~~s~~) whose name(~~s~~) is/~~are~~ subscribed to the within instrument and acknowledged to me that he/~~she/they~~ executed the same in his/~~her/their~~ authorized capacity(i~~es~~), and that by his/her/their signature(~~s~~) on the instrument the person(~~s~~), or the entity upon behalf of which the person(~~s~~) acted, executed the instrument.

WITNESS my hand and official seal.

Karen Gibbs
Signature of Notary Public

KAREN GIBBS
Commission # 1377947
Notary Public - California
Butte County
My Comm. Expires Oct 3, 2006

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer

Signer's Name: _____

☐ Individual
☐ Corporate Officer — Title(s): _____
☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT OF SIGNER
Top of thumb here

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Exhibit A

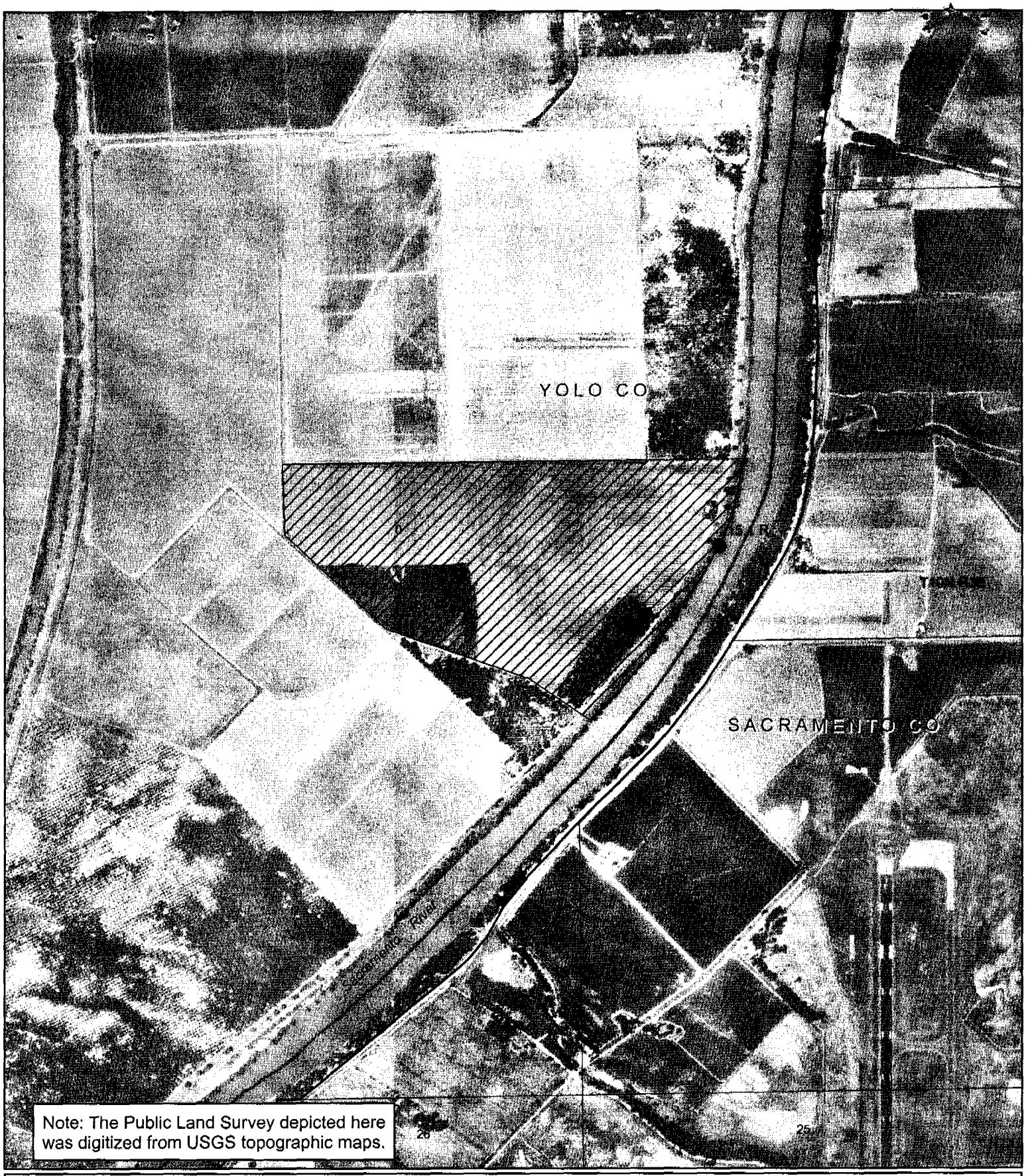
KNAGGS WALNUT RANCHES COMPANY, L.P.
Sacramento River

SCHEDULE OF MONTHLY DIVERSIONS OF WATER

	Base Supply (acre-feet)	Project Water (acre-feet)	Contract Total (acre-feet)
April	40	0	40
May	110	0	110
June	180	0	180
July	110	0	110
August	70	0	70
September	120	0	120
October	0	0	0
Total	630	0	630

Points of Diversion: 15.1R

Dated: 01-31-2005



Note: The Public Land Survey depicted here was digitized from USGS topographic maps.

Knaggs Walnut Ranches Company, L.P.

Contract No. 14-06-200-2148A-R-1

Exhibit B

Contractor's Service Area

Point of Diversion

0 0.5 1 Miles

Date: November 9, 2004

File Name: N:\districts\contracts\knaggs_walnut_ranches_co_lp\knaggs_walnut_ranches_co_lp.mxd

725-202-81

Exhibit C

KNAGGS WALNUT RANCHES COMPANY, L.P.
Sacramento River

UNIT DUTY

(In Acre-Feet Per Acre)

	Rice	Alfalfa and Irrigated Pasture	General Crops
June	1.80	0.80	0.60
July	1.90	1.00	0.70
August	1.80	0.80	0.70

Dated: 01-31-2005

Exhibit D

KNAGGS WALNUT RANCHES COMPANY, L.P.
Sacramento River
2005 Water Rates and Charges per Acre-Foot

*** Rates are not available as there is no Project Water in the Contract Total. Rescheduling Fee is still applicable to Base Supply.**

COST OF SERVICE RATES:	Irrigation
Capital Rates	
Storage	$0.00*
O&M Rates:	
Water Marketing	$0.00*
Storage	$0.00*
Deficit Rates:	
Interest Bearing	$0.00*
CFO/PFR Adjustment Rate 1/	$0.00*
TOTAL	$0.00*
RESCHEDULING FEE:	$6.00
FULL-COST RATES:	
Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	$0.00*
Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	$0.00*
CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 2/	
Restoration Payments (3407(d)(2)(A))	$0.00*

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).