Contractor Exhibit 03-01
May 01, 2003, Letter Re: LTCR

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May 1, 2003

Kirk C. Rodgers, Regional Director
U.S. BUREAU OF RECLAMATION
MID-PACIFIC REGIONAL OFFICE
2800 Cottage Way, Room E-2905
Sacramento, CA 95825-1898

Re: Long-term Contract Renewals

Dear Mr. Rodgers:

This letter is provided on behalf of the CVP Drafting Committee, representing the CVP Contractors who have water service contracts with the Bureau of Reclamation.

The purpose for this letter is to confirm our prior verbal request that CVP-wide negotiations be reinitiated and that Reclamation focus its attention on certain items in the last CVP-wide draft (11/1/00), as described below. The specific provisions of the CVP-wide draft which we believe merit further consideration, and a general description of the proposal corresponding to the applicable article of the 11/1/00 draft, are as follows:

Recital 3 and Article 3(j). Where applicable, there should be reference in Recital 3 to applicable water rights decisions (similar to the executed Friant contract) and in Article 3(j), language should be added providing the Contractor the right to defend water rights of the Project. The second sentence should include administrative, regulatory and judicial proceedings.

Article 2(b)(3). Many of the provisions of this subparagraph are ambiguous and/or would be difficult to verify. We propose that the subparagraph be deleted or that such provisions be deleted or modified.

Kirk C. Rodgers, Regional Director
U.S. BUREAU OF RECLAMATION
MID-PACIFIC REGIONAL OFFICE
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Article 2(c). Contracts that provide for both irrigation and M&I water need renewal clauses that afford the benefit of the 40-year term for M&I water. This can be accomplished, consistent with the provisions of the CVPIA, by including a limited reopener after 25 years to address the irrigation supply.

Article 2(d). The December 31, 2024 target date for potential 9(d) conversions requires the contractors to wait too long before exercising their rights to convert to a repayment contract. Certainly, Reclamation should be able to make the appropriate determinations within ten years of date of execution, or shortly thereafter. It should also be recognized that in certain instances portions of the CVP may be in a position to implement 9(d) conversions prior to ten years.

Article 3(e). We believe the second sentence of this article is redundant, possibly confusing, and should be deleted.

Article 7(a). Contractors object to references in the contract to Reclamation policies and guidelines that affect the contractor's rights and responsibilities. Contractors remain concerned that Reclamation can change these policies and guidelines to the Contractors' detriment without their consent. In addition, while Reclamation has agreed to a provision which prevents the adoption of new policies without notice and comment, no such protection is provided in regard to "guidelines".

Article 19. This article should include a stronger commitment on the part of the United States to pursue yield restoration in furtherance of Section 3408(j) of the CVPIA.

A new recital should be added to the contract expressing the intent and desire of the parties that the contract not provide a disincentive to Contractors' flexible use of CVP water in order to maximize the beneficial use of water under the contract (Similar to Recitals 15.1 and 15.2 of executed Friant contracts).

Additionally, there were a number of clarifications and edits that were discussed and that Reclamation preliminarily agreed to at the American River Division negotiations (and possibly other regional negotiations), following negotiation of the 11/1/00 CVP-wide form, which need to be revisited to updated CVP-wide form of contract.

Lastly, although a regional issue, the contractors take great exception to inclusion of the Base and Supplemental Amounts in the South of Delta proposed contracts. The Contractors request that Reclamation delete all references to and related discussions of Base and Supplemental supply from South of Delta contracts to make them consistent with other CVP contracts.

We look forward to noticing CVP-wide contract negotiation to pursue these items in the near future to bring the negotiations to a conclusion.

Very truly yours,

ERNEST A. CONANT

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cc: CVP Drafting Committee

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