

1. (j) "Full Cost Rate" shall mean that annual water rate, which as determined by the Contracting Officer, shall, among other items, amortize the expenditures for construction allocable to the Project Irrigation or M&I functions, as appropriate, including operation and maintenance deficits funded, less payments, over such periods as may be required under Federal reclamation law, or applicable contract provisions. Interest will accrue on both the construction expenditures and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the date incurred in the case of costs arising subsequent to October 12, 1982, and shall be assessed in accordance with subsections 202 (3)(B) and (3)(C) of the RRA. The full-cost rate includes actual operation, maintenance, and replacement costs consistent with Section 426.3 of the Rules and Regulations for the RRA described in Sections 205(a) or 202(3) of the RRA, whichever is applicable;

1. (o) "Municipal and Industrial (M&I) Water"¹ shall mean ~~water made available from~~ the Project Water other than Irrigation Water made available to the Contractor. M&I Water shall include water used for human use and purposes such as the watering of landscaping or pasture for animals (e.g., horses) which are kept for personal enjoyment or water delivered to land holdings operating in units of less than five (5) acres unless the Contractor establishes to the satisfaction of the Contracting Officer that the use of water delivered to any such landholding is a use described in subdivision (m) of this Article.

¹ Some Contractors may want to include "other water" definition in lieu of this definition. Individual Contractors with unique circumstances may negotiate a lower threshold.

1. (l) "Irrigation Full-Cost Water Rate" shall have the same meaning as "Full Cost-Rate applicable to the delivery of Irrigation Water" ~~as that term is used in paragraph (3) of Section 202 of the Reclamation Reform Act of 1982;~~

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

(I:\USBR Exhibit 03-2)