

AG and M&I
T.O. Draft 09/29-2004
T.O. Draft 01/06-2004
R.O. Final Delta Division Form 09/14-2004
R.O. Delta Division form 07/23-2004
R.O. Draft 07/22-2004
CVP-Wide Form 05/23-2004
Delta Division
Contract No.
7-07-20-W0055-LTR1

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
CENTINELLA WATER DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM THE DELTA DIVISION

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6 AND
7 CENTINELLA WATER DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE
9 FROM THE DELTA DIVISION

10 THIS CONTRACT, made this _____ day of _____, 2005, in pursuance
11 generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto,
12 including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
13 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70 Stat.
14 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat.
15 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all
16 collectively hereinafter referred to as Federal Reclamation law, between THE UNITED STATES
17 OF AMERICA, hereinafter referred to as the United States, and CENTINELLA WATER
18 DISTRICT, hereinafter referred to as the Contractor, a public agency of the State of California, duly
19 organized, existing, and acting pursuant to the laws thereof;

20 WITNESSETH, That:

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EXPLANATORY RECITALS

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

[2nd] WHEREAS, the United States constructed the Delta-Mendota Canal and related facilities, which will be used in part for the furnishing of water to the Contractor pursuant to the terms of this Contract; and

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

[4th] WHEREAS, the Contractor and the United States entered into Contract No. 7-07-20-W0055, which established terms for the delivery to the Contractor of Project Water from the Delta Division Facilities from July 8, 1977, through February 28, 1995; and

[5th] WHEREAS, the Contractor and the United States have pursuant to subsection 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into interim renewal contract(s) identified as Contract No(s). 7-07-20-W0055-IR1, 7-07-20-W0055-IR2, 7-07-20-W0055-IR3, 7-07-20-W0055-IR4, 7-07-20-W0055-IR5, 7-07-20-W0055-IR6, 7-07-20-W0055-IR7, and 7-07-20-W0055-IR8, the current of which is hereinafter referred to as the Existing Contract, which provided for the continued water service to the Contractor from March 1, 1995, through February 28, 2006; and

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

48 [7th] 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 [8th] 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 Project; and

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

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

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

63 [12th] WHEREAS, the economies of regions within the Project, including the Contractor's,
64 depend upon the continued availability of water, including water service from the Project; and

65 [13th] WHEREAS, the Secretary intends through coordination, cooperation, and
66 partnerships to pursue measures to improve water supply, water quality, and reliability of the
67 Project for all Project purposes; and

68 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
69 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment
70 of the Project as required by law; to guard reasonably against Project Water shortages; to achieve a
71 reasonable balance among competing demands for use of Project Water; and to comply with all
72 applicable environmental statutes, all consistent with the legal obligations of the United States
73 relative to the Project; and

74 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
75 relationship in order to achieve their mutual goals; and

76 [15.1] WHEREAS, the Contractor has utilized or may utilize transfers, contract
77 assignments, rescheduling and conveyance of Project Water and non-Project water under this
78 Contract as tools to minimize the impacts of Conditions of Shortage and to maximize the beneficial
79 use of water; and

80 [15.2] WHEREAS, the parties desire and intend that this Contract not provide a
81 disincentive to the Contractor in continuing to carry out the beneficial activities set out in the
82 Explanatory Recital immediately above; and

83 [16th] WHEREAS, the United States and the Contractor are willing to enter into this
84 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

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

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DEFINITIONS

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

(a) “Calendar Year” shall mean the period January 1 through December 31, both dates inclusive;

(b) “Charges” shall mean the payments required by Federal Reclamation law in addition to the Rates and Tiered Pricing Component specified in this Contract as determined annually by the Contracting Officer pursuant to this Contract;

(c) “Condition of Shortage” shall mean a condition respecting the Project during any Year such that the Contracting Officer is unable to deliver sufficient water to meet the Contract Total;

(d) “Contracting Officer” shall mean the Secretary of the Interior’s duly authorized representative acting pursuant to this Contract or applicable Federal Reclamation law or regulation;

(e) “Contract Total” shall mean the maximum amount of water to which the Contractor is entitled under subdivision (a) of Article 3 of this Contract;

(f) “Contractor's Service Area” shall mean the area to which the Contractor is permitted to provide Project Water under this Contract as described in Exhibit “A” attached hereto, which may be modified from time to time in accordance with Article 35 of this Contract without amendment of this Contract;

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

109 (g.1) “Delta Division Facilities” shall mean those existing and future Project
110 facilities in and south of the Sacramento-San Joaquin Rivers Delta, including, but not limited to, the
111 Tracy Pumping Plant, the O’Neill Forebay, the O’Neill Pumping/Generating Plant, and the San Luis
112 Reservoir, used to divert, store and convey water to those Project Contractors entitled to receive
113 water conveyed through the Delta-Mendota Canal;

114 (h) “Eligible Lands” shall mean all lands to which Irrigation Water may be
115 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982 (96
116 Stat. 1263), as amended, hereinafter referred to as RRA;

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

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

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

132 (l) "Irrigation Full Cost Water Rate" shall mean the Full Cost Rate applicable to
133 the delivery of Irrigation Water;

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

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

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

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

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

151 (r) "Operating Non-Federal Entity" shall mean the entity, its successors or
152 assigns, which has (have) the obligation to operate and maintain all or a portion of the Delta
153 Division Facilities pursuant to written agreement(s) with the United States. When this Contract was
154 entered into, the Operating Non-Federal Entity was the San Luis & Delta-Mendota Water Authority.

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

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

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

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

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

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

171 (y) “Tiered Pricing Component” shall be the incremental amount to be paid for
172 each acre-foot of Water Delivered as described in subdivision (j) of Article 7 of this Contract;

173 (z) “Water Delivered” or “Delivered Water” shall mean Project Water diverted
174 for use by the Contractor at the point(s) of delivery approved by the Contracting Officer;

175 (aa) “Water Made Available” shall mean the estimated amount of Project Water
176 that can be delivered to the Contractor for the upcoming Year as declared by the Contracting
177 Officer, pursuant to subdivision (a) of Article 4 of this Contract;

178 (bb) "Water Scheduled" shall mean Project Water made available to the
179 Contractor for which times and quantities for delivery have been established by the Contractor and
180 Contracting Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

181 (cc) "Year" shall mean the period from and including March 1 of each Calendar
182 Year through the last day of February of the following Calendar Year.

183 TERM OF CONTRACT

184 2. (a) This Contract shall be effective March 1, 2005, through February 28, 2030,
185 and supercedes the Existing Contract. In the event the Contractor wishes to renew this Contract
186 beyond February 28, 2030, the Contractor shall submit a request for renewal in writing to the
187 Contracting Officer no later than two years prior to the date this Contract expires. The renewal of
188 this Contract insofar as it pertains to the furnishing of Irrigation Water to the Contractor shall be
189 governed by subdivision (b) of this Article, and the renewal of this Contract insofar as it pertains to
190 the furnishing of M&I Water to the Contractor shall be governed by subdivision (c) of this Article.

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

196 (2) The conditions which must be met for this Contract to be renewed are:
197 (i) the Contractor has prepared a water conservation plan that has been determined by the
198 Contracting Officer in accordance with Article 26 of this Contract to meet the conservation and
199 efficiency criteria for evaluating such plans established under Federal law; (ii) the Contractor is
200 implementing an effective water conservation and efficiency program based on the Contractor's

201 water conservation plan as required by Article 26 of this Contract; (iii) the Contractor is operating
202 and maintaining all water measuring devices and implementing all water measurement methods as
203 approved by the Contracting Officer pursuant to Article 6 of this Contract; (iv) the Contractor has
204 reasonably and beneficially used the Project Water supplies made available to it and, based on
205 projected demands, is reasonably anticipated and expects to fully utilize for reasonable and
206 beneficial use the quantity of Project Water to be made available to it pursuant to such renewal; (v)
207 the Contractor is complying with all terms and conditions of this Contract; and (vi) the Contractor
208 has the physical and legal ability to deliver Project Water.

209 (3) The terms and conditions of the renewal contract described in
210 subdivision (b)(1) of this Article and any subsequent renewal contracts shall be developed
211 consistent with the parties' respective legal rights and obligations, and in consideration of all
212 relevant facts and circumstances, as those circumstances exist at the time of renewal, including,
213 without limitation, the Contractor's need for continued delivery of Project Water; environmental
214 conditions affected by implementation of the Contract to be renewed, and specifically changes in
215 those conditions that occurred during the life of the Contract to be renewed; the Secretary's progress
216 toward achieving the purposes of the CVPIA as set out in Section 3402 and in implementing the
217 specific provisions of the CVPIA; and current and anticipated economic circumstances of the region
218 served by the Contractor.

219 (c) This Contract, insofar as it pertains to the furnishing of M&I Water to the
220 Contractor, shall be renewed for successive periods of up to 40 years each, which periods shall be
221 consistent with the then-existing Reclamation-wide policy, under terms and conditions mutually
222 agreeable to the parties and consistent with Federal and State law. The Contractor shall be afforded
223 the opportunity to comment to the Contracting Officer on the proposed adoption and application of

224 any revised policy applicable to the delivery of 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 40
226 years.

227 (d) The Contracting Officer shall make a determination ten years after the date of
228 execution of this Contract, and every five years thereafter during the term of this Contract, of
229 whether a conversion of the relevant portion of this Contract to a contract under subsection 9(d) of
230 the Reclamation Project Act of 1939 can be accomplished pursuant to the Act of July 2, 1956 (70
231 Stat 483). The Contracting Officer shall also make a determination ten years after the date of
232 execution of this Contract and every five years thereafter during the term of this Contract of whether
233 a conversion of the relevant portion of this Contract to a contract under subsection 9(c)(1) of the
234 Reclamation Project Act of 1939 can be accomplished. Notwithstanding any provision of this
235 Contract, the Contractor reserves and shall have all rights and benefits under the Act of July 2, 1956
236 (70 Stat. 483). The Contracting Officer anticipates that during the term of this Contract, all
237 authorized Project construction expected to occur will have occurred, and on that basis the
238 Contracting Officer agrees upon such completion to allocate all costs that are properly assignable to
239 the Contractor, and agrees further that, at any time after such allocation is made, and subject to
240 satisfaction of the condition set out in this subdivision, this Contract shall, at the request of the
241 Contractor, be converted to a contract under subsection 9(d) or 9(c)(1), whichever is applicable, of
242 the Reclamation Project Act of 1939, subject to applicable Federal law and under stated terms and
243 conditions mutually agreeable to the Contractor and the Contracting Officer. A condition for such
244 conversion to occur shall be a determination by the Contracting Officer that, account being taken of
245 the amount credited to return by the Contractor as provided for under Federal Reclamation law, the
246 remaining amount of construction costs assignable for ultimate return by the Contractor can

247 probably be repaid to the United States within the term of a contract under subsection 9(d) or
248 9(c)(1), whichever is applicable. If the remaining amount of costs that are properly assignable to
249 the Contractor cannot be determined during the term of this Contract, the Contracting Officer shall
250 notify the Contractor, and provide the reason(s) why such a determination could not be made.
251 Further, the Contracting Officer shall make such a determination as soon thereafter as possible so as
252 to permit, upon request of the Contractor and satisfaction of the conditions set out above,
253 conversion to a contract under subsection 9(d) or 9(c)(1), whichever is applicable. In the event such
254 determination of costs has not been made at a time which allows conversion of this Contract during
255 the term of this Contract or the Contractor has not requested conversion of this Contract within such
256 term, the parties shall incorporate in any subsequent renewal contract as described in subdivision (b)
257 of this Article a provision that carries forth in substantially identical terms the provisions of this
258 subdivision.

259 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

260 3. (a) During each Year, consistent with all applicable State water rights, permits,
261 and licenses; Federal law; and subject to the provisions set forth in Articles 11 and 12 of this
262 Contract, the Contracting Officer shall make available for delivery to the Contractor 2,500 acre-feet
263 of Project Water for irrigation and M&I purposes. Water Delivered to the Contractor in accordance
264 with this subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7
265 of this Contract.

266 (b) Because the capacity of the Project to deliver Project Water has been
267 constrained in recent years and may be constrained in the future due to many factors including
268 hydrologic conditions and implementation of Federal and State laws, the likelihood of the
269 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this Article in

270 any given Year is uncertain. The Contracting Officer's modeling referenced in the PEIS projected
271 that the Contract Total set forth in this Contract will not be available to the Contractor in many
272 years. During the most recent five years, the Recent Historic Average of Water Made Available to
273 the Contractor was 1,645 acre-feet. Nothing in subdivision (b) of this Article shall affect the rights
274 and obligations of the parties under any provision of this Contract.

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

277 (c.1) In the event any Project Contractor (other than a Cross Valley Contractor)
278 that receives Project Water through the Delta Division Facilities obtains a contractual agreement
279 that the Contracting Officer shall make Project Water available at a point or points of delivery in or
280 north of the Delta, at the request of the Contractor and upon completion of any required
281 environmental documentation, this Contract shall be amended to provide for deliveries in or north
282 of the Delta on mutually agreeable terms. Such amendments to the Contract shall be limited solely
283 to those changes made necessary by the addition of such alternate points of delivery in or north of
284 the Delta; Provided, That the Contracting Officer's use of the Harvey O. Banks Pumping Plant to
285 deliver Project Water does not trigger this right of amendment.

286 (d) The Contractor shall make reasonable and beneficial use of all water
287 furnished pursuant to this Contract. Groundwater recharge programs (direct, indirect, or in lieu),
288 groundwater banking programs, surface water storage programs, and other similar programs
289 utilizing Project Water or other water furnished pursuant to this Contract conducted within the
290 Contractor's Service Area which are consistent with applicable State law and result in use consistent
291 with Federal Reclamation law will be allowed; Provided, That any direct recharge program(s) is
292 (are) described in the Contractor's water conservation plan submitted pursuant to Article 26 of this

293 Contract; Provided, further, That such water conservation plan demonstrates sufficient lawful uses
294 exist in the Contractor's Service Area so that using a long-term average, the quantity of Delivered
295 Water is demonstrated to be reasonable for such uses and in compliance with Federal Reclamation
296 law. Groundwater recharge programs, groundwater banking programs, surface water storage
297 programs, and other similar programs utilizing Project Water or other water furnished pursuant to
298 this Contract conducted outside the Contractor's Service Area may be permitted upon written
299 approval of the Contracting Officer, which approval will be based upon environmental
300 documentation, Project Water rights, and Project operational concerns. The Contracting Officer
301 will address such concerns in regulations, policies, or guidelines.

302 (e) The Contractor shall comply with requirements applicable to the Contractor
303 in biological opinion(s) prepared as a result of a consultation regarding the execution of this
304 Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA), as
305 amended, that are within the Contractor's legal authority to implement. The Existing Contract,
306 which evidences in excess of 28 years of diversions for irrigation and/or M&I purposes of the
307 quantities of water provided in subdivision (a) of Article 3 of this Contract, will be considered in
308 developing an appropriate baseline for biological assessment(s) prepared pursuant to the ESA, and
309 any other needed environmental review. Nothing herein shall be construed to prevent the
310 Contractor from challenging or seeking judicial relief in a court of competent jurisdiction with
311 respect to any biological opinion or other environmental documentation referred to in this Article.

312 (f) Following the declaration of Water Made Available under Article 4 of this
313 Contract, the Contracting Officer will make a determination whether Project Water, or other water
314 available to the Project, can be made available to the Contractor in addition to the Contract Total
315 under this Article during the Year without adversely impacting other Project Contractors. At the

316 request of the Contractor, the Contracting Officer will consult with the Contractor prior to making
317 such a determination. If the Contracting Officer determines that Project Water, or other water
318 available to the Project, can be made available to the Contractor, the Contracting Officer will
319 announce the availability of such water and shall so notify the Contractor as soon as practical. The
320 Contracting Officer will thereafter meet with the Contractor and other Project Contractors capable
321 of taking such water to determine the most equitable and efficient allocation of such water. If the
322 Contractor requests the delivery of any quantity of such water, the Contracting Officer shall make
323 such water available to the Contractor in accordance with applicable statutes, regulations,
324 guidelines, and policies. Subject to existing long-term contractual commitments, water rights and
325 operational constraints, long-term Project Contractors shall have a first right to acquire such water,
326 including Project Water made available pursuant to Section 215 of the RRA.

327 (g) The Contractor may request permission to reschedule for use during the
328 subsequent Year some or all of the Water Made Available to the Contractor during the current Year,
329 referred to as “rescheduled water.” The Contractor may request permission to use during the
330 current Year a quantity of Project Water which may be made available by the United States to the
331 Contractor during the subsequent Year referred to as “preuse.” The Contracting Officer’s written
332 approval may permit such uses in accordance with applicable statutes, regulations, guidelines, and
333 policies.

334 (h) The Contractor’s right pursuant to Federal Reclamation law and applicable
335 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract during
336 the term thereof and any subsequent renewal contracts, as described in Article 2 of this Contract,
337 during the terms thereof shall not be disturbed so long as the Contractor shall fulfill all of its
338 obligations under this Contract and any renewals thereof. Nothing in the preceding sentence shall

339 affect the Contracting Officer's ability to impose shortages under Article 11 or subdivision (b) of
340 Article 12 of this Contract or applicable provisions of any subsequent renewal contracts.

341 (i) Project Water furnished to the Contractor pursuant to this Contract may be
342 delivered for purposes other than those described in subdivisions (m) and (o) of Article 1 of this
343 Contract upon written approval by the Contracting Officer in accordance with the terms and
344 conditions of such approval.

345 (j) The Contracting Officer shall make reasonable efforts to protect the water
346 rights necessary for the Project and to provide the water available under this Contract. The
347 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
348 extent permitted by law, in administrative proceedings related to the Project Water rights; Provided,
349 That the Contracting Officer retains the right to object to the substance of the Contractor's position
350 in such a proceeding; Provided further, That in such proceedings the Contracting Officer shall
351 recognize the Contractor has a legal right under the terms of this Contract to use Project Water.

352 TIME FOR DELIVERY OF WATER

353 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer shall
354 announce the Contracting Officer's expected declaration of the Water Made Available. Such
355 declaration will be expressed in terms of both Water Made Available and the Recent Historic
356 Average and will be updated monthly, and more frequently if necessary, based on then-current
357 operational and hydrologic conditions and a new declaration with changes, if any, to the Water
358 Made Available will be made. The Contracting Officer shall provide forecasts of Project operations
359 and the basis of the estimate, with relevant supporting information, upon the written request of the
360 Contractor. Concurrently with the declaration of the Water Made Available, the Contracting
361 Officer shall provide the Contractor with the updated Recent Historic Average.

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

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

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

376 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

377 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
378 Contract shall be delivered to the Contractor at a point or points and any additional point or points
379 of delivery either on Project facilities or another location or locations mutually agreed to in writing
380 by the Contracting Officer and the Contractor.

381 (b) The Contracting Officer, either directly or indirectly through its written
382 agreement(s) with the Operating Non-Federal Entity(ies), shall make all reasonable efforts to
383 maintain sufficient flows and levels of water in Project facilities to deliver Project Water to the
384 Contractor at the point or points of delivery established pursuant to subdivision (a) of this Article.

385 (c) The Contractor shall deliver Irrigation Water in accordance with any
386 applicable land classification provisions of Federal Reclamation law and the associated regulations.
387 The Contractor shall not deliver Project Water to land outside the Contractor's Service Area unless
388 approved in advance by the Contracting Officer.

389 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
390 measured and recorded with equipment furnished, installed, operated, and maintained by the
391 Contracting Officer either directly or indirectly through its written agreement(s) with the Operating
392 Non-Federal Entity(ies), unless undertaken by the Contractor with the consent of the Contracting
393 Officer, at the point or points of delivery established pursuant to subdivision (a) of this Article.
394 Upon the request of either party to this Contract, the Contracting Officer shall investigate, or cause
395 to be investigated by the appropriate Operating Non-Federal Entity(ies), the accuracy of such
396 measurements and shall take any necessary steps to adjust any errors appearing therein. For any
397 period of time when accurate measurements have not been made, the Contracting Officer shall
398 consult with the Contractor and the appropriate Operating Non-Federal Entity(ies), if any, prior to
399 making a final determination of the quantity delivered for that period of time.

400 (e) Absent a separate contrary written agreement with the Contractor, neither the
401 Contracting Officer nor any Operating Non-Federal Entity(ies) shall be responsible for the control,
402 carriage, handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to
403 this Contract beyond the point or points of delivery established pursuant to subdivision (a) of this
404 Article. The Contractor shall indemnify the United States, its officers, employees, agents, and
405 assigns on account of damage or claim of damage of any nature whatsoever for which there is legal
406 responsibility, including property damage, personal injury, or death arising out of or connected with
407 the control, carriage, handling, use, disposal, or distribution of such Water Delivered beyond such

408 point or points of delivery, except for any damage or claim arising out of: (i) acts or omissions of
409 the Contracting Officer or any of its officers, employees, agents, and assigns, including the
410 Operating Non-Federal Entity(ies), with the intent of creating the situation resulting in any damage
411 or claim; (ii) willful misconduct of the Contracting Officer or any of its officers, employees, agents,
412 and assigns, including the Operating Non-Federal Entity(ies); (iii) negligence of the Contracting
413 Officer or any of its officers, employees, agents, and assigns including the Operating Non-Federal
414 Entity(ies); or (iv) a malfunction of facilities owned and/or operated by the United States or the
415 Operating Non-Federal Entity(ies).

416 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

417 6. (a) The Contractor has established a measuring program satisfactory to the
418 Contracting Officer. The Contractor shall ensure that all surface water delivered for irrigation
419 purposes within the Contractor's Service Area is measured at each agricultural turnout and such
420 water delivered for M&I purposes is measured at each M&I service connection. The water
421 measuring devices or water measuring methods of comparable effectiveness must be acceptable to
422 the Contracting Officer. The Contractor shall be responsible for installing, operating, and
423 maintaining and repairing all such measuring devices and implementing all such water measuring
424 methods at no cost to the United States. The Contractor shall use the information obtained from
425 such water measuring devices or water measuring methods to ensure its proper management of the
426 water, to bill water users for water delivered by the Contractor; and, if applicable, to record water
427 delivered for M&I purposes by customer class as defined in the Contractor's water conservation
428 plan provided for in Article 26 of this Contract. Nothing herein contained, however, shall preclude
429 the Contractor from establishing and collecting any charges, assessments, or other revenues

430 authorized by California law. The Contractor shall include a summary of all its annual surface
431 water deliveries in the annual report described in subdivision (c) of Article 26.

432 (b) To the extent the information has not otherwise been provided, upon
433 execution of this Contract, the Contractor shall provide to the Contracting Officer a written report
434 describing the measurement devices or water measuring methods being used or to be used to
435 implement subdivision (a) of this Article and identifying the agricultural turnouts and the M&I
436 service connections or alternative measurement programs approved by the Contracting Officer, at
437 which such measurement devices or water measuring methods are being used, and, if applicable,
438 identifying the locations at which such devices and/or methods are not yet being used including a
439 time schedule for implementation at such locations. The Contracting Officer shall advise the
440 Contractor in writing within 60 days as to the adequacy, and necessary modifications, if any, of the
441 measuring devices or water measuring methods identified in the Contractor's report and if the
442 Contracting Officer does not respond in such time, they shall be deemed adequate. If the
443 Contracting Officer notifies the Contractor that the measuring devices or methods are inadequate,
444 the parties shall within 60 days following the Contracting Officer's response, negotiate in good faith
445 the earliest practicable date by which the Contractor shall modify said measuring devices and/or
446 measuring methods as required by the Contracting Officer to ensure compliance with subdivision
447 (a) of this Article.

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

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

454 (e) The Contractor shall inform the Contracting Officer and the Operating Non-
455 Federal Entity on or before the 20th calendar day of each month of the quantity of Irrigation Water
456 and M&I Water taken during the preceding month.

457 RATES AND METHOD OF PAYMENT FOR WATER

458 7. (a) The Contractor shall pay the United States as provided in this Article for all
459 Delivered Water at Rates, Charges, and the Tiered Pricing Component established in accordance
460 with: (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and the Secretary's
461 then-existing ratesetting policy for M&I Water, which ratesetting policies shall be amended,
462 modified, or superceded only through a public notice and comment procedure; (ii) applicable
463 Federal Reclamation law and associated rules and regulations, or policies; and (iii) other applicable
464 provisions of this Contract. Payments shall be made by cash transaction, electronic funds transfer,
465 or any other mechanism as may be agreed to in writing by the Contractor and the Contracting
466 Officer. The Rates, Charges, and Tiered Pricing Component applicable to the Contractor upon
467 execution of this Contract are set forth in Exhibit "B," as may be revised annually.

468 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges, and
469 Tiered Pricing Component as follows:

470 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
471 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
472 period October 1, of the current Calendar Year, through September 30, of the following Calendar
473 Year, and the basis for such estimate. The Contractor shall be allowed not less than two months to

474 review and comment on such estimates. On or before September 15 of each Calendar Year, the
475 Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during the
476 period October 1 of the current Calendar Year, through September 30, of the following Calendar
477 Year, and such notification shall revise Exhibit “B.”

478 (2) Prior to October 1 of each Calendar Year, the Contracting Officer
479 shall make available to the Contractor an estimate of the Rates and Tiered Pricing Component for
480 Project Water for the following Year and the computations and cost allocations upon which those
481 Rates are based. The Contractor shall be allowed not less than two months to review and comment
482 on such computations and cost allocations. By December 31 of each Calendar Year, the
483 Contracting Officer shall provide the Contractor with the final Rates and Tiered Pricing Component
484 to be in effect for the upcoming Year, and such notification shall revise Exhibit “B.”

485 (c) At the time the Contractor submits the initial schedule for the delivery of
486 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractor
487 shall make an advance payment to the United States equal to the total amount payable pursuant to
488 the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water scheduled to be
489 delivered pursuant to this Contract during the first two calendar months of the Year. Before the end
490 of the first month and before the end of each calendar month thereafter, the Contractor shall make
491 an advance payment to the United States, at the Rate(s) set under subdivision (a) of this Article, for
492 the Water Scheduled to be delivered pursuant to this Contract during the second month immediately
493 following. Adjustments between advance payments for Water Scheduled and payments at Rates
494 due for Water Delivered shall be made before the end of the following month; Provided, That any
495 revised schedule submitted by the Contractor pursuant to Article 4 of this Contract which increases
496 the amount of Water Delivered pursuant to this Contract during any month shall be accompanied

497 with appropriate advance payment, at the Rates then in effect, to assure that Project Water is not
498 delivered to the Contractor in advance of such payment. In any month in which the quantity of
499 Water Delivered to the Contractor pursuant to this Contract equals the quantity of Water Scheduled
500 and paid for by the Contractor, no additional Project Water shall be delivered to the Contractor
501 unless and until an advance payment at the Rates then in effect for such additional Project Water is
502 made. Final adjustment between the advance payments for the Water Scheduled and payments for
503 the quantities of Water Delivered during each Year pursuant to this Contract shall be made as soon
504 as practicable but no later than April 30th of the following Year, or 60 days after the delivery of
505 Project Water rescheduled under subdivision (g) of Article 3 of this Contract if such water is not
506 delivered by the last day of February.

507 (d) The Contractor shall also make a payment in addition to the Rate(s) in
508 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
509 appropriate Tiered Pricing Component then in effect, before the end of the month following the
510 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered
511 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be consistent
512 with the quantities of Irrigation Water and M&I Water Delivered as shown in the water delivery
513 report for the subject month prepared by the Operating Non-Federal Entity(ies) or, if there is no
514 Operating Non-Federal Entity, by the Contracting Officer. The water delivery report shall be
515 deemed a bill for the payment of Charges and the applicable Tiered Pricing Component for Water
516 Delivered. Adjustment for overpayment or underpayment of Charges shall be made through the
517 adjustment of payments due to the United States for Charges for the next month. Any amount to be
518 paid for past due payment of Charges and the Tiered Pricing Component shall be computed
519 pursuant to Article 20 of this Contract.

520 (e) The Contractor shall pay for any Water Delivered under subdivision (a), (f),
521 or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable
522 statutes, associated regulations, any applicable provisions of guidelines or ratesetting policies;
523 Provided, That the Rate for Water Delivered under subdivision (d) of Article 3 of this Contract shall
524 be no more than the otherwise applicable Rate for Irrigation Water or M&I Water under subdivision
525 (a) of this Article.

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

528 (g) All revenues received by the United States from the Contractor relating to the
529 delivery of Project Water or the delivery of non-Project water through Project facilities shall be
530 allocated and applied in accordance with Federal Reclamation law and the associated rules or
531 regulations, and the then current Project ratesetting policies for M&I Water or Irrigation Water.

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

540 (i) The parties acknowledge and agree that the efficient administration of this
541 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,
542 policies, and procedures used for establishing Rates, Charges, and Tiered Pricing Component,

543 and/or for making and allocating payments, other than those set forth in this Article may be in the
544 mutual best interest of the parties, it is expressly agreed that the parties may enter into agreements to
545 modify the mechanisms, policies, and procedures for any of those purposes while this Contract is in
546 effect without amending this Contract.

547 (j) (1) Beginning at such time as deliveries of Project Water in a Year
548 exceed 80 percent of the Contract Total, then before the end of the month following the month of
549 delivery the Contractor shall make an additional payment to the United States equal to the
550 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water
551 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the
552 Contract Total, shall equal one-half of the difference between the Rate established under
553 subdivision (a) of this Article and the Irrigation Full Cost Water Rate or M&I Full Cost Water Rate,
554 whichever is applicable. The Tiered Pricing Component for the amount of Water Delivered which
555 exceeds 90 percent of the Contract Total shall equal the difference between (i) the Rate established
556 under subdivision (a) of this Article and (ii) the Irrigation Full Cost Water Rate or M&I Full Cost
557 Water Rate, whichever is applicable. For all Water Delivered pursuant to subdivision (a) of
558 Article 3 of this Contract which is in excess of 80 percent of the Contract Total, this increment shall
559 be deemed to be divided between Irrigation Water and M&I Water in the same proportion as actual
560 deliveries of each bear to the cumulative total Water Delivered.

561 (2) Subject to the Contracting Officer's written approval, the Contractor
562 may request and receive an exemption from such Tiered Pricing Component for Project Water
563 delivered to produce a crop which the Contracting Officer determines will provide significant and
564 quantifiable habitat values for waterfowl in fields where the water is used and the crops are
565 produced; Provided, That the exemption from the Tiered Pricing Component for Irrigation Water

566 shall apply only if such habitat values can be assured consistent with the purposes of the CVPIA
567 through binding agreements executed with or approved by the Contracting Officer prior to use of
568 such water.

569 (3) For purposes of determining the applicability of the Tiered Pricing
570 Component pursuant to this Article, Water Delivered shall include Project Water that the Contractor
571 transfers to others but shall not include Project Water transferred to the Contractor, nor shall it
572 include the additional water provided to the Contractor under the provisions of subdivision (f) of
573 Article 3 of this Contract.

574 (k) For the term of this Contract, Rates applied under the respective ratesetting
575 policies will be established to recover only reimbursable O&M (including any deficits) and capital
576 costs of the Project, as those terms are used in the then-current Project ratesetting policies, and
577 interest, where appropriate, except in instances where a minimum Rate is applicable in accordance
578 with the relevant Project ratesetting policy. Changes of significance in practices which implement
579 the Contracting Officer's ratesetting policies will not be implemented until the Contracting Officer
580 has provided the Contractor an opportunity to discuss the nature, need, and impact of the proposed
581 change.

582 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,
583 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates, in
584 accordance with the applicable Project ratesetting policy, adjusted upward or downward to reflect
585 the changed costs, if any, incurred by the Contracting Officer in the delivery of the transferred
586 Project Water to the transferee's point of delivery. If the Contractor is receiving lower Rates and
587 Charges because of inability to pay and is transferring Project Water to another entity whose Rates

588 and Charges are not adjusted due to inability to pay, the Rates and Charges for transferred Project
589 Water shall not be adjusted to reflect the Contractor's inability to pay.

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

592 (n) With respect to the Rates for M&I Water, the Contractor asserts that it is not
593 legally obligated to pay any Project deficits claimed by the United States to have accrued as of the
594 date of this Contract or deficit-related interest charges thereon. By entering into this Contract, the
595 Contractor does not waive any legal rights or remedies that it may have with respect to such
596 disputed issues. Notwithstanding the execution of this Contract and payments made hereunder, the
597 Contractor may challenge in the appropriate administrative or judicial forums; (1) the existence,
598 computation, or imposition of any deficit charges accruing during the term of the Existing Contract
599 and any preceding interim renewal contracts, if applicable; (2) interest accruing on any such
600 deficits; (3) the inclusion of any such deficit charges or interest in the Rates; (4) the application by
601 the United States of payments made by the Contractor under its Existing Contract and any
602 preceding interim renewal contracts if applicable; and (5) the application of such payments in the
603 Rates. The Contracting Officer agrees that the Contractor shall be entitled to the benefit of any
604 administrative or judicial ruling in favor of any Project M&I contractor on any of these issues, and
605 credits for payments heretofore made, provided that the basis for such ruling is applicable to the
606 Contractor.

607 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

608 8. The Contractor and the Contracting Officer concur that, as of the effective date of
609 this Contract, the Contractor has no non-interest bearing O&M deficits and shall have no further
610 liability therefore.

611 SALES, TRANSFERS, OR EXCHANGES OF WATER

612 9. (a) The right to receive Project Water provided for in this Contract may be sold,
613 transferred, or exchanged to others for reasonable and beneficial uses within the State of California
614 if such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable
615 guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this
616 Contract may take place without the prior written approval of the Contracting Officer, except as
617 provided for in subdivision (b) of this Article, and no such sales, transfers, or exchanges shall be
618 approved absent all appropriate environmental documentation, including but not limited to,
619 documents prepared pursuant to the NEPA and ESA. Such environmental documentation should
620 include, as appropriate, an analysis of groundwater impacts and economic and social effects,
621 including environmental justice, of the proposed water transfers on both the transferor and
622 transferee.

623 (b) In order to facilitate efficient water management by means of water transfers
624 of the type historically carried out among Project Contractors located within the same geographical
625 area and to allow the Contractor to participate in an accelerated water transfer program during the
626 term of this Contract, the Contracting Officer shall prepare, as appropriate, all necessary
627 environmental documentation, including but not limited to documents prepared pursuant to NEPA
628 and ESA, analyzing annual transfers within such geographical areas and the Contracting Officer
629 shall determine whether such transfers comply with applicable law. Following the completion of
630 the environmental documentation, such transfers addressed in such documentation shall be
631 conducted with advance notice to the Contracting Officer, but shall not require prior written
632 approval by the Contracting Officer. Such environmental documentation and the Contracting
633 Officer's compliance determination shall be reviewed every five years and updated, as necessary,

634 prior to the expiration of the then existing five-year period. All subsequent environmental
635 documentation shall include an alternative to evaluate not less than the quantity of Project Water
636 historically transferred within the same geographical area.

637 (c) For a water transfer to qualify under subdivision (b) of this Article, such
638 water transfer must: (i) be for irrigation purposes for lands irrigated within the previous three years,
639 for M&I use, groundwater recharge, groundwater banking, or similar groundwater activities, surface
640 water storage, or fish and wildlife resources; not lead to land conversion; and be delivered to
641 established cropland, wildlife refuges, groundwater basins or M&I use; (ii) occur within a single
642 Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water through existing
643 facilities with no new construction or modifications to facilities and be between existing Project
644 Contractors and/or the Contractor and the United States, Department of the Interior; and (v) comply
645 with all applicable Federal, State, and local or tribal laws and requirements imposed for protection
646 of the environment and Indian Trust Assets, as defined under Federal law.

647 APPLICATION OF PAYMENTS AND ADJUSTMENTS

648 10. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,
649 capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of
650 the Contractor arising out of this Contract then due and payable. Overpayments of more than
651 \$1,000 shall be refunded at the Contractor's request. In lieu of a refund, any amount of such
652 overpayment at the option of the Contractor may be credited against amounts to become due to the
653 United States by the Contractor. With respect to overpayment, such refund or adjustment shall
654 constitute the sole remedy of the Contractor or anyone having or claiming to have the right to the
655 use of any of the Project Water supply provided for herein. All credits and refunds of overpayments
656 shall be made within 30 days of the Contracting Officer obtaining direction as to how to credit or

657 refund such overpayment in response to the notice to the Contractor that it has finalized the
658 accounts for the Year in which the overpayment was made.

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

664 TEMPORARY REDUCTIONS--RETURN FLOWS

665 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the
666 requirements of Federal law and (ii) the obligations of the United States under existing contracts, or
667 renewals thereof, providing for water deliveries from the Project, the Contracting Officer shall make
668 all reasonable efforts to optimize Project Water deliveries to the Contractor as provided in this
669 Contract.

670 (b) The Contracting Officer or Operating Non-Federal Entity(ies) may
671 temporarily discontinue or reduce the quantity of Water Delivered to the Contractor as herein
672 provided for the purposes of investigation, inspection, maintenance, repair, or replacement of any of
673 the Project facilities or any part thereof necessary for the delivery of Project Water to the
674 Contractor, but so far as feasible the Contracting Officer or Operating Non-Federal Entity(ies) will
675 give the Contractor due notice in advance of such temporary discontinuance or reduction, except in
676 case of emergency, in which case no notice need be given; Provided, That the United States shall
677 use its best efforts to avoid any discontinuance or reduction in such service. Upon resumption of
678 service after such reduction or discontinuance, and if requested by the Contractor, the United States

679 will, if possible, deliver the quantity of Project Water which would have been delivered hereunder
680 in the absence of such discontinuance or reduction.

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

687 CONSTRAINTS ON THE AVAILABILITY OF WATER

688 12. (a) In its operation of the Project, the Contracting Officer will use all reasonable
689 means to guard against a Condition of Shortage in the quantity of water to be made available to the
690 Contractor pursuant to this Contract. In the event the Contracting Officer determines that a
691 Condition of Shortage appears probable, the Contracting Officer will notify the Contractor of said
692 determination as soon as practicable.

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

698 (c) In any Year in which there may occur a Condition of Shortage for any of the
699 reasons specified in subdivision (b) of this Article, and subject to subdivision (d) of this Article, the
700 Contracting Officer will first allocate the available Project Water consistent with the Central Valley
701 Project M&I Water Shortage Policy in its form on the effective date of this Contract for determining

702 the amount of Project Water available for delivery to the Project Contractors. Subject to the
703 foregoing allocation, in any year in which there may occur a Condition of Shortage, the Contracting
704 Officer shall then apportion Project Water among the Contractor and others entitled to Project
705 Water from Delta Division Facilities under long-term water service or repayment contracts (or
706 renewals thereof or binding commitments therefore) in force on February 28, 2005, as follows:

707 (1) The Contracting Officer shall make an initial and subsequent
708 determination as necessary of the total quantity of Project Water estimated to be scheduled or
709 actually scheduled under subdivision (b) of Article 4 of this Contract and under all other long-term
710 water service or repayment contracts then in force for the delivery of Project Water by the United
711 States from Delta Division Facilities during the relevant Year, the quantity so determined being
712 hereinafter referred to as the scheduled total;

713 (2) A determination shall be made of the total quantity of Project Water
714 that is available for meeting the scheduled total, the quantity so determined being hereinafter
715 referred to as the available supply;

716 (3) The total quantity of Project Water estimated to be scheduled or
717 actually scheduled by the Contractor during the relevant Year, under subdivision (b) of Article 4
718 hereof, shall be divided by the scheduled total, the quotient thus obtained being hereinafter referred
719 to as the Contractor's proportionate share; and

720 (4) The available supply shall be multiplied by the Contractor's
721 proportionate share and the result shall be the quantity of Project Water made available by the
722 United States to the Contractor for the relevant Year in accordance with the schedule developed by
723 the Contracting Officer under subdivision (c)(1) of this Article, but in no event shall such amount
724 exceed the Contract Total. In the event the Contracting Officer subsequently determines that the

725 Contracting Officer can increase or needs to decrease the available supply for delivery from Delta
726 Division Facilities to long-term water service and repayment Contractors during the relevant Year,
727 such additions or reductions to the available supply shall be apportioned consistent with
728 subparagraphs (1) through (4), inclusive.

729 (d) By entering into this Contract, the Contractor does not waive any legal rights
730 or remedies it may have to file or participate in any administrative or judicial proceeding contesting
731 (i) the sufficiency of the Central Valley Project M&I Water Shortage Policy; (ii) the substance of
732 such a policy; (iii) the applicability of such a policy; or (iv) the manner in which such policy is
733 implemented in order to allocate Project Water between municipal and industrial and irrigation
734 purposes; Provided, That the Contractor has commenced any such judicial challenge or any
735 administrative procedures necessary to institute any judicial challenge within six months of the
736 policy becoming final. By agreeing to the foregoing, the Contracting Officer does not waive any
737 legal defenses or remedies that it may have to assert in such a proceeding. Nothing contained herein
738 shall be interpreted to validate or invalidate the Central Valley M&I Water Shortage Policy.

739 UNAVOIDABLE GROUNDWATER PERCOLATION

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

744 RULES AND REGULATIONS

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

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WATER AND AIR POLLUTION CONTROL

15. The Contractor, in carrying out this 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.

QUALITY OF WATER

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

(b) The O&M 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 Federal or Contractor facilities or Project Water provided by the Contractor within the Contractor's Service Area.

(c) Omitted.

WATER ACQUIRED BY THE CONTRACTOR
OTHER THAN FROM THE UNITED STATES

17. (a) Water or water rights now owned or hereafter acquired by the Contractor other than from the United States and Irrigation Water furnished pursuant to the terms of this Contract may be simultaneously transported through the same distribution facilities of the

774 Contractor subject to the following: (i) if the facilities utilized for commingling Irrigation Water
775 and non-Project water were constructed without funds made available pursuant to Federal
776 Reclamation law, the provisions of Federal Reclamation law will be applicable only to the
777 Landholders of lands which receive Irrigation Water; (ii) the eligibility of land to receive Irrigation
778 Water must be established through the certification requirements as specified in the Acreage
779 Limitation Rules and Regulations (43 CFR Part 426); (iii) the water requirements of Eligible Lands
780 within the Contractor's Service Area can be established and the quantity of Irrigation Water to be
781 utilized is less than or equal to the quantity necessary to irrigate such Eligible Lands; and (iv) if the
782 facilities utilized for commingling Irrigation Water and non-Project water are/were constructed with
783 funds made available pursuant to Federal Reclamation law, the non-Project water will be subject to
784 the acreage limitation provisions of Federal Reclamation law, unless the Contractor pays to the
785 United States the incremental fee described in 43 CFR 426.15. In determining the incremental fee,
786 the Contracting Officer will calculate annually the cost to the Federal Government, including
787 interest of storing or delivering non-Project water, which for purposes of this Contract shall be
788 determined as follows: The quotient shall be the unpaid distribution system costs divided by the
789 total irrigable acreage within the Contractor's Service Area. The incremental fee per acre is the
790 mathematical result of such quotient times the interest rate determined using Section 202 (3) of the
791 Act of October 12, 1982 (96 Stat. 1263). Such incremental fee will be charged to each acre of
792 excess or full cost land within the Contractor's Service Area that receives non-Project water through
793 Federally financed or constructed facilities. The incremental fee calculation methodology will
794 continue during the term of this Contract absent the promulgation of a contrary Reclamation-wide
795 rule, regulation or policy adopted after the Contractor has been afforded the opportunity to review

796 and comment on the proposed rule, regulation, or policy. If such rule, regulation, or policy is
797 adopted it shall supercede this provision.

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

803 (1) The Contractor may introduce non-Project water into Project facilities
804 and deliver said water to lands within the Contractor's Service Area, including Ineligible Lands,
805 subject to payment to the United States and/or to any applicable Operating Non-Federal Entity of an
806 appropriate rate as determined by the applicable Project ratesetting policy, the RRA, and the Project
807 use power policy, if such Project use power policy is applicable, each as amended, modified or
808 superceded from time to time.

809 (2) Delivery of such non-Project water in and through Project facilities
810 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project purposes
811 as determined by the Contracting Officer; (ii) reduce the quantity or quality of water available to
812 other Project Contractors; (iii) interfere with the delivery of contractual water entitlements to any
813 other Project Contractors; or (iv) interfere with the physical maintenance of the Project facilities.

814 (3) Neither the United States nor the Operating Non-Federal Entity(ies)
815 shall be responsible for control, care or distribution of the non-Project water before it is introduced
816 into or after it is delivered from the Project facilities. The Contractor hereby releases and agrees to
817 defend and indemnify the United States and the Operating Non-Federal Entity(ies), and their
818 respective officers, agents, and employees, from any claim for damage to persons or property, direct

819 or indirect, resulting from the act(s) of the Contractor, its officers, employees, agents, or assigns, in
820 (i) extracting or diverting non-Project water from any source, or (ii) diverting such non-Project
821 water into Project facilities.

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

825 (5) After Project purposes are met, as determined by the Contracting
826 Officer, the United States and Project Contractors entitled to Project Water from Delta Division
827 Facilities shall share priority to utilize the remaining capacity of the facilities declared to be
828 available by the Contracting Officer for conveyance and transportation of non-Project water prior to
829 any such remaining capacity being made available to non-Project contractors. Other Project
830 Contractors shall have a second priority to any remaining capacity of facilities declared to be
831 available by the Contracting Officer for conveyance and transportation of non-Project water prior to
832 any such remaining capacity being made available to non-Project contractors.

833 OPINIONS AND DETERMINATIONS

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

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

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

848 COORDINATION AND COOPERATION

849 19. (a) In order to further their mutual goals and objectives, the Contracting Officer
850 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other
851 affected Project Contractors, in order to improve the operation and management of the Project. The
852 communication, coordination, and cooperation regarding operations and management shall include,
853 but not be limited to, any action which will or may materially affect the quantity or quality of
854 Project Water supply, the allocation of Project Water supply, and Project financial matters
855 including, but not limited to, budget issues. The communication, coordination, and cooperation
856 provided for hereunder shall extend to all provisions of this Contract. Each party shall retain
857 exclusive decision making authority for all actions, opinions, and determinations to be made by the
858 respective party.

859 (b) Within 120 days following the effective date of this Contract, the Contractor,
860 other affected Project Contractors, and the Contracting Officer shall arrange to meet with interested
861 Project Contractors to develop a mutually agreeable, written Project-wide process, which may be
862 amended as necessary separate and apart from this Contract. The goal of this process shall be to

863 provide, to the extent practicable, the means of mutual communication and interaction regarding
864 significant decisions concerning Project operation and management on a real-time basis.

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

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

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

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

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

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

882 (d) Without limiting the contractual obligations of the Contracting Officer under
883 the other Articles of this Contract, nothing in this Article shall be construed to limit or constrain the
884 Contracting Officer's ability to communicate, coordinate, and cooperate with the Contractor or

885 other interested stakeholders or to make decisions in a timely fashion as needed to protect health,
886 safety or the physical integrity of structures or facilities.

887 CHARGES FOR DELINQUENT PAYMENTS

888 20. (a) The Contractor shall be subject to interest, administrative and penalty charges
889 on delinquent installments or payments. When a payment is not received by the due date, the
890 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.
891 When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative
892 charge to cover additional costs of billing and processing the delinquent payment. When a payment
893 is delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six
894 (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the
895 Contractor shall pay any fees incurred for debt collection services associated with a delinquent
896 payment.

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

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

905 EQUAL OPPORTUNITY

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

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

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

919 (c) The Contractor will send to each labor union or representative of workers
920 with which it has a collective bargaining agreement or other contract or understanding, a notice, to

921 be provided by the Contracting Officer, advising the said labor union or workers' representative of
922 the Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965,
923 and shall post copies of the notice in conspicuous places available to employees and applicants for
924 employment.

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

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

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

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

949 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

962 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

963 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
964 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
965 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws,
966 as well as with their respective implementing regulations and guidelines imposed by the U.S.
967 Department of the Interior and/or Bureau of Reclamation.

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

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

981 PRIVACY ACT COMPLIANCE

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

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

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

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

1000 (e) The Contractor shall forward promptly to the System Manager each proposed
1001 denial of access under 43 CFR 2.64; and each request for amendment of records filed under 43 CFR
1002 2.71; notify the requester accordingly of such referral; and provide the System Manager with
1003 information and records necessary to prepare an appropriate response to the requester. These
1004 requirements do not apply to individuals seeking access to their own certification and reporting
1005 forms filed with the Contractor pursuant to 43 CFR 426.18, unless the requester elects to cite the
1006 Privacy Act as a basis for the request.

1007 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

1008 25. In addition to all other payments to be made by the Contractor pursuant to this
1009 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and
1010 detailed statement submitted by the Contracting Officer to the Contractor for such specific items of
1011 direct cost incurred by the United States for work requested by the Contractor associated with this
1012 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and
1013 procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in
1014 writing in advance by the Contractor. This Article shall not apply to costs for routine contract
1015 administration.

1016 WATER CONSERVATION

1017 26. (a) Prior to the delivery of water provided from or conveyed through Federally
1018 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be
1019 implementing an effective water conservation and efficiency program based on the Contractor's
1020 water conservation plan that has been determined by the Contracting Officer to meet the
1021 conservation and efficiency criteria for evaluating water conservation plans established under
1022 Federal law. The water conservation and efficiency program shall contain definite water
1023 conservation objectives, appropriate economically feasible water conservation measures, and time

1024 schedules for meeting those objectives. Continued Project Water delivery pursuant to this Contract
1025 shall be contingent upon the Contractor's continued implementation of such water conservation
1026 program. In the event the Contractor's water conservation plan or any revised water conservation
1027 plan completed pursuant to subdivision (d) of Article 26 of this Contract have not yet been
1028 determined by the Contracting Officer to meet such criteria, due to circumstances which the
1029 Contracting Officer determines are beyond the control of the Contractor, water deliveries shall be
1030 made under this Contract so long as the Contractor diligently works with the Contracting Officer to
1031 obtain such determination at the earliest practicable date, and thereafter the Contractor immediately
1032 begins implementing its water conservation and efficiency program in accordance with the time
1033 schedules therein.

1034 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
1035 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall implement
1036 the Best Management Practices identified by the time frames issued by the California Urban Water
1037 Conservation Council for such M&I Water unless any such practice is determined by the
1038 Contracting Officer to be inappropriate for the Contractor.

1039 (c) The Contractor shall submit to the Contracting Officer a report on the status
1040 of its implementation of the water conservation plan on the reporting dates specified in the then
1041 existing conservation and efficiency criteria established under Federal law.

1042 (d) At five-year intervals, the Contractor shall revise its water conservation plan
1043 to reflect the then current conservation and efficiency criteria for evaluating water conservation
1044 plans established under Federal law and submit such revised water management plan to the
1045 Contracting Officer for review and evaluation. The Contracting Officer will then determine if the

1046 water conservation plan meets Reclamation's then current conservation and efficiency criteria for
1047 evaluating water conservation plans established under Federal law.

1048 (e) If the Contractor is engaged in direct groundwater recharge, such activity
1049 shall be described in the Contractor's water conservation plan.

1050 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1051 27. Except as specifically provided in Article 17 of this Contract, the provisions of this
1052 Contract shall not be applicable to or affect non-Project water or water rights now owned or
1053 hereafter acquired by the Contractor or any user of such water within the Contractor's Service Area.
1054 Any such water shall not be considered Project Water under this Contract. In addition, this Contract
1055 shall not be construed as limiting or curtailing any rights which the Contractor or any water user
1056 within the Contractor's Service Area acquires or has available under any other contract pursuant to
1057 Federal Reclamation law.

1058 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

1059 28. (a) The O&M of a portion of the Project facilities which serve the Contractor,
1060 and responsibility for funding a portion of the costs of such O&M, have been transferred to the San
1061 Luis & Delta-Mendota Water Authority, an Operating Non-Federal Entity by separate agreement
1062 (8-07-20-X0354) between the United States and the Operating Non-Federal Entity San Luis &
1063 Delta-Mendota Water Authority. That separate agreement shall not interfere with or affect the
1064 rights or obligations of the Contractor or the United States hereunder.

1065 (b) The Contracting Officer has previously notified the Contractor in writing that
1066 the O&M of a portion of the Project facilities which serve the Contractor has been transferred to the
1067 Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority, and therefore, the
1068 Contractor shall pay directly to the Operating Non-Federal Entity San Luis & Delta-Mendota Water

1069 Authority, or to any successor approved by the Contracting Officer under the terms and conditions
1070 of the separate agreement between the United States and the Operating Non-Federal Entity San Luis
1071 & Delta-Mendota Water Authority described in subdivision (a) of this Article, all rates, charges, or
1072 assessments of any kind, including any assessment for reserve funds, which the Operating Non-
1073 Federal Entity San Luis & Delta-Mendota Water Authority or such successor determines, sets, or
1074 establishes for the O&M of the portion of the Project facilities operated and maintained by the
1075 Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority or such successor. Such
1076 direct payments to the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority or
1077 such successor shall not relieve the Contractor of its obligation to pay directly to the United States
1078 the Contractor's share of the Project Rates, Charges, and Tiered Pricing Component except to the
1079 extent the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority collects
1080 payments on behalf of the United States in accordance with the separate agreement identified in
1081 subdivision (a) of this Article.

1082 (c) For so long as the O&M of any portion of the Project facilities serving the
1083 Contractor is performed by the Operating Non-Federal Entity San Luis & Delta-Mendota Water
1084 Authority, or any successor thereto, the Contracting Officer shall adjust those components of the
1085 Rates for Water Delivered under this Contract representing the cost associated with the activity
1086 being performed by the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority
1087 or its successor.

1088 (d) In the event the O&M of the Project facilities operated and maintained by the
1089 Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority is re-assumed by the
1090 United States during the term of this Contract, the Contracting Officer shall so notify the
1091 Contractor, in writing, and present to the Contractor a revised Exhibit "B" which shall include the

1092 portion of the Rates to be paid by the Contractor for Project Water under this Contract representing
1093 the O&M costs of the portion of such Project facilities which have been re-assumed. The
1094 Contractor shall, thereafter, in the absence of written notification from the Contracting Officer to the
1095 contrary, pay the Rates, Charges, and Tiered Pricing Component specified in the revised Exhibit
1096 “B” directly to the United States in compliance with Article 7 of this Contract.

1097 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1098 29. The expenditure or advance of any money or the performance of any obligation of
1099 the United States under this Contract shall be contingent upon appropriation or allotment of funds.
1100 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations
1101 under this Contract. No liability shall accrue to the United States in case funds are not appropriated
1102 or allotted.

1103 BOOKS, RECORDS, AND REPORTS

1104 30. (a) The Contractor shall establish and maintain accounts and other books and
1105 records pertaining to administration of the terms and conditions of this Contract, including: the
1106 Contractor's financial transactions, water supply data, and Project land and right-of-way
1107 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
1108 data; and other matters that the Contracting Officer may require. Reports thereon shall be furnished
1109 to the Contracting Officer in such form and on such date or dates as the Contracting Officer may
1110 require. Subject to applicable Federal laws and regulations, each party to this Contract shall have
1111 the right during office hours to examine and make copies of the other party's books and records
1112 relating to matters covered by this Contract.

1113 (b) Notwithstanding the provisions of subdivision (a) of this Article, no books,
1114 records, or other information shall be requested from the Contractor by the Contracting Officer
1115 unless such books, records, or information are reasonably related to the administration or
1116 performance of this Contract. Any such request shall allow the Contractor a reasonable period of
1117 time within which to provide the requested books, records, or information.

1118 (c) At such time as the Contractor provides information to the Contracting
1119 Officer pursuant to subdivision (a) of this Article, a copy of such information shall be provided to
1120 the Operating Non-Federal Entity.

1121 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1122 31. (a) The provisions of this Contract shall apply to and bind the successors and
1123 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1124 therein shall be valid until approved in writing by the Contracting Officer.

1125 (b) The assignment of any right or interest in this Contract by either party shall
1126 not interfere with the rights or obligations of the other party to this Contract absent the written
1127 concurrence of said other party.

1128 (c) The Contracting Officer shall not unreasonably condition or withhold
1129 approval of any proposed assignment.

1130 SEVERABILITY

1131 32. In the event that a person or entity who is neither (i) a party to a Project contract, nor
1132 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an
1133 association or other form of organization whose primary function is to represent parties to Project
1134 contracts, brings an action in a court of competent jurisdiction challenging the legality or
1135 enforceability of a provision included in this Contract and said person, entity, association, or
1136 organization obtains a final court decision holding that such provision is legally invalid or
1137 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the
1138 parties to this Contract shall use their best efforts to (i) within 30 days of the date of such final court
1139 decision identify by mutual agreement the provisions in this Contract which must be revised and (ii)
1140 within three months thereafter promptly agree on the appropriate revision(s). The time periods
1141 specified above may be extended by mutual agreement of the parties. Pending the completion of
1142 the actions designated above, to the extent it can do so without violating any applicable provisions
1143 of law, the United States shall continue to make the quantities of Project Water specified in this

1144 Contract available to the Contractor pursuant to the provisions of this Contract which were not
1145 found to be legally invalid or unenforceable in the final court decision.

1146 RESOLUTION OF DISPUTES

1147 33. Should any dispute arise concerning any provisions of this Contract, or the parties'
1148 rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the
1149 dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring
1150 any matter to the Department of Justice, the party shall provide to the other party 30 days' written
1151 notice of the intent to take such action; Provided, That such notice shall not be required where a
1152 delay in commencing an action would prejudice the interests of the party that intends to file suit.
1153 During the 30-day notice period, the Contractor and the Contracting Officer shall meet and confer in
1154 an attempt to resolve the dispute. Except as specifically provided, nothing herein is intended to
1155 waive or abridge any right or remedy that the Contractor or the United States may have.

1156 OFFICIALS NOT TO BENEFIT

1157 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1158 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1159 manner as other water users or landowners.

1160 CHANGES IN CONTRACTOR'S SERVICE AREA

1161 35. (a) While this Contract is in effect, no change may be made in the Contractor's
1162 Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger, or otherwise,
1163 except upon the Contracting Officer's written consent.

1164 (b) Within 30 days of receipt of a request for such a change, the Contracting
1165 Officer will notify the Contractor of any additional information required by the Contracting Officer
1166 for processing said request, and both parties will meet to establish a mutually agreeable schedule for
1167 timely completion of the process. Such process will analyze whether the proposed change is likely
1168 to: (i) result in the use of Project Water contrary to the terms of this Contract; (ii) impair the ability

1169 of the Contractor to pay for Project Water furnished under this Contract or to pay for any Federally-
1170 constructed facilities for which the Contractor is responsible; and (iii) have an impact on any Project
1171 Water rights applications, permits, or licenses. In addition, the Contracting Officer shall comply
1172 with the NEPA and the ESA. The Contractor will be responsible for all costs incurred by the
1173 Contracting Officer in this process, and such costs will be paid in accordance with Article 25 of this
1174 Contract.

1175 FEDERAL LAWS

1176 36. By entering into this Contract, the Contractor does not waive its rights to contest the
1177 validity or application in connection with the performance of the terms and conditions of this
1178 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the
1179 terms and conditions of this Contract unless and until relief from application of such Federal law or
1180 regulation to the implementing provision of the Contract is granted by a court of competent
1181 jurisdiction.

1182 NOTICES

1183 37. Any notice, demand, or request authorized or required by this Contract shall be
1184 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered
1185 to the Area Manager, South-Central California Area Office, 1243 N Street, Fresno, California
1186 93721, and on behalf of the United States, when mailed, postage prepaid, or delivered to the Board
1187 of Directors of the Centinella Water District, P.O. Box 1596, Patterson, California 95363-1596.
1188 The designation of the addressee or the address may be changed by notice given in the same manner
1189 as provided in this Article for other notices.

1190 CONFIRMATION OF CONTRACT

1191 38. The Contractor, after the execution of this Contract, shall promptly seek to secure a
1192 decree of a court of competent jurisdiction of the State of California, confirming the execution of
1193 this Contract. The Contractor shall furnish the United States a certified copy of the final decree, the
1194 validation proceedings, and all pertinent supporting records of the court approving and confirming
1195 this Contract, and decreeing and adjudging it to be lawful, valid, and binding on the Contractor.

1196 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and
1197 year first above written.

1198 THE UNITED STATES OF AMERICA

1199 By: _____
1200 Regional Director, Mid-Pacific Region
1201 Bureau of Reclamation

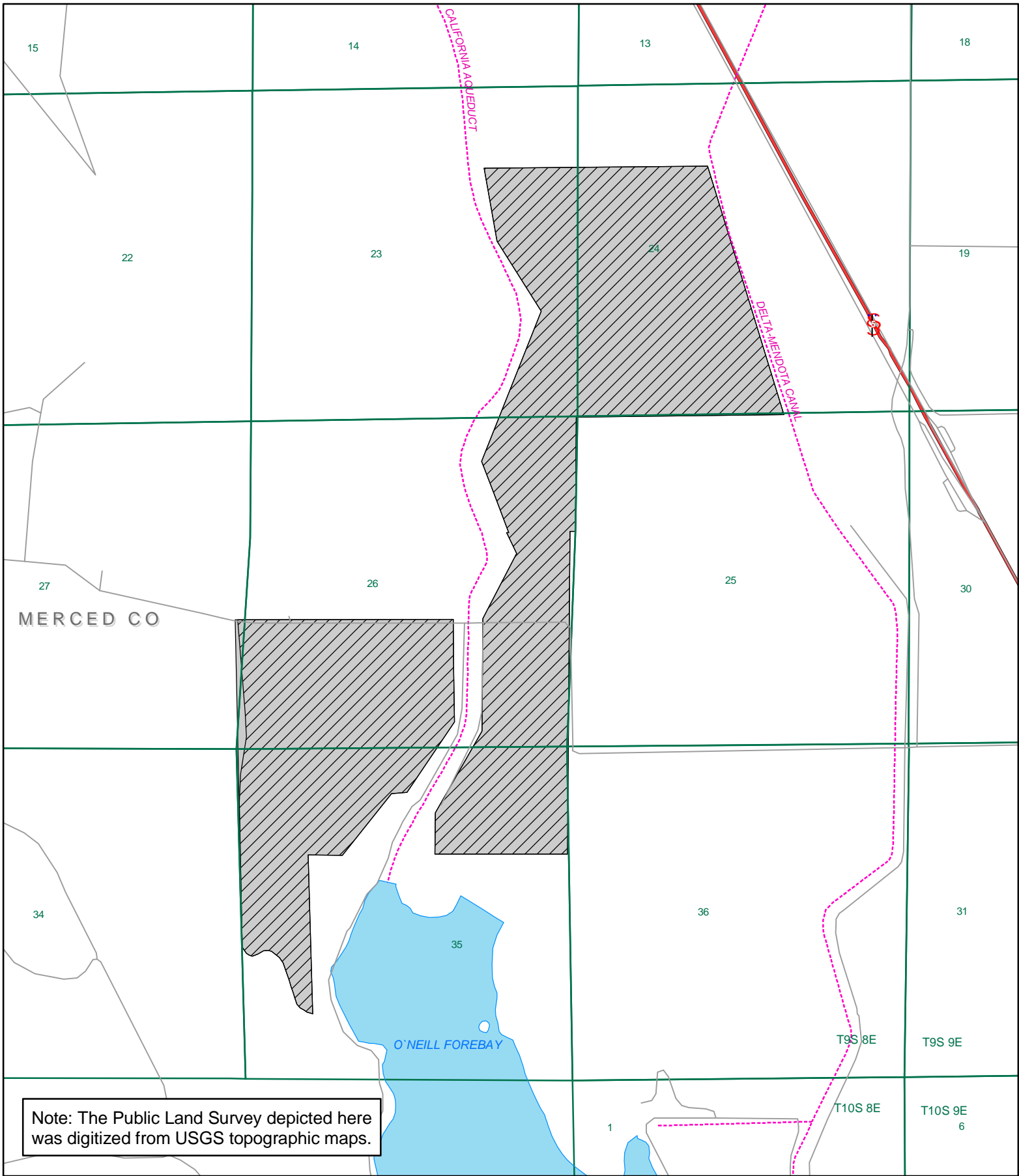
1202 CENTINELLA WATER DISTRICT

1203 By: _____
1204 President of the Board of Directors



1205 Attest:

1206 By: _____
1207 Secretary of the Board of Directors

1208 (H:\pub 440\LTRC\Final Draft LTRC's – Fresno, Tracy\09-29-04 Centinella WD Final LTRC Draft
1209 with exhibits.doc)



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

-  Contractor's Service Area
-  District Boundary

Centinella W.D.

Contract No. 7-07-20-W0055-LTR1
EXHIBIT A

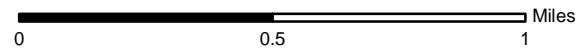


EXHIBIT B
CENTINELLA WATER DISTRICT
Water Rates and Charges

Note: Rates and Charges are 2004 rates. This exhibit will be updated prior to execution of the contract to reflect the current Rates and Charges.

<u>COST-OF-SERVICE RATES:</u>	<u>2004 Rates per Acre-Foot</u>	
	<u>Irrigation</u> <u>Water</u>	<u>M&I</u> <u>Water 1/</u>
Capital Rates	\$ 8.57	
O&M Rates:		
Water Marketing	7.59	
Storage	5.83	
Conveyance		
Conveyance Pumping		
Deficit Rates:		
Non-Interest Bearing		
Interest Bearing		
CFO/PFR Adj. Rate 2/		
TOTAL COST-OF-SERVICE-RATES	<u>\$21.99</u>	<u>1/</u>
<u>FULL-COST RATES</u>		
<u>Section 202(3)</u> Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	<u>\$35.38</u>	
<u>Section 205(a)(3)</u> Rate is applicable to a Limited Recipient that did <u>not</u> receive irrigation water on or before October 1, 1981.	<u>\$42.35</u>	
<u>CHARGES UNDER P.L. 102-575 TO RESTORATION FUND 3/</u>		
Restoration Payments (3407(d)(2)(A))	<u>\$ 7.82</u>	<u>\$15.64</u>

1/ To be provided as needed. Contractor does not currently receive M&I water and is not projected to take any in the near future.

2/ Rate represents Chief Financial Officers (CFO) adjustment and Provision for Replacement (PFR) credit for option 2 cost deferral to be distributed over 5-year period beginning with 2003 water rates.

3/ 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).