

M&I Only  
 R. O. CVP-Wide Draft 04/19-2004  
 City of Shasta Lake Draft 3/01-2004  
 City of Shasta Lake Draft 7/22-2003  
 City of Shasta Lake Draft 6/16-2003  
 Shasta/Trinity Division Draft 6/16-2003  
 CVP-Wide Draft 5/23-2003  
 Contract No.  
 4-07-20-W1134-LTR1

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES  
AND  
CITY OF SHASTA LAKE  
PROVIDING FOR PROJECT WATER SERVICE  
FROM SHASTA DIVISION

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Exhibit A – Map of Contractor's Service Area

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6 AND  
7 CITY OF SHASTA LAKE  
8 PROVIDING FOR PROJECT WATER SERVICE  
9 FROM SHASTA DIVISION

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

20 WITNESSETH, That:

21 EXPLANATORY RECITALS

22 [1<sup>st</sup>] WHEREAS, the United States has constructed and is operating the Central Valley  
23 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for  
24 flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection

25 and restoration, generation and distribution of electric energy, salinity control, navigation and  
26 other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River,  
27 and the San Joaquin River and their tributaries; and

28 [2<sup>nd</sup>] WHEREAS, the United States constructed the Shasta Dam pumping facilities and  
29 the Toyon Pipeline, hereinafter collectively referred to as the Shasta Division facilities, which  
30 will be used in part for the furnishing of water to the Contractor pursuant to the terms of this  
31 Contract; and

32 [3<sup>rd</sup>] WHEREAS, the rights to Project Water were acquired by the United States  
33 pursuant to California law for operation of the Project; and

34 [4<sup>th</sup>] WHEREAS, the Contractor is the successor in interest by assignment of long term  
35 water service contracts designated Contract No. I1r-1515, originally entered with the United  
36 States on August 12, 1948, by the Shasta Dam Public Utility District, and amendatory Contract  
37 No. I1r-1523, entered with the United States on December 5, 1975, by the Summit City Public  
38 Utility District, which contracts were together subsumed in a single temporary contract that was  
39 renewed successively as Contract Nos. 8-07-20-W0715, 0-07-20-W0885, 2-07-20-W1024, and  
40 No. 4-07-20-W1134, that established terms for the delivery to the Contractor of Project Water  
41 from the Shasta Division facilities from August 22, 1988, through February 28, 1994; and

42 [5<sup>th</sup>] WHEREAS, the Contractor and the United States have pursuant to subsection  
43 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into  
44 interim renewal contract(s) identified as Contract No(s). 4-07-20-W1134, 4-07-20-W1134-IR2,  
45 4-07-20-W1134-IR3, 4-07-20-W1134-IR4, 4-07-20-W1134-IR5, 4-07-20-W1134-IR6, 4-07-20-  
46 W1134-IR7, 4-07-20-W1134-IR8, 4-07-20-W1134-IR9, and 4-07-20-W1134-IR10, the current  
47 of which is hereinafter referred to as the Existing Contract, which provided for the continued  
48 water service to the Contractor from March 1, 2004, through February, 28, 2006; and

49 [6<sup>th</sup>] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the  
50 Existing Contract following completion of appropriate environmental documentation, including a

51 programmatic environmental impact statement (PEIS) pursuant to the National Environmental  
52 Policy Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the  
53 CVPIA and the potential renewal of all existing contracts for Project Water; and

54 [7<sup>th</sup>] WHEREAS, the United States has completed the PEIS and all other appropriate  
55 environmental review necessary to provide for long-term renewal of the Existing Contract; and

56 [8<sup>th</sup>] WHEREAS, the Contractor has requested the long-term renewal of the Existing  
57 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws  
58 of the State of California, for water service from the Project; and

59 [9<sup>th</sup>] WHEREAS, the United States has determined that the Contractor has fulfilled all  
60 of its obligations under the Existing Contract; and

61 [10<sup>th</sup>] WHEREAS, the Contractor has demonstrated to the satisfaction of the  
62 Contracting Officer that the Contractor has utilized the Project Water supplies available to it for  
63 reasonable and beneficial use and, based upon a needs analysis cooperatively prepared by the  
64 Contracting Officer and the Contractor, has demonstrated projected future demand for water use  
65 that exceeds the Contract Total to be made available to it pursuant to this Contract; and

66 [11<sup>th</sup>] WHEREAS, water obtained from the Project has been relied upon by urban and  
67 agricultural areas within California for more than 50 years, and is considered by the Contractor  
68 as an essential portion of its water supply; and

69 [12<sup>th</sup>] WHEREAS, the economies of regions within the Project, including the  
70 Contractor's, depend upon the continued availability of water, including water service from the  
71 Project; and

72 [12.1] WHEREAS, Contractor has made and will continue to make substantial capital  
73 investments in diversion and treatment facilities, and requires a consistent, predictable quality of  
74 raw water in order to meet Safe Drinking Water Act requirements for its municipal customers,  
75 and to provide a consistent and predictable quality of water for its industrial customers; and

76 [13<sup>th</sup>] WHEREAS, the Secretary intends through coordination, cooperation, and  
77 partnerships to pursue measures to improve water supply, water quality, and reliability of the  
78 Project for all Project purposes; and

79 [13.1] WHEREAS, the Contractor is located in the region of the Redding Groundwater  
80 Basin, and it is the desire of both the United States and the Contractor to facilitate the  
81 cooperative efforts of local water service agencies to develop the Redding Groundwater Basin  
82 for conjunctive management and use with Project Water supplies, to maximize the reasonable  
83 beneficial use of water for the water service agencies and their customers in the region; and

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

90 [15<sup>th</sup>] WHEREAS, the parties intend by this Contract to develop a more cooperative  
91 relationship in order to achieve their mutual goals; and

92 [16<sup>th</sup>] WHEREAS, the United States and the Contractor are willing to enter into this  
93 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

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

96 DEFINITIONS

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

99 (a) "Calendar Year" shall mean the period January 1 through December 31,  
100 both dates inclusive;

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

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

107 (d) "Contracting Officer" shall mean the Secretary of the Interior's duly  
108 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law  
109 or regulation;

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

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

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

118 (h) Omitted;

119 (i) Omitted;

120 (j) "Full Cost Rate" shall mean an annual rate as determined by the  
121 Contracting Officer that shall amortize the expenditures for construction properly allocable to the  
122 Project irrigation or M&I functions, as appropriate, of facilities in service including all O&M  
123 deficits funded, less payments, over such periods as may be required under Federal Reclamation  
124 law, or applicable contract provisions. Interest will accrue on both the construction expenditures  
125 and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the

126 date incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated  
127 in accordance with subsections 202(3)(B) and (3)(C) of the Reclamation Reform Act of  
128 October 12, 1982 (96 Stat. 1263), as amended, hereinafter referred to as RRA. The Full Cost  
129 Rate includes actual operation, maintenance, and replacement costs consistent with Section 426.2  
130 of the Rules and Regulations for the RRA;

131 (k) Omitted;

132 (l) Omitted;

133 (m) Omitted;

134 (n) Omitted;

135 (o) "Municipal and Industrial (M&I) Water" shall mean Project Water made  
136 available to the Contractor for purposes other than the commercial production of agricultural  
137 crops or livestock;

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

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

143 (r) Omitted;

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

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

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



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

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

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

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

163 (z) "Water Delivered" or "Delivered Water" shall mean Project Water  
164 diverted for use by the Contractor at the point(s) of delivery approved by the Contracting  
165 Officer;

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

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

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

174 TERM OF CONTRACT

175 2. (a) This Contract shall be effective March 1, 20\_\_\_\_, through February 28,  
176 20\_\_\_\_, and supercedes the Existing Contract. In the event the Contractor wishes to renew this

177 Contract beyond February 28, 20\_\_\_\_, the Contractor shall submit a request for renewal in writing  
178 to the Contracting Officer no later than two years prior to the date this Contract expires.

179 (b) Omitted.

180 (c) This Contract shall be renewed for successive periods of up to 40 years  
181 each, which periods shall be consistent with then-existing Reclamation-wide policy, under terms  
182 and conditions mutually agreeable to the parties and consistent with Federal and State law. The  
183 Contractor shall be afforded the opportunity to comment to the Contracting Officer on the  
184 proposed adoption and application of any revised policy applicable to the delivery of M&I Water  
185 that would limit the term of any subsequent renewal contract with the Contractor for the  
186 furnishing of M&I Water to less than 40 years.

187 (d) The Contracting Officer shall make a determination ten years after the  
188 date of execution of this Contract, and every five years thereafter during the term of this  
189 Contract, of whether a conversion to a contract under subsection (c)(1) of Section 9 of the  
190 Reclamation Project Act of 1939 can be accomplished. The Contracting Officer anticipates that  
191 during the term of this Contract, all authorized Project construction expected to occur will have  
192 occurred, and on that basis the Contracting Officer agrees upon such completion to allocate all  
193 costs that are properly assignable to the Contractor, and agrees further that, at any time after such  
194 allocation is made, and subject to satisfaction of the condition set out in this subdivision, this  
195 Contract shall, at the request of the Contractor, be converted to a contract under said subsection  
196 9(c)(1), of the Reclamation Project Act of 1939, subject to applicable Federal law and under  
197 stated terms and conditions mutually agreeable to the Contractor and the Contracting Officer. A  
198 condition for such conversion to occur shall be a determination by the Contracting Officer that,  
199 account being taken of the amount credited to return by the Contractor as provided for under  
200 Federal Reclamation law, the remaining amount of construction costs assignable for ultimate

201 return by the Contractor can probably be repaid to the United States within the term of a contract  
202 under said subsection 9(c)(1). If the remaining amount of costs that are properly assignable to  
203 the Contractor cannot be determined during the term of this Contract, the Contracting Officer  
204 shall notify the Contractor, and provide the reason(s) why such a determination could not be  
205 made. Further, the Contracting Officer shall make such a determination as soon thereafter as  
206 possible so as to permit, upon request of the Contractor and satisfaction of the condition set out  
207 above, conversion to a contract under said subsection 9(c)(1). In the event such determination of  
208 costs has not been made at a time which allows conversion of this Contract during the term of  
209 this Contract or the Contractor has not requested conversion of this Contract within such term,  
210 the parties shall incorporate in any subsequent renewal contract as described in subdivision (b) of  
211 this Article a provision that carries forth in substantially identical terms the provisions of this  
212 subdivision.

213 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

214 3. (a) During each Year, consistent with all applicable State water rights,  
215 permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of  
216 this Contract, the Contracting Officer shall make available for delivery to the Contractor 4,400  
217 acre-feet of Project Water for M&I purposes. Water Delivered to the Contractor in accordance  
218 with this subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and  
219 7 of this Contract.

220 (b) Because the capacity of the Project to deliver Project Water has been  
221 constrained in recent years and may be constrained in the future due to many factors including  
222 hydrologic conditions and implementation of Federal and State laws, the likelihood of the  
223 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this  
224 Article in any given Year is uncertain. The Contracting Officer's modeling referenced in the

225 PEIS projected that the Contract Total set forth in this Contract will not be available to the  
226 Contractor in many years. During the most recent five years, the Recent Historic Average of  
227 water made available to the Contractor was 2,530 acre-feet. Nothing in subdivision (b) of this  
228 Article shall affect the rights and obligations of the parties under any provision of this Contract.

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

231 (d) The Contractor shall make reasonable and beneficial use of all water  
232 furnished pursuant to this Contract. Ground-water recharge programs (direct, indirect, or in  
233 lieu), ground-water banking programs, surface water storage programs, and other similar  
234 programs utilizing Project Water or other water furnished pursuant to this Contract conducted  
235 within the Contractor's Service Area which are consistent with applicable State law and result in  
236 use consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge  
237 program(s) is (are) described in the Contractor's water conservation plan submitted pursuant to  
238 Article 26 of this Contract; Provided, further, That such water conservation plan demonstrates  
239 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average,  
240 the quantity of Delivered Water is demonstrated to be reasonable for such uses and in  
241 compliance with Federal Reclamation law. Ground-water recharge programs, ground-water  
242 banking programs, surface water storage programs, and other similar programs utilizing Project  
243 Water or other water furnished pursuant to this Contract conducted outside the Contractor's  
244 Service Area may be permitted upon written approval of the Contracting Officer, which approval  
245 will be based upon environmental documentation, Project Water rights, and Project operational  
246 concerns. The Contracting Officer will address such concerns in regulations, policies, or  
247 guidelines.

248 (e) The Contractor shall comply with requirements applicable to the  
249 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution  
250 of this Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA),

251 as amended, that are within the Contractor's legal authority to implement. The Existing  
252 Contract, which evidences in excess of 54 years of diversions for M&I purposes of the quantities  
253 of water provided in subdivision (a) of Article 3 of this Contract, will be considered in  
254 developing an appropriate baseline for biological assessment(s) prepared pursuant to the ESA,  
255 and any other needed environmental review. Nothing herein shall be construed to prevent the  
256 Contractor from challenging or seeking judicial relief in a court of competent jurisdiction with  
257 respect to any biological opinion or other environmental documentation referred to in this  
258 Article.

259 (f) As soon as possible following each declaration of Water Made Available  
260 under Article 4 of this Contract, the Contracting Officer will make a determination whether  
261 Project Water, or other water available to the Project, can be made available to the Contractor in  
262 addition to the Contract Total under Article 3 of this Contract during the Year without adversely  
263 impacting other Project Contractors. At the request of the Contractor, the Contracting Officer  
264 will consult with the Contractor prior to making such a determination. If the Contracting Officer  
265 determines that Project Water, or other water available to the Project, can be made available to  
266 the Contractor, the Contracting Officer will announce the availability of such water and shall so  
267 notify the Contractor as soon as practical. The Contracting Officer will thereafter meet with the  
268 Contractor and other Project Contractors capable of taking such water to determine the most  
269 equitable and efficient allocation of such water. If the Contractor requests the delivery of any  
270 quantity of such water, the Contracting Officer shall make such water available to the Contractor  
271 in accordance with applicable statutes, regulations, guidelines, and policies.

272 (g) The Contractor may request permission to reschedule for use during the  
273 subsequent Year some or all of the Water Made Available to the Contractor during the current  
274 Year, referred to as "carryover." The Contractor may request permission to use during the  
275 current Year a quantity of Project Water which may be made available by the United States to  
276 the Contractor during the subsequent Year, referred to as "preuse." The Contracting Officer's

277 written approval may permit such uses in accordance with applicable statutes, regulations,  
278 guidelines, and policies.

279 (h) The Contractor's right pursuant to Federal Reclamation law and applicable  
280 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract  
281 during the term thereof and any subsequent renewal contracts, as described in Article 2 of this  
282 Contract, during the terms thereof shall not be disturbed so long as the Contractor shall fulfill all  
283 of its obligations under this Contract and any renewals thereof. Nothing in the preceding  
284 sentence shall affect the Contracting Officer's ability to impose shortages under Article 11 or  
285 subdivision (b) of Article 12 of this Contract or applicable provisions of any subsequent renewal  
286 contracts.

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

290 (j) The Contracting Officer shall make reasonable efforts to protect the water  
291 rights necessary for the Project and to provide the water available under this Contract. The  
292 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the  
293 extent permitted by law, in administrative proceedings related to the Project Water rights;  
294 Provided, That the Contracting Officer retains the right to object to the substance of the  
295 Contractor's position in such a proceeding; Provided further, That in such proceedings the  
296 Contracting Officer shall recognize the Contractor has a legal right under the terms of this  
297 Contract to use Project Water.

298 TIME FOR DELIVERY OF WATER

299 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer  
300 shall announce the Contracting Officer's expected declaration of the Water Made Available.  
301 Such declaration will be expressed in terms of both Water Made Available and the Recent  
302 Historic Average and will be updated monthly, and more frequently if necessary, based on then-

303 current operational and hydrologic conditions and a new declaration with changes, if any, to the  
304 Water Made Available will be made. The Contracting Officer shall provide forecasts of Project  
305 operations and the basis of the estimate, with relevant supporting information, upon the written  
306 request of the Contractor. Concurrently with the declaration of the Water Made Available, the  
307 Contracting Officer shall provide the Contractor with the updated Recent Historic Average.

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

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

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

323 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

324 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this  
325 Contract shall be delivered to the Contractor at the 16-inch water meter located at the  
326 interconnection of the pumping plant discharge line at the water treatment facilities which are  
327 located adjacent to the Shasta Dam visitor area, and any additional point or points of delivery

328 either on Project facilities or another location or locations mutually agreed to in writing by the  
329 Contracting Officer and the Contractor.

330 (b) The Contracting Officer or other appropriate entity as designated by the  
331 Contracting Officer (hereinafter referred to as the “Other Appropriate Entity”) shall make all  
332 reasonable efforts to maintain sufficient flows to deliver Project Water to the Contractor at the  
333 design capacity of the pumping plant minus losses due to the Contractor’s treatment facilities and  
334 delivery pipe sizes.

335 (c) Omitted.

336 (d) All Water Delivered to the Contractor pursuant to this Contract shall be  
337 measured and recorded with equipment furnished, installed, operated, and maintained by the  
338 Contractor at the point or points of delivery established pursuant to subdivision (a) of this  
339 Article. Upon the request of either party to this Contract, the Contracting Officer shall  
340 investigate the accuracy of such measurements and shall take any necessary steps to adjust any  
341 errors appearing therein. For any period of time when accurate measurements have not been  
342 made, the Contracting Officer shall consult with the Contractor prior to making a final  
343 determination of the quantity delivered for that period of time.

344 (e) The Contracting Officer shall not be responsible for the control, carriage,  
345 handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to this  
346 Contract beyond the delivery points specified in subdivision (a) of this Article. The Contractor  
347 shall indemnify the United States, its officers, employees, agents, and assigns on account of  
348 damage or claim of damage of any nature whatsoever for which there is legal responsibility,  
349 including property damage, personal injury, or death arising out of or connected with the control,  
350 carriage, handling, use, disposal, or distribution of such Water Delivered beyond such delivery  
351 points, except for any damage or claim arising out of (i) acts or omissions of the Contracting  
352 Officer or any of its officers, employees, agents, or assigns with the intent of creating the  
353 situation resulting in any damage or claim, (ii) willful misconduct of the Contracting Officer or



354 any of its officers, employees, agents, or assigns, (iii) negligence of the Contracting Officer or  
355 any of its officers, employees, agents, or assigns, or (iv) damage or claims resulting from a  
356 malfunction of facilities owned and/or operated by the United States.

357 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

358 6. (a) The Contractor has established a measuring program satisfactory to the  
359 Contracting Officer. The Contractor shall ensure that all surface water delivered for M&I  
360 purposes is measured at each M&I service connection. The water measuring devices or water  
361 measuring methods of comparable effectiveness must be acceptable to the Contracting Officer.  
362 The Contractor shall be responsible for installing, operating, and maintaining and repairing all  
363 such measuring devices and implementing all such water measuring methods at no cost to the  
364 United States. The Contractor shall use the information obtained from such water measuring  
365 devices or water measuring methods to ensure its proper management of the water, to bill water  
366 users for water delivered by the Contractor; and, if applicable, to record water delivered for M&I  
367 purposes by customer class as defined in the Contractor's water conservation plan provided for  
368 in Article 26 of this Contract. Nothing herein contained, however, shall preclude the Contractor  
369 from establishing and collecting any charges, assessments, or other revenues authorized by  
370 California law. The Contractor shall include a summary of all its annual surface water deliveries  
371 in the annual report described in subdivision (c) of Article 26.

372 (b) To the extent the information has not otherwise been provided, upon  
373 execution of this Contract, the Contractor shall provide to the Contracting Officer a written  
374 report describing the measurement devices or water measuring methods being used or to be used  
375 to implement subdivision (a) of this Article and identifying the agricultural turnouts and the M&I  
376 service connections or alternative measurement programs approved by the Contracting Officer,  
377 at which such measurement devices or water measuring methods are being used, and, if  
378 applicable, identifying the locations at which such devices and/or methods are not yet being used  
379 including a time schedule for implementation at such locations. The Contracting Officer shall

380 advise the Contractor in writing within 60 days as to the adequacy and necessary modifications,  
381 if any, of the measuring devices or water measuring methods identified in the Contractor's report  
382 and if the Contracting Officer does not respond in such time, they shall be deemed adequate. If  
383 the Contracting Officer notifies the Contractor that the measuring devices or methods are  
384 inadequate, the parties shall within 60 days following the Contracting Officer's response,  
385 negotiate in good faith the earliest practicable date by which the Contractor shall modify said  
386 measuring devices and/or measuring methods as required by the Contracting Officer to ensure  
387 compliance with subdivision (a) of this Article.

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

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

394 (e) The Contractor shall inform the Contracting Officer on or before the 10<sup>th</sup>  
395 calendar day of each month of the quantity of M&I Water taken during the preceding month.

396 RATES AND METHOD OF PAYMENT FOR WATER

397 7. (a) The Contractor shall pay the United States as provided in this Article for  
398 all Delivered Water at Rates, Charges, and the Tiered Pricing Component established in  
399 accordance with (i) the Secretary's then-existing ratesetting policy for M&I Water. Such  
400 ratesetting policy shall be amended, modified, or superceded only through a public notice and  
401 comment procedure; (ii) applicable Federal Reclamation law and associated rules and  
402 regulations, or policies; and (iii) other applicable provisions of this Contract. Payments shall be  
403 made by cash transaction, electronic funds transfer, or any other mechanism as may be agreed to  
404 in writing by the Contractor and the Contracting Officer. The Rates, Charges, and Tiered Pricing

405 Component applicable to the Contractor upon execution of this Contract are set forth in Exhibit  
406 “B,” as may be revised annually.

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

409 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall  
410 provide the Contractor an estimate of the Charges for Project Water that will be applied to the  
411 period October 1, of the current Calendar Year, through September 30, of the following Calendar  
412 Year, and the basis for such estimate. The Contractor shall be allowed not less than two months  
413 to review and comment on such estimates. On or before September 15 of each Calendar Year,  
414 the Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during  
415 the period October 1 of the current Calendar Year, through September 30, of the following  
416 Calendar Year, and such notification shall revise Exhibit “B.”

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

424 (c) At the time the Contractor submits the initial schedule for the delivery of  
425 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the  
426 Contractor shall make an advance payment to the United States equal to the total amount payable  
427 pursuant to the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water  
428 scheduled to be delivered pursuant to this Contract during the first two calendar months of the  
429 Year. Before the end of the first month and before the end of each calendar month thereafter, the  
430 Contractor shall make an advance payment to the United States, at the Rate(s) set under

431 subdivision (a) of this Article, for the Water Scheduled to be delivered pursuant to this Contract  
432 during the second month immediately following. Adjustments between advance payments for  
433 Water Scheduled and payments at Rates due for Water Delivered shall be made before the end of  
434 the following month; Provided, That any revised schedule submitted by the Contractor pursuant  
435 to Article 4 of this Contract which increases the amount of Water Delivered pursuant to this  
436 Contract during any month shall be accompanied with appropriate advance payment, at the Rates  
437 then in effect, to assure that Project Water is not delivered to the Contractor in advance of such  
438 payment. In any month in which the quantity of Water Delivered to the Contractor pursuant to  
439 this Contract equals the quantity of Water Scheduled and paid for by the Contractor, no  
440 additional Project Water shall be delivered to the Contractor unless and until an advance  
441 payment at the Rates then in effect for such additional Project Water is made. Final adjustment  
442 between the advance payments for the Water Scheduled and payments for the quantities of Water  
443 Delivered during each Year pursuant to this Contract shall be made as soon as practicable, but no  
444 later than April 30th of the following Year, or 60 days after the delivery of Project Water carried  
445 over under subdivision (g) of Article 3 of this Contract if such water is not delivered by the last  
446 day of February.

447 (d) The Contractor shall also make a payment in addition to the Rate(s) in  
448 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the  
449 appropriate Tiered Pricing Component then in effect, before the end of the month following the  
450 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered  
451 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be  
452 consistent with the quantities of M&I Water Delivered as shown in the water delivery report for  
453 the subject month prepared by the Contracting Officer. The water delivery report shall be  
454 deemed a bill for the payment of Charges and the applicable Tiered Pricing Component for  
455 Water Delivered. Adjustment for overpayment or underpayment of Charges shall be made  
456 through the adjustment of payments due to the United States for Charges for the next month.

457 Any amount to be paid for past due payment of Charges and the Tiered Pricing Component shall  
458 be computed pursuant to Article 20 of this Contract.

459 (e) The Contractor shall pay for any Water Delivered under subdivision (a),  
460 (f), or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to  
461 applicable statutes, associated regulations, any applicable provisions of guidelines or ratesetting  
462 policies; Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this  
463 Contract shall be no more than the otherwise applicable Rate for M&I Water under subdivision  
464 (a) of this Article.

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

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

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

479 (i) The parties acknowledge and agree that the efficient administration of this  
480 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,  
481 policies, and procedures used for establishing Rates, Charges, and the Tiered Pricing  
482 Component, and/or for making and allocating payments, other than those set forth in this Article

483 may be in the mutual best interest of the parties, it is expressly agreed that the parties may enter  
484 into agreements to modify the mechanisms, policies, and procedures for any of those purposes  
485 while this Contract is in effect without amending this Contract.

486 (j) (1) Beginning at such time as deliveries of Project Water in a Year  
487 exceed 80 percent of the Contract Total, then before the end of the month following the month of  
488 delivery the Contractor shall make an additional payment to the United States equal to the  
489 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water  
490 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the  
491 Contract Total, shall equal one-half of the difference between the Rate established under  
492 subdivision (a) of this Article and the M&I Full Cost Water Rate. The Tiered Pricing  
493 Component for the amount of Water Delivered which exceeds 90 percent of the Contract Total  
494 shall equal the difference between (i) the Rate established under subdivision (a) of this Article  
495 and (ii) the M&I Full Cost Water Rate.

496 (2) Omitted.

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

502 (k) For the term of this Contract, Rates under the respective ratesetting  
503 policies will be established to recover only reimbursable O&M (including any deficits) and  
504 capital costs of the Project, as those terms are used in the then-current Project ratesetting  
505 policies, and interest, where appropriate, except in instances where a minimum Rate is applicable  
506 in accordance with the relevant Project ratesetting policy. Changes of significance in practices  
507 which implement the Contracting Officer's ratesetting policies will not be implemented until the

508 Contracting Officer has provided the Contractor an opportunity to discuss the nature, need, and  
509 impact of the proposed change.

510 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the  
511 CVPIA, the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates  
512 adjusted upward or downward to reflect the changed costs, if any, incurred by the Contracting  
513 Officer in the delivery of the transferred Project Water to the transferee's point of delivery in  
514 accordance with the then applicable Project ratesetting policy. If the Contractor is receiving  
515 lower Rates and Charges because of inability to pay and is transferring Project Water to another  
516 entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and Charges  
517 for transferred Project Water shall be the Contractor's Rates and Charges and will not be  
518 adjusted to reflect the Contractor's inability to pay.

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

521 (n) With respect to the Rates for M&I Water, the Contractor asserts that it is  
522 not legally obligated to pay any Project deficits claimed by the United States to have accrued as  
523 of the date of this Contract or deficit-related interest charges thereon. By entering into this  
524 Contract, the Contractor does not waive any legal rights or remedies that it may have with  
525 respect to such disputed issues. Notwithstanding the execution of this Contract and payments  
526 made hereunder, the Contractor may challenge in the appropriate administrative or judicial  
527 forums: (1) the existence, computation, or imposition of any deficit charges accruing during the  
528 term of the Existing Contract and any preceding interim renewal contracts, if applicable; (2)  
529 interest accruing on any such deficits; (3) the inclusion of any such deficit charges or interest in  
530 the Rates; (4) the application by the United States of payments made by the Contractor under its  
531 Existing Contract and any preceding interim renewal contracts, if applicable; and (5) the  
532 application of such payments in the Rates. The Contracting Officer agrees that the Contractor  
533 shall be entitled to the benefit of any administrative or judicial ruling in favor of any Project

534 M&I contractor on any of these issues, and credits for payments heretofore made, Provided, That  
535 the basis for such ruling is applicable to the Contractor.

536 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

537 8. The Contractor and the Contracting Officer concur that, as of the effective date of  
538 this Contract, the Contractor has no non-interest bearing O&M deficits and shall have no further  
539 liability therefor.

540 SALES, TRANSFERS, OR EXCHANGES OF WATER

541 9. (a) The right to receive Project Water provided for in this Contract may be  
542 sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of  
543 California if such sale, transfer, or exchange is authorized by applicable Federal and State laws,  
544 and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project  
545 Water under this Contract may take place without the prior written approval of the Contracting  
546 Officer, except as provided for in subdivision (b) of this Article, and no such sales, transfers, or  
547 exchanges shall be approved absent all appropriate environmental documentation, including but  
548 not limited to documents prepared pursuant to NEPA and ESA. Such environmental  
549 documentation should include, as appropriate, an analysis of ground-water impacts and  
550 economic and social effects, including environmental justice, of the proposed water transfers on  
551 both the transferor and transferee.

552 (b) In order to facilitate efficient water management by means of water  
553 transfers of the type historically carried out among Project Contractors located within the same  
554 geographical area and to allow the Contractor to participate in an accelerated water transfer  
555 program during the term of this Contract, the Contracting Officer shall prepare, as appropriate,  
556 all necessary environmental documentation including, but not limited to, documents prepared  
557 pursuant to NEPA and ESA, analyzing annual transfers within such geographical areas, and the  
558 Contracting Officer shall determine whether such transfers comply with applicable law.  
559 Following the completion of the environmental documentation, such transfers addressed in such



560 documentation shall be conducted with advance notice to the Contracting Officer, but shall not  
561 require prior written approval by the Contracting Officer. Such environmental documentation  
562 and the Contracting Officer's compliance determination shall be reviewed every five years and  
563 updated, as necessary, prior to the expiration of the then-existing five-year period. All  
564 subsequent environmental documentation shall include an alternative to evaluate not less than the  
565 quantity of Project Water historically transferred within the same geographical area.

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

577 (d) For the purpose of determining whether Section 3405(a)(1)(M) of the  
578 CVPIA applies to the Contractor as a transferor or transferee of Project Water, the Contracting  
579 Officer acknowledges that the Contractor is within a county, watershed, or other area of origin,  
580 as those terms are utilized under California law, of water that constitutes the natural flow of the  
581 Sacramento River and its tributaries above the confluence of the American and Sacramento  
582 Rivers.

### 583 APPLICATION OF PAYMENTS AND ADJUSTMENTS

584 10. (a) The amount of any overpayment by the Contractor of the Contractor's  
585 O&M, capital, and deficit (if any) obligations for the Year shall be applied first to any current

586 liabilities of the Contractor arising out of this Contract then due and payable. Overpayments of  
587 more than \$1,000 shall be refunded at the Contractor's request. In lieu of a refund, any amount  
588 of such overpayment, at the option of the Contractor, may be credited against amounts to become  
589 due to the United States by the Contractor. With respect to overpayment, such refund or  
590 adjustment shall constitute the sole remedy of the Contractor or anyone having or claiming to  
591 have the right to the use of any of the Project Water supply provided for herein. All credits and  
592 refunds of overpayments shall be made within 30 days of the Contracting Officer obtaining  
593 direction as to how to credit or refund such overpayment in response to the notice to the  
594 Contractor that it has finalized the accounts for the Year in which the overpayment was made.

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

600 TEMPORARY REDUCTIONS--RETURN FLOWS

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

606 (b) The Contracting Officer may temporarily discontinue or reduce the  
607 quantity of Water Delivered to the Contractor as herein provided for the purposes of  
608 investigation, inspection, maintenance, repair, or replacement of any of the Project facilities or  
609 any part thereof necessary for the delivery of Project Water to the Contractor, but so far as  
610 feasible the Contracting Officer will give the Contractor due notice in advance of such temporary  
611 discontinuance or reduction, except in case of emergency, in which case no notice need be given;

612 Provided, That the United States shall use its best efforts to avoid any discontinuance or  
613 reduction in such service. Upon resumption of service after such reduction or discontinuance,  
614 and if requested by the Contractor, the United States will, if possible, deliver the quantity of  
615 Project Water which would have been delivered hereunder in the absence of such discontinuance  
616 or reduction.

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

623 CONSTRAINTS ON THE AVAILABILITY OF WATER

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

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

634 (c) Omitted.

635 (d) Project Water furnished under this Contract will be allocated in  
636 accordance with the then-existing Project M&I Water Shortage Policy. Such policy shall be  
637 amended, modified, or superceded only through a public notice and comment procedure.

638 (e) By entering into this Contract, the Contractor does not waive any legal  
639 rights or remedies it may have to file or participate in any administrative or judicial proceeding  
640 contesting (i) the sufficiency of the manner in which any Project M&I Water Shortage Policy  
641 adopted after the effective date of this Contract was promulgated; (ii) the substance of such a  
642 policy; or (iii) the applicability of such a policy. By agreeing to the foregoing, the Contracting  
643 Officer does not waive any legal defenses or remedies that it may then have to assert in such a  
644 proceeding.

645 UNAVOIDABLE GROUNDWATER PERCOLATION

646 13. Omitted.

647 RULES AND REGULATIONS

648 14. The parties agree that the delivery of Project Water or use of Federal facilities  
649 pursuant to this Contract is subject to Federal Reclamation law, as amended and supplemented,  
650 and the rules and regulations promulgated by the Secretary of the Interior under Federal  
651 Reclamation law.

652 WATER AND AIR POLLUTION CONTROL

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

657 QUALITY OF WATER

658 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant  
659 to this Contract shall be operated and maintained to enable the United States to deliver Project  
660 Water to the Contractor in accordance with the water quality standards specified in subsection  
661 2(b) of the Act of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of  
662 October 27, 1986 (100 Stat. 3050) or other existing Federal laws. The United States is under no  
663 obligation to construct or furnish water treatment facilities to maintain or to improve the quality

664 of Water Delivered to the Contractor pursuant to this Contract. The United States does not  
665 warrant the quality of Water Delivered to the Contractor pursuant to this Contract.

666 (b) The O&M of Project facilities shall be performed in such manner as is  
667 practicable to maintain the quality of raw water made available through such facilities at the  
668 highest level reasonably attainable as determined by the Contracting Officer. The Contractor  
669 shall be responsible for compliance with all State and Federal water quality standards applicable  
670 to surface and subsurface agricultural drainage discharges generated through the use of Federal  
671 or Contractor facilities or Project Water provided by the Contractor within the Contractor's  
672 Service Area.

673 WATER ACQUIRED BY THE CONTRACTOR  
674 OTHER THAN FROM THE UNITED STATES

675 17. (a) Omitted.

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

681 (1) The Contractor may introduce non-Project water into Project  
682 facilities and deliver said water to lands within the Contractor's Service Area subject to payment  
683 to the United States of an appropriate rate as determined by the applicable Project ratesetting  
684 policy, the RRA, and the Project use power policy, if Project use power policy is applicable, each  
685 as amended, modified, or superceded from time to time.

686 (2) Delivery of such non-Project water in and through Project facilities  
687 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project  
688 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water  
689 available to other Project Contractors; (iii) interfere with the delivery of contractual water

690 entitlements to any other Project Contractors; or (iv) interfere with the physical maintenance of  
691 the Project facilities.

692 (3) The United States shall not be responsible for control, care, or  
693 distribution of the non-Project water before it is introduced into or after it is delivered from the  
694 Project facilities. The Contractor hereby releases and agrees to defend and indemnify the United  
695 States and its respective officers, agents, and employees, from any claim for damage to persons  
696 or property, direct or indirect, resulting from acts of the Contractor, its officers', employees',  
697 agents' or assigns', act(s) in (i) extracting or diverting non-Project water from any source, or (ii)  
698 diverting such non-Project water into Project facilities.

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

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

707 OPINIONS AND DETERMINATIONS

708 18. (a) Where the terms of this Contract provide for actions to be based upon the  
709 opinion or determination of either party to this Contract, said terms shall not be construed as  
710 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or  
711 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly  
712 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious,  
713 or unreasonable opinion or determination. Each opinion or determination by either party shall be  
714 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is  
715 intended to or shall affect or alter the standard of judicial review applicable under Federal law to

716 any opinion or determination implementing a specific provision of Federal law embodied in  
717 statute or regulation.

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

723 COORDINATION AND COOPERATION

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

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

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

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

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

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

753 (3.1) The Secretary and the Contractor desire to work together to  
754 maximize the reasonable beneficial use of water for their mutual benefit. As a consequence, the  
755 Secretary and the Contractor will work in partnership and with others in the region of the  
756 Redding Groundwater Basin, including other Contractors in the Shasta and Trinity Divisions of  
757 the Project, to facilitate the better integration with the region of the Redding Groundwater Basin  
758 of all water supplies including, but not limited to, the better management and integration of  
759 surface water and groundwater, transfers and exchanges of water, the development and better  
760 utilization of surface water storage, the effective utilization of waste, seepage and return flow  
761 water, and other operational and management options that may be identified in the future.

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

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



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

772 CHARGES FOR DELINQUENT PAYMENTS

773 20. (a) The Contractor shall be subject to interest, administrative and penalty  
774 charges on delinquent installments or payments. When a payment is not received by the due  
775 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond  
776 the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an  
777 administrative charge to cover additional costs of billing and processing the delinquent payment.  
778 When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional  
779 penalty charge of six (6%) percent per year for each day the payment is delinquent beyond the  
780 due date. Further, the Contractor shall pay any fees incurred for debt collection services  
781 associated with a delinquent payment.

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

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

790 EQUAL OPPORTUNITY

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

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

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

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

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

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

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

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

836 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

849 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

850 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964  
851 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the  
852 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights  
853 laws, as well as with their respective implementing regulations and guidelines imposed by the  
854 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

869 PRIVACY ACT COMPLIANCE

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

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

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

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

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

#### 895 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

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

#### 904 WATER CONSERVATION

905 26. (a) Prior to the delivery of water provided from or conveyed through  
906 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor  
907 shall be implementing an effective water conservation and efficiency program based on the  
908 Contractor's water conservation plan that has been determined by the Contracting Officer to meet  
909 the conservation and efficiency criteria for evaluating water conservation plans established under  
910 Federal law. The water conservation and efficiency program shall contain definite water

911 conservation objectives, appropriate economically feasible water conservation measures, and  
912 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this  
913 Contract shall be contingent upon the Contractor's continued implementation of such water  
914 conservation program. In the event the Contractor's water conservation plan or any revised water  
915 conservation plan completed pursuant to subdivision (d) of Article 26 of this Contract have not  
916 yet been determined by the Contracting Officer to meet such criteria, due to circumstances which  
917 the Contracting Officer determines are beyond the control of the Contractor, water deliveries  
918 shall be made under this Contract so long as the Contractor diligently works with the Contracting  
919 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor  
920 immediately begins implementing its water conservation and efficiency program in accordance  
921 with the time schedules therein.

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

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

930 (d) At five-year intervals, the Contractor shall revise its water conservation  
931 plan to reflect the then-current conservation and efficiency criteria for evaluating water  
932 conservation plans established under Federal law and submit such revised water management  
933 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then  
934 determine if the water conservation plan meets Reclamation's then-current conservation and  
935 efficiency criteria for evaluating water conservation plans established under Federal law.

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

938 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

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

946 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

947 28. Omitted.

948 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

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

954 BOOKS, RECORDS, AND REPORTS

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

964 (b) Notwithstanding the provisions of subdivision (a) of this Article, no  
965 books, records, or other information shall be requested from the Contractor by the Contracting  
966 Officer unless such books, records, or information are reasonably related to the administration or

967 performance of this Contract. Any such request shall allow the Contractor a reasonable period of  
968 time within which to provide the requested books, records, or information.

969 (c) Omitted.

970 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

979 SEVERABILITY

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

993 Water specified in this Contract available to the Contractor pursuant to the provisions of this  
994 Contract which were not found to be legally invalid or unenforceable in the final court decision.

995 RESOLUTION OF DISPUTES

996 33. Should any dispute arise concerning any provisions of this Contract, or the  
997 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to  
998 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting  
999 Officer referring any matter to Department of Justice, the party shall provide to the other party  
1000 30 days' written notice of the intent to take such action; Provided, That such notice shall not be  
1001 required where a delay in commencing an action would prejudice the interests of the party that  
1002 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer  
1003 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,  
1004 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the  
1005 United States may have.

1006 OFFICIALS NOT TO BENEFIT

1007 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the  
1008 Contractor shall benefit from this Contract other than as a water user or landowner in the same  
1009 manner as other water users or landowners.

1010 CHANGES IN CONTRACTOR'S SERVICE AREA

1011 35. (a) While this Contract is in effect, no change may be made in the  
1012 Contractor's Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger,  
1013 or otherwise, except upon the Contracting Officer's written consent.

1014 (b) Within 30 days of receipt of a request for such a change, the Contracting  
1015 Officer will notify the Contractor of any additional information required by the Contracting  
1016 Officer for processing said request, and both parties will meet to establish a mutually agreeable  
1017 schedule for timely completion of the process. Such process will analyze whether the proposed  
1018 change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract;  
1019 (ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or  
1020 to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii)



1021 have an impact on any Project Water rights applications, permits, or licenses. In addition, the  
1022 Contracting Officer shall comply with the NEPA and the ESA. The Contractor will be  
1023 responsible for all costs incurred by the Contracting Officer in this process, and such costs will  
1024 be paid in accordance with Article 25 of this Contract.

1025 FEDERAL LAWS

1026 36. By entering into this Contract, the Contractor does not waive its rights to contest  
1027 the validity or application in connection with the performance of the terms and conditions of this  
1028 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with  
1029 the terms and conditions of this Contract unless and until relief from application of such Federal  
1030 law or regulation to the implementing provision of the Contract is granted by a court of  
1031 competent jurisdiction.

1032 NOTICES

1033 37. Any notice, demand, or request authorized or required by this Contract shall be  
1034 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or  
1035 delivered to the Area Manager, Bureau of Reclamation, Northern California Area Office, 16349  
1036 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United States, when  
1037 mailed, postage prepaid, or delivered to the City Mayor of the City of Shasta Lake, PO Box 777,  
1038 1650 Stanton Drive, Shasta Lake, California 96019. The designation of the addressee or the  
1039 address may be changed by notice given in the same manner as provided in this Article for other  
1040 notices.

1041 CONFIRMATION OF CONTRACT

1042 38. The Contractor, after the execution of this Contract, shall furnish to the  
1043 Contracting Officer evidence that pursuant to the laws of the State of California, the Contractor  
1044 is a legally constituted entity and the Contract is lawful, valid, and binding on the Contractor.  
1045 This Contract shall not be binding on the United States until such evidence has been provided to  
1046 the Contracting Officer's satisfaction.



EXHIBIT A

[Map or Description of Contractor's Service Area]

EXHIBIT B

2004 Water Rates and Charges  
City of Shasta Lake - Toyon Pipeline

	<u>M&amp;I</u>
<u>COST OF SERVICE RATES:</u>	
Capital Rate	\$ 6.79
O&M Rates:	
Water Marketing	5.01
Storage	6.38
Direct Pumping	5.78
Deficit Rate:	0.00
CFO/PRF Adjustment Rate 1/	<u>0.00</u>
TOTAL	<u>\$23.97</u>
 <u>FULL COST RATE</u>	 <u>\$28.03</u>
 <u>CHARGES UNDER P.L. 102-575 TO THE</u> <u>RESTORATION FUND 2/</u>	
Restoration Charges (3407(d)(2)(A))	<u>\$15.64</u>

1/ Chief Financial Officer (CFO) adjustment and Provision for Replacement (PFR) expense is being distributed over a 5-year period beginning in FY 2003 for those contractors that requested those costs be deferred.

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