

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

CONTRACT BETWEEN THE UNITED STATES AND
ANDERSON-COTTONWOOD IRRIGATION DISTRICT,
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER

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10 SETTLING WATER RIGHTS DISPUTES AND
11 PROVIDING FOR PROJECT WATER

12 THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into
13 by THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made
14 this 1st day of July, 2005, pursuant to the applicable authority granted
15 to it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary
16 thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
17 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, including, but not
18 limited to, Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68),
19 October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended, and Title
20 XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter referred to
21 as Federal Reclamation law, and ANDERSON-COTTONWOOD IRRIGATION DISTRICT,
22 hereinafter referred to as the Contractor, a public agency of the State of California, duly
23 organized, existing, and acting pursuant to the laws thereof, with its principal place of business in
24 California;

25 WITNESSETH, that:

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EXPLANATORY RECITALS

[1st] WHEREAS, the United States has constructed and is operating the Central Valley Project, California, for multiple purposes pursuant to its statutory authority; and

[2nd] WHEREAS, the Contractor has rights to divert, is diverting, and will continue to divert for reasonable beneficial use, water from the natural flow of the Sacramento River and tributaries thereto, that would have been flowing therein if the Central Valley Project were not in existence;

[3rd] WHEREAS, the construction and operation of the integrated and coordinated Central Valley Project has changed and will further change the regimen of the Sacramento, American, San Joaquin, and Trinity Rivers and the Sacramento-San Joaquin Delta from unregulated flow to regulated flow; and

[4th] WHEREAS, the United States has rights to divert, is diverting, and will continue to divert waters from said Rivers and said Delta in connection with the operation of said Central Valley Project; and

[5th] WHEREAS, the Contractor and the United States had a dispute over the respective rights of the parties to divert and use water from the regulated flow of the Sacramento River which threatened to result in litigation, and as a means to settle that dispute entered into Contract No. 14-06-200-3346A, hereinafter referred to as the Existing Contract, which established terms for the delivery to the Contractor of Central Valley Project Water, and the quantities of Base Supply the United States and the Contractor agreed may be diverted by the Contractor from the Sacramento River pursuant to such contract; and

[6th] WHEREAS, the United States and the Contractor disagree with respect to the authority of the United States to change the quantities of Base Supply and/or Project Water

49 specified as available for diversion in this Settlement Contract from the quantities specified in
50 the Existing Contract, and other issues related thereto. That dispute was the subject of litigation
51 in a lawsuit entitled *Glenn-Colusa Irrigation District, et al. v. United States, et al.* [Civ. No. S-
52 01-1816 GEB/JFM (E.D. Cal.)], but that litigation was dismissed, without prejudice, pursuant to
53 a stipulation of dismissal filed by the parties thereto on August 29, 2002. Notwithstanding that
54 dismissal, the Contractor and the United States enter into this Settlement Contract to renew the
55 Existing Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and
56 the laws of the State of California; and

57 [7th] WHEREAS, to assure the Contractor of the enjoyment and use of the regulated
58 flow of the said Rivers and the Delta, and to provide for the economical operation of the Central
59 Valley Project by, and the reimbursement to, the United States for expenditures made for said
60 Project.

61 NOW, THEREFORE, in consideration of the performance of the herein contained
62 provisions, conditions, and covenants, it is agreed as follows:

63 DEFINITIONS

64 1. When used herein, unless otherwise expressed or incompatible with the intent
65 hereof, the term:

66 (a) "Base Supply" shall mean the quantity of Surface Water established in
67 Articles 3 and 5 which may be diverted by the Contractor from the Sacramento River each month
68 during the period April through October of each Year without payment to the United States for
69 such quantities diverted;

70 (b) "Basin-Wide Water Management Plan" shall mean the mutually agreeable
71 Sacramento River Basinwide Water Management Plan, dated October 11, 2004, developed by

72 Glenn-Colusa Irrigation District, Maxwell Irrigation District, Natomas Central Mutual Water
73 Company, Pelger Mutual Water Company, Princeton-Codora-Glenn Irrigation District, Provident
74 Irrigation District, Reclamation District 108, Sutter Mutual Water Company, Anderson-
75 Cottonwood Irrigation District, Meridian Farms Water Company, Reclamation District 1004, and
76 the U.S. Bureau of Reclamation;

77 (c) "Charges" shall mean the payments for Project Water that the Contractor
78 is required to pay to the United States in addition to the "Rates" specified in this Settlement
79 Contract. The Contracting Officer will, on an annual basis, determine the extent of these
80 Charges. The type and amount of each Charge shall be specified in Exhibit D;

81 (d) "Contract Total" shall mean the sum of the Base Supply and Project Water
82 available for diversion by the Contractor for the period April 1 through October 31;

83 (e) "Critical Year" shall mean any Year in which either of the following
84 eventualities exists:

85 (1) The forecasted full natural inflow to Shasta Lake for the current
86 Water Year, as such forecast is made by the United States on or before February 15 and reviewed
87 as frequently thereafter as conditions and information warrant, is equal to or less than 3.2 million
88 acre-feet; or

89 (2) The total accumulated actual deficiencies below 4 million acre-feet
90 in the immediately prior Water Year or series of successive prior Water Years each of which had
91 inflows of less than 4 million acre-feet, together with the forecasted deficiency for the current
92 Water Year, exceed 800,000 acre-feet.

93 For the purpose of determining a Critical Year, the computation of inflow to
94 Shasta Lake shall be performed in a manner that considers the extent of upstream development

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

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

106 (g) "Eligible Lands" shall mean all lands to which Project Water may be
107 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982
108 (96 Stat. 1263), as amended, hereinafter referred to as RRA;

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

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

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

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

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

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

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

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

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

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

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

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TERM OF SETTLEMENT CONTRACT

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2. (a) This Settlement Contract shall become effective April 1, 2005, and shall

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remain in effect until and including March 31, 2045; Provided, that under terms and conditions

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mutually agreeable to the parties hereto, renewals may be made for successive periods not to

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exceed 40 years each. The terms and conditions of each renewal shall be agreed upon not later

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than one year prior to the expiration of the then existing Settlement Contract.

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(b) With respect to Project Water and the portions of this Settlement Contract

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pertaining thereto, upon written request by the Contractor of the Secretary made not later than

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one year prior to the expiration of this Settlement Contract, whenever, account being taken of the

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amount then credited to the costs of construction of water supply works, the remaining amount of

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construction costs of water supply work which is properly assignable for ultimate return by the

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Contractor as established by the Secretary of the Interior pursuant to (3) of Section 1 of Public

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Law 643 (70 Stat. 483), probably can be repaid to the United States within the term of a contract

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under subsection 9(d) of the 1939 Reclamation Project Act (53 Stat. 1187), the relevant portions

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of this Settlement Contract may be converted to a contract under said subsection 9(d) upon terms

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and conditions mutually agreeable to the United States and the Contractor. The Secretary shall

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make a determination ten years after the date of execution of this Settlement Contract, and every

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five years thereafter, of whether a conversion to a contract under said subsection 9(d) can be

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accomplished pursuant to Public Law 643. Notwithstanding any provision of this Settlement

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Contract, the Contractor reserves and shall have all rights and benefits under Public Law 643.

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WATER TO BE FURNISHED TO CONTRACTOR

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3. (a) Subject to the conditions, limitations, and provisions

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hereinafter expressed, the Contractor is hereby entitled and authorized to divert from the

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

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

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

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

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

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

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

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

201 (d) In the event conditions warrant, the Contracting Officer reserves the right
202 to require the Contractor to submit, at least 72 hours prior to the beginning of each weekly
203 period, its estimate of daily diversion requirements for each such period from the Sacramento
204 River; Provided, however, that changes during any such period may be made upon the giving of
205 72 hours' notice thereof to the Contracting Officer; Provided, further, that the Contractor shall
206 notify the United States as far in advance as is reasonably possible each time it intends to install
207 or remove boards from its diversion dam. The United States shall notify the Contractor as far in

208 advance as is reasonably possible each time it intends to change the release of water from
209 Keswick Reservoir into the Sacramento River. In addition, during the irrigation season, the
210 Contractor may from time to time notify the United States of the maximum flow the Contractor
211 believes its diversion dam with the then setting of boards can safely accommodate without
212 damage thereto or to the walkway, and the Contracting Officer shall notify the Contractor as far
213 in advance as possible but not less than 24 hours of any change in releases to be made at
214 Keswick Reservoir that would exceed such maximum flow designated by the Contractor. The
215 United States shall assist the Contractor in connection with the installation or removal of boards
216 from the diversion dam by the Contractor as follows:

217 (1) Adjust Keswick releases to the extent reasonably needed to
218 facilitate installation or removal of boards, the adjustments to be made at times that will
219 accomplish that purpose but not unduly interfere with other obligations of the United States; and

220 (2) Furnish manpower to assist the Contractor in placing or removing
221 boards when an emergency condition exists as a result of the operations of the United States.

222 (e) No sale, transfer, exchange, or other disposal of any of the Contract Total
223 designated in Exhibit A or the right to the use thereof for use on land other than that shown on
224 Exhibit B shall be made by the Contractor without first obtaining the written consent of the
225 Contracting Officer. Such consent will not be unreasonably withheld and a decision will be
226 rendered in a timely manner. For short-term actions that will occur within one year or less, the
227 decision will be rendered within 30 days after receipt of a complete written proposal. For long-
228 term actions that will occur in a period longer than one year, the decision will be rendered within
229 90 days after receipt of a complete written proposal. For a proposal to be deemed complete by
230 the Contracting Officer, it must comply with all provisions required by State and Federal law,

231 including information sufficient to enable the Contracting Officer to comply with the National
232 Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then
233 in effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate
234 or effectuate the sale, transfer, exchange, or other disposal of Base Supply. Such use of Federal
235 facilities will be the subject of a separate agreement to be entered into between the Contractor
236 and Reclamation.

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

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

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

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

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

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

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

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

262 RETURN FLOW

263 4. Nothing herein shall be construed as an abandonment or a relinquishment by the
264 United States of any right it may have to the use of waste, seepage, and return flow water derived
265 from water diverted by the Contractor hereunder and which escapes or is discharged beyond the
266 boundaries of the lands shown on Exhibit B; Provided, that this shall not be construed as
267 claiming for the United States any right to such water which is recovered by the Contractor
268 pursuant to California law from within the boundaries of the lands shown on Exhibit B, and
269 which is being used pursuant to this Settlement Contract for surface irrigation or underground
270 storage for the benefit of the lands shown on Exhibit B by the Contractor.

271 CONSTRAINTS ON THE AVAILABILITY OF WATER

272 5. (a) In a Critical Year, the Contractor's Base Supply and Project Water agreed
273 to be diverted during the period April through October of the Year in which the principal portion
274 of the Critical Year occurs and, each monthly quantity of said period shall be reduced by
275 25 percent; Provided, that, if a Critical Year occurs at any time during the first four Years of this
276 Settlement Contract, the reduction in each monthly quantity shall be as follows:

277 Year One = 5 percent;
278 Year Two = 10 percent;
279 Year Three = 15 percent;
280 Year Four = 20 percent.

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

285 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

286 6. The Contractor and United States desire to work together to maximize the
287 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States
288 and the Contractor will work in partnership and with others within the Sacramento Valley,
289 including other contractors, to facilitate the better integration within the Sacramento Valley of all
290 water supplies including, but not limited to, the better management and integration of surface
291 water and groundwater, the development and better utilization of surface water storage, the
292 effective utilization of waste, seepage and return flow water, and other operational and
293 management options that may be identified in the future.

294 USE OF WATER FURNISHED TO CONTRACTOR

295 7. (a) The parties anticipate that, during the term of this Settlement Contract, a
296 gradual change in the purpose of use of water will occur within the place of water use shown in
297 Exhibit B from predominantly agricultural purposes to a mixture of municipal and industrial,
298 wildlife habitat and agricultural purposes, and the parties agree to work cooperatively to
299 accommodate and facilitate such change. Project Water furnished to the Contractor pursuant to

300 this Settlement Contract may be delivered or furnished by the Contractor for agricultural or
301 municipal and industrial purposes; Provided, however, that the Contractor shall not deliver or
302 furnish Project Water for municipal and industrial purposes without the written consent of the
303 Contracting Officer. Such consent will not be unreasonably withheld and a decision will be
304 provided in a timely manner following completion of any environmental review required under
305 applicable law. For purposes of this Settlement Contract, "agricultural purposes" includes, but is
306 not restricted to, the irrigation of crops, the watering of livestock, incidental domestic use
307 including related landscape irrigation, and underground water replenishment; and "municipal and
308 industrial purposes" includes, but is not limited to, the watering of landscaping or pasture for
309 animals (e.g., horses) which are kept for personal enjoyment or water delivered to landholdings
310 operated in units of less than five acres unless the Contractor establishes to the satisfaction of the
311 Contracting Officer that the use of Project Water is for agricultural purposes.

312 (b) The Contractor shall comply with requirements applicable to the
313 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
314 of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of
315 1973, as amended, that are within the Contractor's legal authority to implement. The Existing
316 Contract, which evidences in excess of 40 years of diversions, for agricultural uses, of the
317 quantities of water provided for in Article 3, and the underlying water rights of the Contractor
318 will be considered in developing an appropriate base-line for the Biological Assessment prepared
319 pursuant to the Endangered Species Act, and in any other needed environmental review.

320 Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial
321 relief in a court of competent jurisdiction with respect to any biological opinion or other
322 environmental documentation referred to in this Article.

323 RATE AND METHOD OF PAYMENT FOR WATER

324 8. (a) The Contractor shall make payments to the United States as provided in
325 this Article for all Project Water shown in Exhibit A as follows:

326 (1) 75 percent of the amount shown as Project Water shall be paid for
327 by the Contractor in each Year; and in addition

328 (2) the Contractor shall pay for Project Water actually diverted in
329 excess of 75 percent of the amount shown as Project Water.

330 Such payments shall be at Rates and Charges established in accordance with: (i) the
331 Secretary's then-current ratesetting policies for the Project; and (ii) applicable Reclamation law
332 and associated rules and regulations, or policies; Provided, that if the Contractor desires to use
333 Project Water for other than agricultural purposes the Rates and Charges set forth above will be
334 adjusted by the Contracting Officer to the applicable Rates and Charges for such purposes;
335 Provided, further, that to enable the Contracting Officer to compute the applicable Rates and
336 Charges for Project Water diverted by the Contractor for other than agricultural use, including,
337 but not limited to diversions for municipal and industrial uses and diversions for direct
338 application to wildlife habitat (not including re-use of tailwater for habitat purposes), prior to
339 initiating any such diversions, the Contractor shall provide the Contracting Officer with an
340 estimate of the annual quantities of Project Water to be diverted or furnished for such purposes
341 through the end of the CVP repayment period as identified in the then-current ratesetting
342 policies. The Rates and Charges applicable to the Contractor upon execution of this Settlement
343 Contract are set forth in Exhibit D, as may be revised annually. The Secretary's ratesetting
344 policies for the Project shall be amended, modified, or superseded only through a public notice
345 and comment procedure. The Contracting Officer shall adjust the amount of Project Water for

346 which payment is required to the extent of any reduction in diversions of Project Water made in
347 accordance with the water conservation provisions of Article 29(e).

348 (b) The Contracting Officer shall notify the Contractor of the Rates and
349 Charges as follows:

350 (1) Prior to July 1 of each Year, the Contracting Officer shall provide
351 the Contractor an estimate of the Charges for Project Water that will be applied to the period
352 October 1, of the current Year, through September 30, of the following Year, and the basis for
353 such estimate. The Contractor shall be allowed not less than two months to review and comment
354 on such estimates. On or before September 15 of each Year, the Contracting Officer shall notify
355 the Contractor in writing of the Charges to be in effect during the period October 1 of the current
356 Year, through September 30, of the following Year, and such notification shall revise Exhibit D.

357 (2) Prior to October 1 of each Year, the Contracting Officer shall make
358 available to the Contractor an estimate of the Rates for Project Water for the following Year and
359 the computations and cost allocations upon which those Rates are based. The Contractor shall be
360 allowed not less than two months to review and comment on such computations and cost
361 allocations. By December 31 of each Year, the Contracting Officer shall provide the Contractor
362 with the final Rates to be in effect for the upcoming Year, and such notification shall revise
363 Exhibit D.

364 (c) The Contractor shall pay the United States for Project Water in the
365 following manner:

366 (1) With respect to Rates, prior to May 1 of each Year, the Contractor
367 shall pay the United States one-half the total amount payable pursuant to subdivision (a) of this
368 Article and the remainder shall be paid prior to July 1 or such later date or dates as may be

369 specified by the United States in a written notice to the Contractor; Provided, however, that if at
370 any time during the Year the amount of Project Water diverted by the Contractor shall equal the
371 amount for which payment has been made, the Contractor shall pay for the remaining amount of
372 such water as shown in Exhibit A in advance of any further diversion of Project Water.

373 (2) With respect to Charges, the Contractor shall also make a payment
374 to the United States, in addition to the Rate(s) in subdivision (c)(1) of this Article, at the Charges
375 then in effect, before the end of the month following the month of delivery or transfer. The
376 payments shall be consistent with the quantities of Project Water delivered or transferred.
377 Adjustment for overpayment or underpayment of Charges shall be made through the adjustment
378 of payments due to the United States for Charges for the next month. Any amount to be paid for
379 past due payment of Charges shall be computed pursuant to Article 13 of this Settlement
380 Contract.

381 (d) Payments to be made by the Contractor to the United States under this
382 Settlement Contract may be paid from any revenues available to the Contractor. All revenues
383 received by the United States from the Contractor relating to the delivery of Project Water or the
384 delivery of non-Project water through Project facilities shall be allocated and applied in
385 accordance with Federal Reclamation law and the associated rules or regulations, and the then
386 current Project ratesetting policies for Irrigation Water.

387 (e) The Contracting Officer shall keep its accounts pertaining to the
388 administration of the financial terms and conditions of its long-term water service and Settlement
389 Contracts, in accordance with applicable Federal standards, so as to reflect the application of
390 Project costs and revenues. The Contracting Officer shall, each Year upon request of the
391 Contractor, provide to the Contractor a detailed accounting of all Project and Contractor expense

392 allocations, the disposition of all Project and Contractor revenues, and a summary of all water
393 delivery information. The Contracting Officer and the Contractor shall enter into good faith
394 negotiations to resolve any discrepancies or disputes relating to accountings, reports, or
395 information.

396 (f) The parties acknowledge and agree that the efficient administration of this
397 Settlement Contract is their mutual goal. Recognizing that experience has demonstrated that
398 mechanisms, policies, and procedures used for establishing Rates and Charges and/or for making
399 and allocating payments, other than those set forth in this Article may be in the mutual best
400 interest of the parties, it is expressly agreed that the parties may enter into agreements to modify
401 the mechanisms, policies, and procedures for any of those purposes while this Settlement
402 Contract is in effect without amendment of this Settlement Contract.

403 (g) For the term of this Settlement Contract, Rates under the respective
404 ratesetting policies for the Project will be established to recover only reimbursable operation and
405 maintenance (including any deficits) and capital costs of the Project, as those terms are used in
406 the then current Project ratesetting policies, and interest, where appropriate, except in instances
407 where a minimum Rate is applicable in accordance with the relevant Project ratesetting policy.
408 Proposed changes of significance in practices which implement the ratesetting policies for the
409 Project will not be implemented until the Contracting Officer has provided the Contractor an
410 opportunity to discuss the nature, need, and impact of the proposed change. The Contractor
411 retains all rights to challenge the validity of Rates and Charges imposed pursuant to this
412 Settlement Contract, including but not limited to operation and maintenance expenses and
413 operation and maintenance deficits, in an appropriate administrative or judicial proceeding.

414 (h) Except as provided in subsection 3405(a)(1)(B) of the CVPIA, the Rates
415 for Project Water transferred, exchanged, or otherwise disposed of, by the Contractor shall be the
416 Contractor's Rates adjusted upward or downward to reflect the changed costs of delivery (if any)
417 of the transferred, exchanged, or otherwise disposed of Project Water to the transferee's point of
418 delivery in accordance with the then-current ratesetting policies for the Project. Except as
419 provided in subsection 3407(d)(2)(A) of the CVPIA, the Charges for Project Water transferred,
420 exchanged, or otherwise disposed of, by the Contractor shall be the Contractor's Charges
421 specified in Exhibit D. If the Contractor is receiving lower Rates and Charges because of
422 inability to pay and is transferring, exchanging, or otherwise disposing of Project Water to
423 another entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and
424 Charges for transferred, exchanged, or otherwise disposed of Project Water shall be the
425 Contractor's Rates and Charges unadjusted for ability to pay.

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

428 (j) Each payment to be made pursuant to subdivisions (a) and (c) of this
429 Article shall be made at the office of the Bureau of Reclamation, MP Region: Mid-Pacific,
430 P.O. Box 894242, Los Angeles, CA 90189-4242, or at such other place as the United States may
431 designate in a written notice to the said Contractor. Payments shall be made by cash transaction,
432 wire, or any other mechanism as may be agreed to in writing by the Contractor and the
433 Contracting Officer. In the event there should be a default in the payment of the amount due, the
434 delinquent payment provisions of Article 13 shall apply. The Contractor shall not be relieved of
435 the whole or any part of its said obligation by, on account of, or notwithstanding, as the case may
436 be:

- 437 (1) Its failure, refusal, or neglect to divert 75 percent of the quantity of
438 Project Water shown on Exhibit A;
- 439 (2) The default in payment to it by any water user of assessments,
440 tolls, or other charges levied by or owing to said Contractor;
- 441 (3) Any judicial determination that any assessment, toll, or other
442 charge referred to in subsection 8(c)(2) of this Settlement Contract is irregular, void, or
443 ineffectual; or
- 444 (4) Any injunctive process enjoining or restraining the Contractor
445 from making or collecting any such assessment, toll, or other charge referred to in subsection
446 8(c)(2) of this Settlement Contract.

447 AGREEMENT ON WATER QUANTITIES

- 448 .9. (a) During the term of this Settlement Contract and any renewals thereof:
- 449 (1) It shall constitute full agreement as between the United States and
450 the Contractor as to the quantities of water and the allocation thereof between Base Supply and
451 Project Water which may be diverted by the Contractor from the Sacramento River for beneficial
452 use on the land shown on Exhibit B from April 1 through October 31, which said diversion, use,
453 and allocation shall not be disturbed so long as the Contractor shall fulfill all of its obligations
454 hereunder;
- 455 (2) Neither party shall claim any right against the other in conflict with
456 the provisions of Article 9(a)(1) hereof.
- 457 (b) Nothing herein contained is intended to or does limit rights of the
458 Contractor against others than the United States or of the United States against any person other
459 than the Contractor; Provided, however, that in the event the Contractor, the United States, or

460 any other person shall become a party to a general adjudication of rights to the use of water of
461 the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position
462 of either party hereto or of any other person and the rights of all such persons in respect to the
463 use of such water shall be determined in such proceedings the same as if this Settlement Contract
464 had not been entered into, and if final judgment in any such general adjudication shall determine
465 that the rights of the parties hereto are different from the rights as assumed herein, the parties
466 shall negotiate an amendment to give effect to such judgment. In the event the parties are unable
467 to agree on an appropriate amendment they shall, within 60 days of determining that there is an
468 impasse, employ the services of a neutral mediator, experienced in resolving water rights
469 disputes, to assist in resolving the impasse. The cost of the mediation will be shared equally. A
470 failure to reach agreement on an amendment within 60 days of the end of mediation will cause
471 the immediate termination of this Settlement Contract.

472 (c) In the event that the California State Water Resources Control Board or a
473 court of competent jurisdiction issues a final decision or order modifying the terms and
474 conditions of the water rights of either party to this Settlement Contract in order to impose Bay-
475 Delta water quality obligations, the Contractor and the United States shall promptly meet to
476 determine whether or not to modify any of the terms of this Settlement Contract to comply with
477 the final decision or order, including, but not limited to, the applicability of the rescheduling
478 charge in Article 3(c)(1) of this Settlement Contract. If within 60 days of the date of the issuance
479 of the final decision or order the parties are not able to reach agreement regarding either the need
480 to modify this Settlement Contract or the manner in which this Settlement Contract is to be
481 modified, the parties shall promptly retain a neutral mediator, experienced in resolving water
482 right disputes, to assist the parties in resolving their dispute. The cost of the mediator shall be

483 shared equally. In the event that either of the parties to this Settlement Contract determines that
484 the parties will not be able to develop mutually-agreeable modification(s) to this Settlement
485 Contract even with the assistance of a mediator, either of the parties to this Settlement Contract
486 may attempt to resolve the impasse by seeking appropriate judicial relief including, but not
487 limited to, filing a general adjudication of the rights to the use of water in the Sacramento River
488 system. The foregoing provisions of this sub-article shall only apply to the incremental
489 obligations contained within a final decision or order of the State Water Resources Control
490 Board that reflects a modification to the obligations imposed in State Water Resources Control
491 Board Revised Water Rights Decision 1641 dated March 15, 2000, and its associated 1995 Water
492 Quality Control Plan which, taken together, will be considered the baseline for the application of
493 the provisions of this sub-article.

494 (d) In the event this Settlement Contract terminates, the rights of the parties to
495 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;
496 and the fact that as a compromise settlement of a controversy as to the respective rights of the
497 parties to divert and use water and the yield of such rights during the term hereof, this Settlement
498 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the
499 Settlement Contract term and segregates it into Base Supply and Project Water shall not
500 jeopardize the rights or position of either party with respect to its water rights or the yield thereof
501 at all times after the Settlement Contract terminates. It is further agreed that the Contractor at all
502 times will first use water to the use of which it is entitled by virtue of its own water rights, and
503 neither the provisions of this Settlement Contract, action taken thereunder, nor payments made
504 thereunder to the United States by the Contractor shall be construed as an admission that any part
505 of the water used by the Contractor during the term of this Settlement Contract was in fact water

506 to which it would not have been entitled under water rights owned by it nor shall receipt of
507 payments thereunder by the United States from the Contractor be construed as an admission that
508 any part of the water used by the Contractor during the term of this Settlement Contract was in
509 fact water to which it would have been entitled under water rights owned by it.

510 MEASUREMENT OF WATER

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

514 (b) All water diverted from the Sacramento River pursuant to this Settlement
515 Contract will be measured or caused to be measured by the United States at each point of
516 diversion with existing equipment or equipment to be installed, operated, and maintained by the
517 United States, and/or others, under contract with and at the option of the United States. The
518 equipment and methods used to make such measurement shall be in accordance with sound
519 engineering practices. Upon request of the Contractor, the accuracy of such measurements will
520 be investigated by the Contracting Officer and any errors appearing therein will be corrected.

521 (c) The right of ingress to and egress from all points of diversion is hereby
522 granted to all authorized employees of the United States. The Contractor also hereby grants to
523 the United States the right to install, operate, maintain, and replace such equipment on diversion
524 or carriage facilities at each point of diversion as the Contracting Officer deems necessary.

525 (d) The Contractor shall not modify, alter, remove, or replace diversion
526 facilities or do any other act which would alter the effectiveness or accuracy of the measuring
527 equipment installed by the United States or its representatives unless and until the Contracting
528 Officer has been notified with due diligence and has been given an opportunity to modify such

529 measuring equipment in such manner as may be necessary or appropriate. In the event of an
530 emergency the Contractor shall notify the United States within a reasonable time thereafter as to
531 the existence of the emergency and the nature and extent of such modification, alteration,
532 removal, or replacement of diversion facilities.

533 (e) The Contractor shall pay the United States for the costs to repair, relocate,
534 or replace measurement equipment when the Contractor modifies, alters, removes, or replaces
535 diversion or carriage facilities.

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

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

543 RULES AND REGULATIONS

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

549 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

563 CHARGES FOR DELINQUENT PAYMENTS

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

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

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

581 QUALITY OF WATER

582 14. The operation and maintenance of Project facilities shall be performed in such
583 manner as is practicable to maintain the quality of raw water made available through such
584 facilities at the highest level reasonably attainable as determined by the Contracting Officer. The
585 United States does not warrant the quality of water and is under no obligation to construct or
586 furnish water treatment facilities to maintain or better the quality of water.

587

WATER AND AIR POLLUTION CONTROL

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

592

EQUAL OPPORTUNITY

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

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

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

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

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

618 (e) The Contractor will furnish all information and reports required by said
619 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or
620 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting

621 Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with
622 such rules, regulations, and orders.

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

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

639 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

640 17. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
641 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
642 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
643 laws, as well as with their respective implementing regulations and guidelines imposed by the
644 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

660 MINGLING OF CONTRACTOR'S PROJECT AND NON-PROJECT WATER

661 18. (a) Project Water must of necessity be transported by the Contractor to its
662 water users by means of the same works and channels used for the transport of its non-Project
663 Water including Base Supply. Notwithstanding such mingling of water, the provisions of Article
664 11 hereof shall be applicable only to Project Water, and such mingling of water shall not in any
665 manner subject to the provisions of Article 11 hereof the Contractor's non-Project water
666 including Base Supply.

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

674 (c) The Contractor will not be considered in violation of the requirement that
675 Project Water be delivered only to Eligible Lands during any month of the irrigation season that
676 the water requirement for beneficial use on Eligible Lands for that month is equal to or in excess
677 of the Project Water for that month as shown on Exhibit A or any revision thereof pursuant to
678 subdivision (c) of Article 3. The water requirement for beneficial use on Eligible Lands will be
679 determined by multiplying:

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

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

693 BOOKS, RECORDS, AND REPORTS

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

703 CHANGE OF PLACE OF USE OR ORGANIZATION

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

706 (b) While this Settlement Contract is in effect, no change shall be made in the
707 area of the Contractor as shown on its Exhibit B, by inclusion, exclusion, annexation, or
708 detachment of lands, by dissolution, consolidation, or merger or otherwise, except upon the

709 Contracting Officer's written consent thereto. Such consent will not be unreasonably withheld
710 and a decision will be provided in a timely manner.

711 (c) In the event lands are annexed to or detached from the area of the
712 Contractor, as provided herein, the quantity of Project Water to be diverted may be increased or
713 decreased, as may be appropriate, pursuant to a supplemental agreement to be executed in
714 respect thereto.

715 CONSOLIDATION OF CONTRACTING ENTITIES

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

720 No such consolidation shall be valid unless and until approved by the Contracting
721 Officer.

722 NOTICES

723 22. Any notice, demand, or request authorized or required by this Settlement Contract
724 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,
725 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,
726 16349 Shasta Dam Boulevard., Shasta Lake, California 96019, and on behalf of the United
727 States, when mailed, postage prepaid, or delivered to the Board of Directors, Anderson-
728 Cottonwood Irrigation District, 2810 Silver Street, Anderson, California 96007. The
729 designation of the addressee or the address may be changed by notice given in the same manner
730 as provided in this Article for other notices.

731 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

741 OFFICIALS NOT TO BENEFIT

742
743 24. (a) No Member of or Delegate to Congress, Resident Commissioner, or
744 official of the Contractor shall benefit from this Settlement Contract other than as a water user or
745 landowner in the same manner as other water users or landowners.

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

750 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

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

756 CONFIRMATION OF SETTLEMENT CONTRACT

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

764 UNAVOIDABLE GROUNDWATER PERCOLATION

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

769

PRIVACY ACT COMPLIANCE

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

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

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

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

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

795

WATER CONSERVATION

796 29. (a) Prior to the diversion of Project Water, the Contractor shall be
 797 implementing an effective water conservation and efficiency program based on the Basin-Wide
 798 Water Management Plan and/or Contractor's water conservation plan that has been determined
 799 by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water
 800 conservation plans established under Federal law. The water conservation and efficiency
 801 program shall contain definite water conservation objectives, appropriate economically feasible

802 water conservation measures, and time schedules for meeting those objectives. Continued
803 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the
804 Contractor's continued implementation of such water conservation program. In the event the
805 Contractor's water conservation plan or any revised water conservation plan completed pursuant
806 to subdivision (c) of Article 29 of this Settlement Contract have not yet been determined by the
807 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer
808 determines are beyond the control of the Contractor, Project Water deliveries shall be made
809 under this Settlement Contract so long as the Contractor diligently works with the Contracting
810 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
811 immediately begins implementing its water conservation and efficiency program in accordance
812 with the time schedules therein.

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

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

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

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

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

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

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

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

847

OPINIONS AND DETERMINATIONS

848 30. (a) Where the terms of this Settlement Contract provide for actions to be
849 based upon the opinion or determination of either party to this Settlement Contract, said terms
850 shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or
851 unreasonable opinions or determinations. Both parties, notwithstanding any other provisions of
852 this Settlement Contract, expressly reserve the right to seek relief from and appropriate
853 adjustment for any such arbitrary, capricious, or unreasonable opinion or determination. Each
854 opinion or determination by either party shall be provided in a timely manner. Nothing in
855 subdivision (a) of Article 30 of this Settlement Contract is intended to or shall affect or alter the
856 standard of judicial review applicable under Federal law to any opinion or determination
857 implementing a specific provision of Federal law embodied in statute or regulation.

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

863 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

864 31. (a) In addition to all other payments to be made by the Contractor pursuant to
865 this Settlement Contract, the Contractor shall pay to the United States, within 60 days after
866 receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for
867 such specific items of direct cost incurred by the United States for work requested by the
868 Contractor associated with this Settlement Contract plus indirect costs in accordance with
869 applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this

870 Article shall not exceed the amount agreed to in writing in advance by the Contractor. This

871 Article shall not apply to costs for routine contract administration.

872 (b) All advances for miscellaneous costs incurred for work requested by the

873 Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the

874 actual costs when the work has been completed. If the advances exceed the actual costs incurred,

875 the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's

876 advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this

877 Settlement Contract.

878 WAIVER OF DEFAULT

879 32. The waiver by either party to this Settlement Contract as to any default shall not

880 be construed as a waiver of any other default or as authority of the other party to continue such

881 default or to make, do, or perform, or not to make, do, or perform, as the case may be, any act or

882 thing which would constitute a default.

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

885 THE UNITED STATES OF AMERICA

886 APPROVED AS TO LEGAL
887 FORM AND SUFFICIENCY
888 *James E. Thomas*
OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

By: *John F. Davis*
Regional Director, Mid-Pacific Region
Bureau of Reclamation

889 (SEAL)

890 ANDERSON-COTTONWOOD IRRIGATION
891 DISTRICT

892 By: *Brenda L. Haynes*
893 President

894 ATTEST:

895 *Debra*
896 Secretary

897 (H:\public\Sac River Final LTRC's\2005-01-31 ACID Final Draft Contract with exhibits.doc)

Exhibit A

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
Sacramento River

SCHEDULE OF MONTHLY DIVERSIONS OF WATER



	<u>Base Supply</u> (acre-feet)	<u>Project Water</u> (acre-feet)	<u>Contract Total</u> (acre-feet)
April	<u>8,000</u>	<u>0</u>	<u>8,000</u>
May	<u>10,000</u>	<u>0</u>	<u>10,000</u>
June	<u>22,000</u>	<u>0</u>	<u>22,000</u>
July	<u>22,000</u>	<u>3,000</u>	<u>25,000</u>
August	<u>22,000</u>	<u>4,000</u>	<u>26,000</u>
September	<u>19,000</u>	<u>0</u>	<u>19,000</u>
October	<u>18,000</u>	<u>0</u>	<u>18,000</u>
Total	<u>121,000</u>	<u>7,000</u>	<u>128,000</u>

Points of Diversion: 240.5L, 246.0R

Dated: 01-31-2005



Anderson-Cottonwood I.D.
 Contract No. 14-06-200-3346A-R-1
 Exhibit B

-  Contractor's Service Area
-  District Boundary

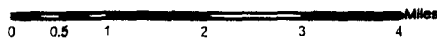


Exhibit C

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
Sacramento River

UNIT DUTY

(In Acre-Feet Per Acre)

	<u>Alfalfa and Irrigated Pasture</u>	<u>General Crops</u>
July	1.00	0.70
August	0.80	0.70

Dated: 01-31-2005

Exhibit D

ANDERSON-COTTONWOOD IRRIGATION DISTRICT
 Sacramento River
2005 Water Rates and Charges per Acre-Foot

<u>COST OF SERVICE RATES:</u>	<u>Irrigation</u>	<u>M&I</u>
Capital Rates		
Storage	\$ 4.55	\$ 9.70
O&M Rates:		
Water Marketing	\$ 6.61	\$ 3.89
Storage	\$ 5.93	\$ 6.67
Deficit Rates:		
Interest Bearing	\$ 0.00*	\$ 0.00
CFO/PFR Adjustment Rate 1/	\$ <u>1.13</u>	\$ <u>0.00</u>
TOTAL	<u>\$18.22</u>	<u>\$20.26</u>

*Assumes payment of O&M deficit prior to or upon effective date of contract

<u>RESCHEDULING FEE:</u>	<u>\$5.58</u>	<u>\$ 8.19</u>
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FULL-COST RATES:

Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	<u>\$26.70</u>	<u>N/A</u>
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Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	<u>\$29.10</u>	<u>N/A</u>
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CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 2/

Restoration Payments (3407(d)(2)(A))	<u>\$ 7.93</u>	<u>\$15.87</u>
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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).

BOARD OF DIRECTORS
ANDERSON-COTTONWOOD IRRIGATION DISTRICT
RESOLUTION NO. 2005-01

**RESOLUTION APPROVING LONG-TERM RENEWAL
OF CONTRACT BETWEEN THE UNITED STATES AND
ANDERSON-COTTONWOOD IRRIGATION DISTRICT,
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER**

AS A BASIS AND PREMISE for this Resolution, the Board of Directors of ANDERSON-COTTONWOOD IRRIGATION DISTRICT (District) finds and states as follows:

1. The District has, since June 07, 1967, held a water rights settlement contract with the United States Department of the Interior, Bureau of Reclamation ("Reclamation") bearing Contract No. 14-06-200-3346A (the "Original Contract").
2. The Original Contract would have expired on March 31, 2004.
3. In advance of that expiration, the District and Reclamation entered into negotiations for a long-term renewal of the Original Contract.
4. By Act of Congress, the Original Contract was extended for a period of two years, because the negotiations and related procedures had not been completed by March 31, 2004.
5. The negotiations and related procedures have now been completed, and Reclamation has presented to the District the agreed upon final form of renewal contract bearing Contract No. 14-06-200-3346A-R1 (the "Renewal Contract").
6. It would be in the best interests of the District to approve the Renewal Contract and to authorize the officials and staff of the District to carry out any actions necessary to implement the Renewal Contract.

NOW, THEREFORE, be it RESOLVED, ADJUDGED and ORDAINED that:

1. The Board of Directors of the Anderson-Cottonwood Irrigation District hereby approves the Renewal Contract between Reclamation and the District.

2. The President and Secretary of the Board of Directors or any other officials of the District are authorized and directed to execute the Renewal Contract on behalf of the District.

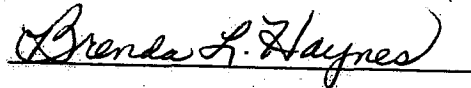
3. The officials and staff of the District are authorized and directed to take any other action necessary to implement the terms of the Renewal Contract.

PASSED AND ADOPTED on this the 10th day of February, 2005 at a regular meeting of the Board of Directors by the following vote:

AYES: Andrews, Jordan, Haynes, Leitaker, Sartori

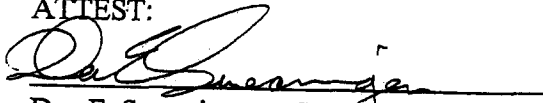
NOES: None

ABSENT: None



Brenda Haynes - President

ATTEST:


Dee E. Swearingen - Secretary

