

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

CONTRACT BETWEEN THE UNITED STATES AND  
ADONA CHESNEY, TRUSTEE OF THE R&A CHESNEY SURVIVOR'S TRUST AND  
ADONA CHESNEY, TRUSTEE OF THE R&A CHESNEY BYPASS TRUST,  
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,  
SETTLING WATER RIGHTS DISPUTES AND  
PROVIDING FOR PROJECT WATER

Table of Contents

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
	Preamble .....	1
	Explanatory Recitals .....	2-3
1	Definitions.....	3-6
2	Term of Settlement Contract.....	7
3	Water to be Furnished to Contractor.....	7-9
4	Return Flow .....	10
5	Constraints on the Availability of Water .....	10
6	Integrated Water Management and Partnerships .....	11
7	Use of Water Furnished to Contractor .....	11-12
8	Rate and Method of Payment for Water .....	12-16
9	Agreement on Water Quantities.....	16-19
10	Measurement of Water.....	19-20
11	Rules and Regulations.....	20
12	General Obligation--Benefits Conditioned Upon Payment.....	20
13	Charges for Delinquent Payments .....	20-21
14	Quality of Water .....	21
15	Water and Air Pollution Control.....	21
16	Equal Opportunity.....	21-22
17	Omitted .....	23
18	Omitted .....	23

Table of Contents - continued

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
19	Books, Records, and Reports .....	23
20	Change of Place of Use .....	23
21	Omitted .....	23
22	Notices .....	23
23	Assignment Limited--Successors and Assigns Obligated .....	23-24
24	Officials Not to Benefit.....	24
25	Contingent Upon Appropriation or Allotment of Funds .....	24
26	Confirmation of Settlement Contract.....	24
27	Omitted .....	24
28	Privacy Act Compliance .....	24-25
29	Water Conservation .....	25-26
30	Opinions and Determinations .....	26-27
31	Contractor to Pay Certain Miscellaneous Costs.....	27
32	Waiver of Default .....	28
33	Contract Assignment or Termination Upon Transfer of Land.....	28-29
34	Termination.....	29
	Signature Page .....	30
Exhibit A	Schedule of Monthly Diversions of Water	
Exhibit B	Map of Contractor's Ownership	
Exhibit C	Omitted	
Exhibit D	Water Rates and Charges	

1  
2  
3 UNITED STATES  
4 DEPARTMENT OF THE INTERIOR  
5 BUREAU OF RECLAMATION  
6 Central Valley Project, California

7 CONTRACT BETWEEN THE UNITED STATES AND  
8 ADONA CHESNEY, TRUSTEE OF THE R&A CHESNEY SURVIVOR'S TRUST AND  
9 ADONA CHESNEY, TRUSTEE OF THE R&A CHESNEY BYPASS TRUST,  
10 DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,  
11 SETTLING WATER RIGHTS DISPUTES AND  
12 PROVIDING FOR PROJECT WATER

13 THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into  
14 by THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made  
15 this 15<sup>th</sup> day of March, 2005, pursuant to the applicable authority  
16 granted to it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or  
17 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),  
18 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,  
19 including but not limited to Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21, 1963  
20 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended,  
21 and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter  
22 referred to as Federal Reclamation law, and ADONA CHESNEY, TRUSTEE OF THE R&A  
23 CHESNEY SURVIVOR'S TRUST AND ADONA CHESNEY, TRUSTEE OF THE R&A  
24 CHESNEY BYPASS TRUST, hereinafter referred to as the Contractor, acting pursuant to  
25 Sections 12003 and 12004 of the California Water Code, with its principal place of business in  
26 California;

27 WITNESSETH, that:

EXPLANATORY RECITALS

28  
29 [1<sup>st</sup>] WHEREAS, the United States has constructed and is operating the Central Valley  
30 Project, California, for multiple purposes pursuant to its statutory authority; and

31 [2<sup>nd</sup>] WHEREAS, the Contractor has rights to divert, is diverting, and will continue to  
32 divert for reasonable beneficial use, water from the natural flow of the Sacramento River and  
33 tributaries thereto, that would have been flowing therein if the Central Valley Project were not in  
34 existence; and

35 [3<sup>rd</sup>] WHEREAS, the construction and operation of the integrated and coordinated  
36 Central Valley Project has changed and will further change the regimen of the Sacramento,  
37 American, San Joaquin, and Trinity Rivers and the Sacramento-San Joaquin Delta from  
38 unregulated flow to regulated flow; and

39 [4<sup>th</sup>] WHEREAS, the United States has rights to divert, is diverting, and will continue  
40 to divert waters from said Rivers and said Delta in connection with the operation of said Central  
41 Valley Project; and

42 [5<sup>th</sup>] WHEREAS, the Contractor and the United States had a dispute over the  
43 respective rights of the parties to divert and use water from the regulated flow of the Sacramento  
44 River which threatened to result in litigation, and as a means to settle that dispute entered into  
45 Contract No. 14-06-200-930A, hereinafter referred to as the Existing Contract, which established  
46 terms for the delivery to the Contractor of Central Valley Project Water, and the quantities of  
47 Base Supply the United States and the Contractor agreed may be diverted by the Contractor from  
48 the Sacramento River pursuant to such contract; and

49 [5.1] WHEREAS, Adona Chesney, Trustee of the R&A Chesney Survivor's Trust and  
50 Adona Chesney, Trustee of the R&A Chesney Bypass Trust, are the successors in interest to  
51 Carson Chesney; and

52 [6<sup>th</sup>] WHEREAS, the United States and the Contractor disagree with respect to the  
53 authority of the United States to change the quantities of Base Supply and/or Project Water  
54 specified as available for diversion in this Settlement Contract from the quantities specified in  
55 the Existing Contract, and other issues related thereto. That dispute was the subject of litigation  
56 in a lawsuit entitled *Glenn-Colusa Irrigation District, et al. v. United States, et al.*  
57 [Civ. No. S-01-1816 GEB/JFM (E.D. Cal.)], but that litigation was dismissed, without prejudice,  
58 pursuant to a stipulation of dismissal filed by the parties thereto on August 29, 2002.

59 Notwithstanding that dismissal, the Contractor and the United States enter into this Settlement  
60 Contract to renew the Existing Contract, pursuant to the terms of the Existing Contract, Federal  
61 Reclamation law, and the laws of the State of California; and

62 [7<sup>th</sup>] WHEREAS, to assure the Contractor of the enjoyment and use of the regulated  
63 flow of the said Rivers and the Delta, and to provide for the economical operation of the Central  
64 Valley Project by, and the reimbursement to, the United States for expenditures made for said  
65 Project.

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

68 DEFINITIONS

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

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

75 (b) "Basin-Wide Water Management Plan" shall mean the mutually agreeable  
76 Sacramento River Basinwide Water Management Plan, dated October 11, 2004, developed by  
77 Glenn-Colusa Irrigation District, Maxwell Irrigation District, Natomas Central Mutual Water  
78 Company, Pelger Mutual Water Company, Princeton-Codora Glenn Irrigation District, Provident  
79 Irrigation District, Reclamation District 108, Sutter Mutual Water Company, Anderson-  
80 Cottonwood Irrigation District, Meridian Farms Water Company, Reclamation District 1004, and  
81 the U.S. Bureau of Reclamation;

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

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

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

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

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

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

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

111                  (g)     Omitted;

112                  (h)     Omitted;

113                  (i)     Omitted;

114                  (j)     Omitted;

115                  (k)     Omitted;

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

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

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

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

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

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

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



137 TERM OF SETTLEMENT CONTRACT

138 2. (a) This Settlement Contract shall become effective April 1, 2005, and shall  
139 remain in effect until and including March 31, 2045; Provided, that under terms and conditions  
140 mutually agreeable to the parties hereto, renewals may be made for successive periods not to  
141 exceed 40 years each. The terms and conditions of each renewal shall be agreed upon not later  
142 than one year prior to the expiration of the then existing Settlement Contract.

143 (b) With respect to Project Water and the portions of this Settlement Contract  
144 pertaining thereto, upon written request by the Contractor of the Secretary made not later than  
145 one year prior to the expiration of this Settlement Contract, whenever, account being taken of the  
146 amount then credited to the costs of construction of water supply works, the remaining amount of  
147 construction costs of water supply work which is properly assignable for ultimate return by the  
148 Contractor as established by the Secretary of the Interior pursuant to (3) of Section 1 of Public  
149 Law 643 (70 Stat. 483), probably can be repaid to the United States within the term of a contract  
150 under subsection 9(d) of the 1939 Reclamation Project Act (53 Stat. 1187), the relevant portions  
151 of this Settlement Contract may be converted to a contract under said subsection 9(d) upon terms  
152 and conditions mutually agreeable to the United States and the Contractor. The Secretary shall  
153 make a determination ten years after the date of execution of this Settlement Contract, and every  
154 five years thereafter, of whether a conversion to a contract under said subsection 9(d) can be  
155 accomplished pursuant to Public Law 643. Notwithstanding any provision of this Settlement  
156 Contract, the Contractor reserves and shall have all rights and benefits under Public Law 643.

157 WATER TO BE FURNISHED TO CONTRACTOR

158 3. (a) Subject to the conditions, limitations, and provisions hereinafter  
159 expressed, the Contractor is hereby entitled and authorized to divert from the Sacramento River

160 at the locations shown in Exhibit A, for beneficial use within the area delineated on Exhibit B,  
161 (both Exhibits are attached hereto and made a part hereof), the Contract Total designated in  
162 Exhibit A, or any revision thereof.

163 (b) No sale, transfer, exchange, or other disposal of any of the Contract Total  
164 designated in Exhibit A or the right to the use thereof for use on land other than that shown on  
165 Exhibit B shall be made by the Contractor without first obtaining the written consent of the  
166 Contracting Officer. Such consent will not be unreasonably withheld and a decision will be  
167 rendered in a timely manner. For short-term actions that will occur within one year or less, the  
168 decision will be rendered within 30 days after receipt of a complete written proposal. For long-  
169 term actions that will occur in a period longer than one year, the decision will be rendered within  
170 90 days after receipt of a complete written proposal. For a proposal to be deemed complete by  
171 the Contracting Officer, it must comply with all provisions required by State and Federal law,  
172 including information sufficient to enable the Contracting Officer to comply with the National  
173 Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then  
174 in effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate  
175 or effectuate the sale, transfer, exchange or other disposal of Base Supply. Such use of Federal  
176 facilities will be the subject of a separate agreement to be entered into between the Contractor  
177 and Reclamation.

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

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

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

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

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

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

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

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

203  
204  
205  
206  
207  
208  
209  
210  
211  
212  
213  
214  
215  
216  
217  
218  
219  
220  
221  
222  
223  
224  
225

RETURN FLOW

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

CONSTRAINTS ON THE AVAILABILITY OF WATER

5. In a Critical Year, the Contractor shall have the option to:
- (a) Irrigate not in excess of 75 percent of its irrigable acreage shown on Exhibit A; or
  - (b) Divert from the Sacramento River not in excess of 75 percent of the Contract Total shown on Exhibit A, subject to the installation of measurement equipment satisfactory to the Contracting Officer. The Contractor shall install, operate, and maintain this equipment at the Contractor's expense. The Contractor shall submit, by April 1 of that Critical Year, a written schedule to the Contracting Officer indicating the Contract Total to be diverted by the Contractor during each month of that Critical Year under this Settlement Contract.
  - (c) The amount of any overpayment by the Contractor shall, at its option, be refunded or credited upon amounts to become due to the United States from the Contractor under the provisions hereof in the ensuing Year. To the extent of such deficiency such adjustment of overpayment shall constitute the sole remedy of the Contractor.

226 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

227 6. The Contractor and United States desire to work together to maximize the  
228 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States  
229 and the Contractor will work in partnership and with others within the Sacramento Valley,  
230 including other contractors, to facilitate the better integration within the Sacramento Valley of all  
231 water supplies including, but not limited to, the better management and integration of surface  
232 water and groundwater, the development and better utilization of surface water storage, the  
233 effective utilization of waste, seepage and return flow water, and other operational and  
234 management options that may be identified in the future.

235 USE OF WATER FURNISHED TO CONTRACTOR

236 7. (a) Project Water furnished to the Contractor pursuant to this Settlement  
237 Contract shall not be delivered or furnished by the Contractor for any purposes other than  
238 agricultural purposes without the written consent of the Contracting Officer. For purposes of this  
239 Settlement Contract, "agricultural purposes" includes, but is not restricted to, the irrigation of  
240 crops, the watering of livestock, incidental domestic use including related landscape irrigation,  
241 and underground water replenishment.

242 (b) The Contractor shall comply with requirements applicable to the  
243 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution  
244 of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of  
245 1973, as amended, that are within the Contractor's legal authority to implement. The Existing  
246 Contract, which evidences in excess of 40 years of diversions, for agricultural uses, of the  
247 quantities of water provided for in Article 3, and the underlying water rights of the Contractor  
248 will be considered in developing an appropriate base-line for the Biological Assessment prepared

249 pursuant to the Endangered Species Act, and in any other needed environmental review.  
250 Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial  
251 relief in a court of competent jurisdiction with respect to any biological opinion or other  
252 environmental documentation referred to in this Article.

253 RATE AND METHOD OF PAYMENT FOR WATER

254 8. (a) The Contractor shall make payments to the United States as provided in  
255 this Article for each acre of land irrigated from April 1 through October 31 each Year.

256 Such payments shall be at Rates and Charges established in accordance with: (i)  
257 the Secretary's then current ratesetting policies for the Project; and (ii) applicable Reclamation  
258 law and associated rules and regulations, or policies; Provided, that if the Contractor desires to  
259 use Project Water for other than agricultural purposes the Rates and Charges set forth above will  
260 be adjusted by the Contracting Officer to the applicable Rates and Charges for such purposes.

261 The Rates and Charges applicable to the Contractor upon execution of this Settlement Contract  
262 are set forth in Exhibit D, as may be revised annually. The Secretary's ratesetting policies for  
263 the Project shall be amended, modified, or superseded only through a public notice and comment  
264 procedure.

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

267 (1) Prior to July 1 of each Year, the Contracting Officer shall provide  
268 the Contractor an estimate of the Charges for Project Water that will be applied to the period  
269 October 1, of the current Year, through September 30, of the following Year, and the basis for  
270 such estimate. The Contractor shall be allowed not less than two months to review and comment  
271 on such estimates. On or before September 15 of each Year, the Contracting Officer shall notify

272 the Contractor in writing of the Charges to be in effect during the period October 1 of the current  
273 Year, through September 30, of the following Year, and such notification shall revise Exhibit D.

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

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

283 (1) With respect to Rates and Charges, on or before May 1 of each  
284 Year, the Contractor shall pay the United States one-half the total amount payable pursuant to  
285 subdivision (a) of this Article and the remainder shall be paid on or before July 1 or such later  
286 date or dates as may be specified by the United States in a written notice to the Contractor.

287 (2) The amount to be paid on or before May 1 of each Year shall be  
288 based on a written estimate, provided to the Contracting Officer by the Contractor on or before  
289 April 1 of each Year, of the total area to be irrigated between April 1 and October 31 of that  
290 Year.

291 (3) The amount to be paid on or before July 1 shall be equal to the  
292 difference between the amount paid on May 1 and the total amount due for the Year, based on  
293 the total area actually irrigated between April 1 and July 1.

294                   (4)     If additional areas are placed under irrigation on or after July 1, but  
295 before October 31, additional payment shall be made in advance of such additional irrigation at  
296 the Rates and Charges shown in Exhibit D for each additional acre placed under irrigation.

297                   (d)     Payments to be made by the Contractor to the United States under this  
298 Settlement Contract may be paid from any revenues available to the Contractor. All revenues  
299 received by the United States from the Contractor relating to the delivery of Project Water or the  
300 delivery of non-Project Water through Project facilities shall be allocated and applied in  
301 accordance with Federal Reclamation law and the associated rules or regulations, and the then  
302 current Project ratesetting policies for irrigation water.

303                   (e)     The Contracting Officer shall keep its accounts pertaining to the  
304 administration of the financial terms and conditions of its long-term water service and Settlement  
305 Contracts, in accordance with applicable Federal standards, so as to reflect the application of  
306 Project costs and revenues. The Contracting Officer shall, each Year upon request of the  
307 Contractor, provide to the Contractor a detailed accounting of all Project and Contractor expense  
308 allocations, the disposition of all Project and Contractor revenues, and a summary of all water  
309 delivery information. The Contracting Officer and the Contractor shall enter into good faith  
310 negotiations to resolve any discrepancies or disputes relating to accountings, reports, or  
311 information.

312                   (f)     The parties acknowledge and agree that the efficient administration of this  
313 Settlement Contract is their mutual goal. Recognizing that experience has demonstrated that  
314 mechanisms, policies, and procedures used for establishing Rates and Charges and/or for making  
315 and allocating payments, other than those set forth in this Article may be in the mutual best  
316 interest of the parties, it is expressly agreed that the parties may enter into agreements to modify



317 the mechanisms, policies, and procedures for any of those purposes while this Settlement  
318 Contract is in effect without amendment of this Settlement Contract.

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

330 (h) Except as provided in subsection 3405(a)(1)(B) of the CVPIA, the Rates  
331 for Project Water transferred, exchanged, or otherwise disposed of, by the Contractor shall be the  
332 Contractor's Rates adjusted upward or downward to reflect the changed costs of delivery (if any)  
333 of the transferred, exchanged, or otherwise disposed of Project Water to the transferee's point of  
334 delivery in accordance with the then-current ratesetting policies for the Project. Except as  
335 provided in subsection 3407(d)(2)(A) of the CVPIA, the Charges for Project Water transferred,  
336 exchanged, or otherwise disposed of, by the Contractor shall be the Contractor's Charges  
337 specified in Exhibit D. If the Contractor is receiving lower Rates and Charges because of  
338 inability to pay and is transferring, exchanging, or otherwise disposing of Project Water to  
339 another entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and

340 Charges for transferred, exchanged, or otherwise disposed of Project Water shall be the  
341 Contractor's Rates and Charges unadjusted for ability to pay.

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

344 (j) Each payment to be made pursuant to subdivisions (a) and (c) of this  
345 Article shall be made at the office of the Bureau of Reclamation, MP Region: Mid-Pacific,  
346 P.O. Box 894242, Los Angeles, CA 90189-4242, or at such other place as the United States may  
347 designate in a written notice to the said Contractor. Payments shall be made by cash transaction,  
348 wire, or any other mechanism as may be agreed to in writing by the Contractor and the  
349 Contracting Officer. In event there should be a default in the payment of the amount due, the  
350 delinquent payment provisions of Article 13 shall apply. The Contractor shall not be relieved of  
351 the whole or any part of its said obligation by, on account of, or notwithstanding, as the case may  
352 be its failure, refusal, or neglect to divert the quantity of Project Water shown on Exhibit A.

353 AGREEMENT ON WATER QUANTITIES

354 9. (a) During the term of this Settlement Contract and any renewals thereof:

355 (1) It shall constitute full agreement as between the United States and  
356 the Contractor as to the quantities of water and the allocation thereof between Base Supply and  
357 Project Water which may be diverted by the Contractor from the Sacramento River for beneficial  
358 use on the land shown on Exhibit B from April 1 through October 31, which said diversion, use,  
359 and allocation shall not be disturbed so long as the Contractor shall fulfill all of its obligations  
360 hereunder;

361 (2) Neither party shall claim any right against the other in conflict with  
362 the provisions of Article 9(a)(1) hereof.

363           (b)     Nothing herein contained is intended to or does limit rights of the  
364 Contractor against others than the United States or of the United States against any person other  
365 than the Contractor; Provided, however, that in the event the Contractor, the United States, or  
366 any other person shall become a party to a general adjudication of rights to the use of water of  
367 the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position  
368 of either party hereto or of any other person and the rights of all such persons in respect to the  
369 use of such water shall be determined in such proceedings the same as if this Settlement Contract  
370 had not been entered into, and if final judgment in any such general adjudication shall determine  
371 that the rights of the parties hereto are different from the rights as assumed herein, the parties  
372 shall negotiate an amendment to give effect to such judgment. In the event the parties are unable  
373 to agree on an appropriate amendment they shall, within 60 days of determining that there is an  
374 impasse, employ the services of a neutral mediator, experienced in resolving water rights  
375 disputes, to assist in resolving the impasse. The cost of the mediation will be shared equally. A  
376 failure to reach agreement on an amendment within 60 days of the end of mediation will cause  
377 the immediate termination of this Settlement Contract.

378           (c)     In the event that the California State Water Resources Control Board or a  
379 court of competent jurisdiction issues a final decision or order modifying the terms and  
380 conditions of the water rights of either party to this Settlement Contract in order to impose Bay-  
381 Delta water quality obligations, the Contractor and the United States shall promptly meet to  
382 determine whether or not to modify any of the terms of this Settlement Contract to comply with  
383 the final decision or order. If within 60 days of the date of the issuance of the final decision or  
384 order the parties are not able to reach agreement regarding either the need to modify this  
385 Settlement Contract or the manner in which this Settlement Contract is to be modified, the

386 parties shall promptly retain a neutral mediator, experienced in resolving water right disputes, to  
387 assist the parties in resolving their dispute. The cost of the mediator shall be shared equally. In  
388 the event that either of the parties to this Settlement Contract determines that the parties will not  
389 be able to develop mutually-agreeable modification(s) to this Settlement Contract even with the  
390 assistance of a mediator, either of the parties to this Settlement Contract may attempt to resolve  
391 the impasse by seeking appropriate judicial relief including, but not limited to, filing a general  
392 adjudication of the rights to the use of water in the Sacramento River system. The foregoing  
393 provisions of this sub-article shall only apply to the incremental obligations contained within a  
394 final decision or order of the State Water Resources Control Board that reflects a modification to  
395 the obligations imposed in State Water Resources Control Board Revised Water Rights Decision  
396 1641 dated March 15, 2000, and its associated 1995 Water Quality Control Plan which, taken  
397 together, will be considered the baseline for the application of the provisions of this sub-article.

398 (d) In the event this Settlement Contract terminates, the rights of the parties to  
399 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;  
400 and the fact that as a compromise settlement of a controversy as to the respective rights of the  
401 parties to divert and use water and the yield of such rights during the term hereof, this Settlement  
402 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the  
403 Settlement Contract term and segregates it into Base Supply and Project Water shall not  
404 jeopardize the rights or position of either party with respect to its water rights or the yield thereof  
405 at all times after the Settlement Contract terminates. It is further agreed that the Contractor at all  
406 times will first use water to the use of which it is entitled by virtue of its own water rights, and  
407 neither the provisions of this Settlement Contract, action taken thereunder, nor payments made  
408 thereunder to the United States by the Contractor shall be construed as an admission that any part

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

414 MEASUREMENT OF WATER

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

418 (b) The right of ingress to and egress from all points of diversion is hereby  
419 granted to all authorized employees of the United States. The Contractor also hereby grants to  
420 the United States the right to install, operate, maintain, and replace measuring equipment on  
421 diversion or carriage facilities at each point of diversion as the Contracting Officer deems  
422 necessary.

423 (c) The Contractor shall not modify, alter, remove, or replace diversion  
424 facilities or do any other act which would alter the effectiveness or accuracy of the measuring  
425 equipment installed by the United States or its representatives unless and until the Contracting  
426 Officer has been notified with due diligence and has been given an opportunity to modify such  
427 measuring equipment in such manner as may be necessary or appropriate. In the event of an  
428 emergency the Contractor shall notify the United States within a reasonable time thereafter as to  
429 the existence of the emergency and the nature and extent of such modification, alteration,  
430 removal, or replacement of diversion facilities.

431 (d) The Contractor shall pay the United States for the costs to repair, relocate,  
432 or replace measurement equipment when the Contractor modifies, alters, removes, or replaces  
433 diversion or carriage facilities.

434 RULES AND REGULATIONS

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

440 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

454 CHARGES FOR DELINQUENT PAYMENTS

455 13. (a) The Contractor shall be subject to interest, administrative and penalty  
456 charges on delinquent installments or payments. When a payment is not received by the due  
457 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond  
458 the due date. When a payment becomes 60 days delinquent, the Contractor shall pay an  
459 administrative charge to cover additional costs of billing and processing the delinquent payment.  
460 When a payment is delinquent 90 days or more, the Contractor shall pay an additional penalty  
461 charge of six percent per year for each day the payment is delinquent beyond the due date.

462 Further, the Contractor shall pay any fees incurred for debt collection services associated with a  
463 delinquent payment.

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

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

472 QUALITY OF WATER

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

478 WATER AND AIR POLLUTION CONTROL

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

483 EQUAL OPPORTUNITY

484 16. During the performance of this Settlement Contract, the Contractor agrees as  
485 follows:

486 (a) The Contractor will not discriminate against any employee or applicant for  
487 employment because of race, color, religion, sex, or national origin. The Contractor will take  
488 affirmative action to ensure that applicants are employed, and that employees are treated during  
489 employment, without regard to their race, color, religion, sex, or national origin. Such action  
490 shall include, but not be limited to, the following: Employment, upgrading, demotion, or  
491 transfer; recruitment or recruitment advertising; layoff or termination, rates of payment or other

492 forms of compensation; and selection for training, including apprenticeship. The Contractor  
493 agrees to post in conspicuous places, available to employees and applicants for employment,  
494 notices to be provided by the Contracting Officer setting forth the provisions of this  
495 nondiscrimination clause.

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

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

506 (d) The Contractor will comply with all provisions of Executive Order No.  
507 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of  
508 the Secretary of Labor.

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

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

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



530 17. Omitted.

531 18. Omitted.

532 BOOKS, RECORDS, AND REPORTS

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

542 CHANGE OF PLACE OF USE

543 20. Unless the written consent of the United States is first obtained no change shall be  
544 made in the place of water use shown on Exhibit B.

545 21. Omitted.

546 NOTICES

547 22. Any notice, demand, or request authorized or required by this Settlement Contract  
548 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,  
549 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,  
550 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United States,  
551 when mailed, postage prepaid, or delivered to Adona Chesney, 250 S. Meridian Road, Meridian,  
552 California 95957-9610. The designation of the addressee or the address may be changed by  
553 notice given in the same manner as provided in this Article for other notices.

554 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

564 OFFICIALS NOT TO BENEFIT

565 24. No Member of or Delegate to Congress, Resident Commissioner, or official of the  
566 Contractor shall benefit from this Settlement Contract other than as a water user or landowner in  
567 the same manner as other water users or landowners.

568 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

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

574 CONFIRMATION OF SETTLEMENT CONTRACT

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

582 27. Omitted.

583 PRIVACY ACT COMPLIANCE

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

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

593 (c) The Contracting Officer or a designated representative shall provide the  
594 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau  
595 of Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation--

596 Interior, Reclamation-31) which govern the maintenance, safeguarding, and disclosure of  
 597 information contained in the Landholder's certification and reporting records.

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

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

609 WATER CONSERVATION

610 29. (a) Prior to the diversion of Project Water, the Contractor shall be  
 611 implementing an effective water conservation and efficiency program based on the Basin-Wide  
 612 Water Management Plan and/or Contractor's water conservation plan that has been determined  
 613 by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water  
 614 conservation plans established under Federal law. The water conservation and efficiency  
 615 program shall contain definite water conservation objectives, appropriate economically feasible  
 616 water conservation measures, and time schedules for meeting those objectives. Continued  
 617 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the  
 618 Contractor's continued implementation of such water conservation program. In the event the  
 619 Contractor's water conservation plan or any revised water conservation plan completed pursuant  
 620 to subdivision (d) of Article 29 of this Settlement Contract have not yet been determined by the  
 621 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer  
 622 determines are beyond the control of the Contractor, Project Water deliveries shall be made  
 623 under this Settlement Contract so long as the Contractor diligently works with the Contracting

624 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor  
625 immediately begins implementing its water conservation and efficiency program in accordance  
626 with the time schedules therein.

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

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

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

638 OPINIONS AND DETERMINATIONS

639 30. (a) Where the terms of this Settlement Contract provide for actions to be  
640 based upon the opinion or determination of either party to this Settlement Contract, said terms  
641 shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or  
642 unreasonable opinions or determinations. Both parties, notwithstanding any other provisions of  
643 this Settlement Contract, expressly reserve the right to seek relief from and appropriate  
644 adjustment for any such arbitrary, capricious, or unreasonable opinion or determination. Each  
645 opinion or determination by either party shall be provided in a timely manner. Nothing in  
646 subdivision (a) of Article 30 of this Settlement Contract is intended to or shall affect or alter the

647 standard of judicial review applicable under Federal law to any opinion or determination  
648 implementing a specific provision of Federal law embodied in statute or regulation.

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

654 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

655 31. (a) In addition to all other payments to be made by the Contractor pursuant to  
656 this Settlement Contract, the Contractor shall pay to the United States, within 60 days after  
657 receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for  
658 such specific items of direct cost incurred by the United States for work requested by the  
659 Contractor associated with this Settlement Contract plus indirect costs in accordance with  
660 applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this  
661 Article shall not exceed the amount agreed to in writing in advance by the Contractor. This  
662 Article shall not apply to costs for routine contract administration.

663 (b) All advances for miscellaneous costs incurred for work requested by the  
664 Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the  
665 actual costs when the work has been completed. If the advances exceed the actual costs incurred,  
666 the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's  
667 advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this  
668 Settlement Contract.

669  
670  
671  
672  
673  
674  
675  
676  
677  
678  
679  
680  
681  
682  
683  
684  
685  
686  
687  
688  
689  
690  
691

WAIVER OF DEFAULT

32. The waiver by either party to this Settlement Contract as to any default shall not be construed as a waiver of any other default or as authority of the other party to continue such default or to make, do, or perform, or not to make, do, or perform, as the case may be, any act or thing which would constitute a default.

CONTRACT ASSIGNMENT OR TERMINATION UPON TRANSFER OF LAND

33. (a) The rights and obligations of the Contractors may be transferred in connection with the transfer of title to the land or any portion thereof delineated on Exhibit B on the following terms and conditions:

(1) A voluntary inter vivos transfer may be made, upon mutual agreement of the United States and the Contractors, to a person eligible to hold title to the land as a nonexcess landowner; and

(2) In the event the title of the Contractors to such land, or any portion thereof, is transferred by operation of law, such as by conveyance in satisfaction of a mortgage, by inheritance, or by device, the rights and obligations of the Contractors shall pass with the title and the land shall be subject to provisions of Reclamation law pertaining to such transfers. Any transfer of the rights and obligations of this Settlement Contract by the person acquiring title by operation of law shall be in accordance with provisions of subsection (1) above.

(b) The Contractors shall notify the Contracting Officer in writing of any proposed transfer of this Settlement Contract. In addition, in the case of a partial assignment the Contractors shall:

(1) Designate the proportionate quantities of Base Supply and Project Water which they desire to assign; and

692 (2) Furnish the United States with a copy of the deed transferring title.

693 (c) No transfer of this Settlement Contract shall be effective unless and until  
694 approved by the Contracting Officer, and, if approved, shall be effective from the date of such  
695 approval.

696 (d) Upon mutual agreement between the United States and the Contractor, this  
697 Settlement Contract or a portion thereof may be terminated and the new landowner will have the  
698 privilege of entering into a Settlement Contract for water service for a proportionate share of the  
699 Contract Total provided he is duly qualified to receive water for such land.

700 TERMINATION

701 34. This Settlement Contract will terminate upon mutual agreement of the parties  
702 prior to the end of the term or any renewal thereof.

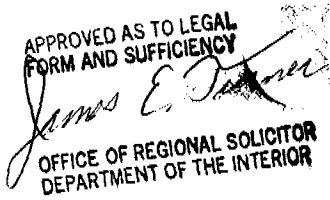
703 IN WITNESS WHEREOF, the parties hereto have executed this Settlement


704 Contract as of the day and year first hereinabove written.

705

THE UNITED STATES OF AMERICA

706  
707  
708



By:   
Regional Director, Mid-Pacific Region  
Bureau of Reclamation

709 (SEAL)

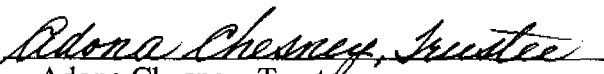
710

CONTRACTORS:

711  
712

ADONA CHESNEY, TRUSTEE OF THE R&A  
CHESNEY SURVIVOR'S TRUST

713  
714

By:   
Adona Chesney, Trustee

715  
716

ADONA CHESNEY, TRUSTEE OF THE R&A  
CHESNEY BYPASS TRUST

717  
718

By:   
Adona Chesney, Trustee

719 (H:\PUBLIC\Sac River Final LTRC's-01\2005-01-31ChesneyAdonaFinalDraftContractwithexhibits.DOC)



Notary Acknowledgment  
attachment to Contract

STATE OF CALIFORNIA

COUNTY OF SUTTER

On March 11, 2005, before me, the undersigned notary public, personally appeared Adona Chesney,

personally known to me  
 proved to me on the basis of satisfactory evidence

to be the person whose name is subscribed to the within instrument and acknowledged to me that she executed the same in her authorized capacity, and that by her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

Bev Underwood

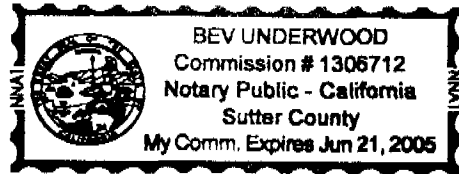


Exhibit A

ADONA CHESNEY, TRUSTEE OF THE R&A CHESNEY SURVIVOR'S TRUST AND  
 ADONA CHESNEY, TRUSTEE OF THE R&A CHESNEY BYPASS TRUST  
 Sacramento River

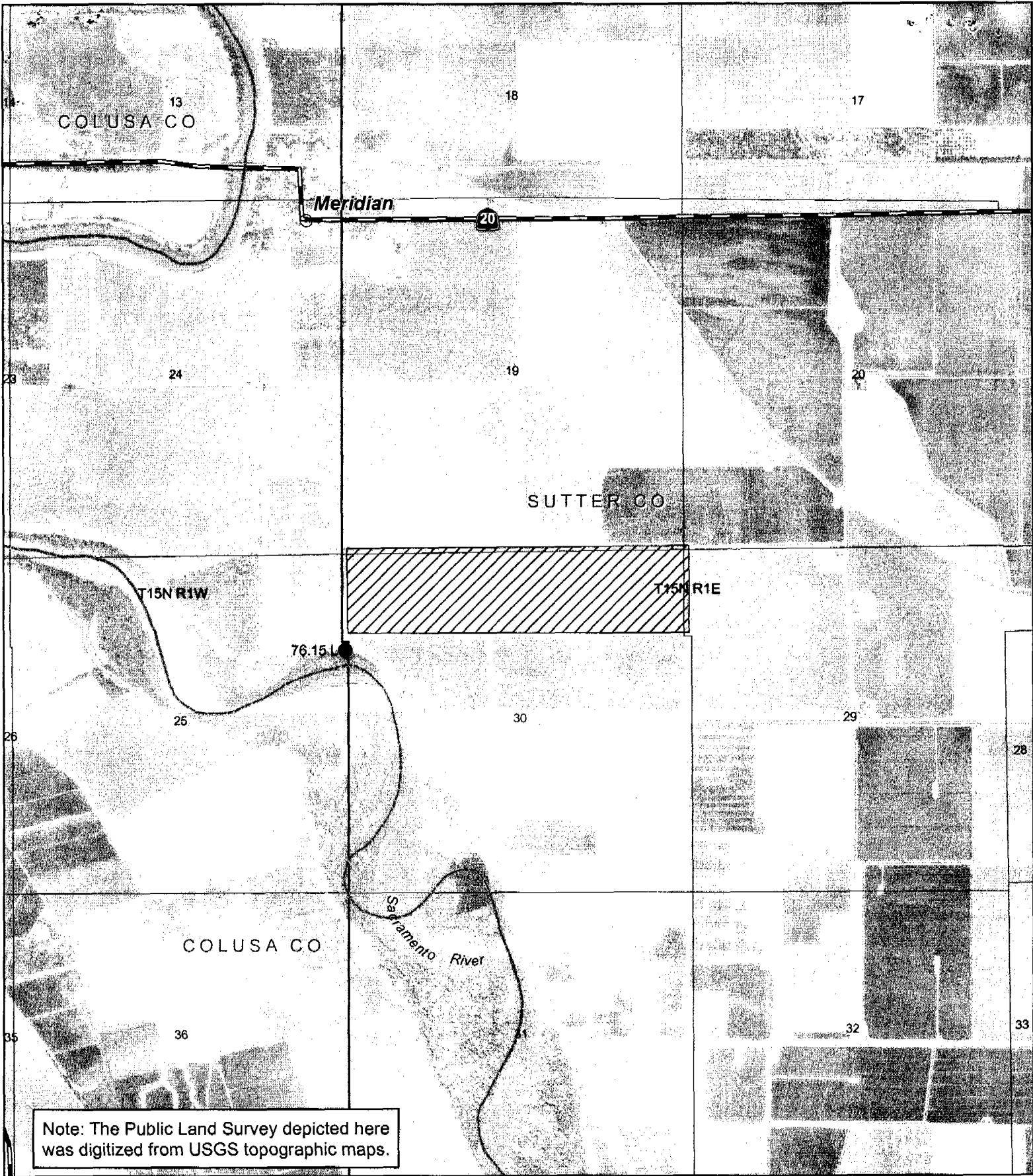
SCHEDULE OF MONTHLY DIVERSIONS OF WATER

	<u>Base Supply</u> (acre-feet)	<u>Project Water</u> (acre-feet)	<u>Contract Total</u> (acre-feet)
April	<u>60</u>	<u>0</u>	<u>60</u>
May	<u>170</u>	<u>0</u>	<u>170</u>
June	<u>80</u>	<u>60</u>	<u>140</u>
July	<u>0</u>	<u>170</u>	<u>170</u>
August	<u>0</u>	<u>140</u>	<u>140</u>
September	<u>0</u>	<u>20</u>	<u>20</u>
October	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>310</u>	<u>390</u>	<u>700</u>



Irrigable Acres: 149

Points of Diversion: 76.15L

Dated: 01-31-2005



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

-  Contractor's Service Area
-  Point of Diversion

## Chesney, Adona

Contract No. 14-06-200-930A-R-1  
Exhibit B

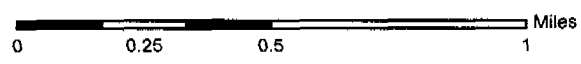


Exhibit C

Omitted

Exhibit D

ADONA CHESNEY, TRUSTEE OF THE R&A CHESNEY SURVIVOR'S TRUST AND  
ADONA CHESNEY, TRUSTEE OF THE R&A CHESNEY BYPASS TRUST  
Sacramento River  
2005 Water Rates and Charges per Irrigated Acre

Irrigation

COST OF SERVICE RATE:

\$46.90

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.

Provided as Needed

Section 205(a)(3) Rate is  
applicable to a Limited Recipient that  
did not receive irrigation water on or  
before October 1, 1981.

Provided as Needed

CHARGES UNDER P.L. 102-575 TO THE  
RESTORATION FUND 1/

Restoration Payments (3407(d)(2)(A))

\$20.76

1/ 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).