

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

CONTRACT BETWEEN THE UNITED STATES AND
CONAWAY PRESERVATION GROUP, LLC,
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER

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3 UNITED STATES
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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 4th day of March, 2005, pursuant to the applicable authority
15 granted to it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
16 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),
17 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,
18 including, but not limited to, Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21,
19 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as
20 amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively
21 hereinafter referred to as Federal Reclamation law, and CONAWAY PRESERVATION
22 GROUP, LLC, hereinafter referred to as the Contractor, acting pursuant to Sections 12003 and
23 12004 of the California Water Code, with its principal place of business in California;

24 WITNESSETH, that:

25

EXPLANATORY RECITALS

26

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

28

[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;

32

[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

36

[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

39

[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. 14-06-200-7422A, as amended, 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

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[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

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

56 [7th] WHEREAS, to assure the Contractor of the enjoyment and use of the regulated
57 flow of the said Rivers and the Delta, and to provide for the economical operation of the Central
58 Valley Project by, and the reimbursement to, the United States for expenditures made for said
59 Project.

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

62 DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

137 (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.

144

(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.

158

WATER TO BE FURNISHED TO CONTRACTOR

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

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

161 at the locations shown in Exhibit A, for beneficial use within the area delineated on Exhibit B,
162 (both Exhibits are attached hereto and made a part hereof), the Contract Total designated in
163 Exhibit A, or any revision thereof, in accordance with the monthly operating schedule required
164 by Article 3(c) of this Settlement Contract. The quantity of any water diverted under this
165 Settlement Contract from the Sacramento River, during the period April through October, for use
166 on any lands delineated on Exhibit B, by the owner of such lands or otherwise shall constitute a
167 part of the Contract Total as shown on Exhibit A and shall be subject to all the provisions of this
168 Settlement Contract relating to such Contract Total as if such diversion were made by the
169 Contractor; Provided, however, that the Contractor reserves the right to, and may at its option,
170 divert water for beneficial use from Willow Slough, under Permit No. 7559 issued on
171 Application 12074, and from Cache Creek under riparian right, to the extent permitted under
172 California law for beneficial use within the area delineated on Exhibit B. The lawfulness of the
173 Contractor's points of diversion for said area from Willow Slough and Cache Creek will not be
174 challenged by, or on behalf of, the Bureau of Reclamation except in the case of a general
175 adjudication as provided in subdivisions (b) and (c) of Article 9.

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

184 other acquired rights may be diverted by the Contractor before incurring any fee pursuant to
185 Article 3(c)(1), below.

186 (c) Before April 1 and before the first day of each month thereafter when a
187 revision is needed, the Contractor shall submit a written schedule to the Contracting Officer
188 indicating the Contract Total to be diverted by the Contractor during each month under this
189 Settlement Contract. The United States shall furnish water to the Contractor in accordance with
190 the monthly operating schedule or any revisions thereof. However, the United States recognizes
191 the need of the Contractor to change from time to time its monthly diversions of water from the
192 quantities shown in Exhibit A; the Contractor may make such changes, provided:

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

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

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

203 (ii) During the period July through September exceed the
204 aggregate of the Contract Total for that period shown in Exhibit A or any revision
205 thereof.

206 (d) In the event conditions warrant, the Contracting Officer reserves the right
207 to require the Contractor to submit, at least 72 hours prior to the beginning of each weekly
208 period, its estimate of daily diversion requirements for each such period from the Sacramento
209 River; Provided, however, that changes during any such period may be made upon the giving of
210 72 hours' notice thereof to the Contracting Officer.

211 (e) No sale, transfer, exchange, or other disposal of any of the Contract Total
212 designated in Exhibit A or the right to the use thereof for use on land other than that shown on
213 Exhibit B shall be made by the Contractor without first obtaining the written consent of the
214 Contracting Officer. Such consent will not be unreasonably withheld and a decision will be
215 rendered in a timely manner. For short-term actions that will occur within one year or less, the
216 decision will be rendered within 30 days after receipt of a complete written proposal. For long-
217 term actions that will occur in a period longer than one year, the decision will be rendered within
218 90 days after receipt of a complete written proposal. For a proposal to be deemed complete by
219 the Contracting Officer, it must comply with all provisions required by State and Federal law,
220 including information sufficient to enable the Contracting Officer to comply with the National
221 Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then
222 in effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate
223 or effectuate the sale, transfer, exchange, or other disposal of Base Supply. Such use of Federal
224 facilities will be the subject of a separate agreement to be entered into between the Contractor
225 and Reclamation.

226 (f) For the purpose of determining whether Section 3405(a)(1)(M) of the
227 CVPIA applies to the Contractor as a transferor or transferee of Project Water, the Contracting

228 Officer acknowledges that the Contractor is within a county, watershed, or other area of origin,
229 as those terms are utilized under California law.

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

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

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

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

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

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

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

251 RETURN FLOW

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

260 CONSTRAINTS ON THE AVAILABILITY OF WATER

261 5. (a) In a Critical Year, the Contractor's Base Supply and Project Water agreed
262 to be diverted during the period April through October of the Year in which the principal portion
263 of the Critical Year occurs and, each monthly quantity of said period shall be reduced by
264 25 percent.

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

269 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

270 6. The Contractor and United States desire to work together to maximize the
271 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States
272 and the Contractor will work in partnership and with others within the Sacramento Valley,
273 including other contractors, to facilitate the better integration within the Sacramento Valley of all

274 water supplies including, but not limited to, the better management and integration of surface
275 water and groundwater, the development and better utilization of surface water storage, the
276 effective utilization of waste, seepage and return flow water, and other operational and
277 management options that may be identified in the future.

278 USE OF WATER FURNISHED TO CONTRACTOR

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

285 (b) The Contractor shall comply with requirements applicable to the
286 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
287 of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of
288 1973, as amended, that are within the Contractor's legal authority to implement. The Existing
289 Contract, which evidences in excess of 40 years of diversions, for agricultural uses, of the
290 quantities of water provided for in Article 3, and the underlying water rights of the Contractor
291 will be considered in developing an appropriate base-line for the Biological Assessment prepared
292 pursuant to the Endangered Species Act, and in any other needed environmental review.
293 Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial
294 relief in a court of competent jurisdiction with respect to any biological opinion or other
295 environmental documentation referred to in this Article.

296 RATE AND METHOD OF PAYMENT FOR WATER

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

299 (1) 75 percent of the amount shown as Project Water shall be paid for
300 by the Contractor in each Year; and in addition

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

303 Such payments shall be at Rates and Charges established in accordance with: (i) the
304 Secretary's then-current ratesetting policies for the Project; and (ii) applicable Reclamation law
305 and associated rules and regulations, or policies; Provided, that if the Contractor desires to use
306 Project Water for other than agricultural purposes the Rates and Charges set forth above will be
307 adjusted by the Contracting Officer to the applicable Rates and Charges for such purposes. The
308 Rates and Charges applicable to the Contractor upon execution of this Settlement Contract are
309 set forth in Exhibit D, as may be revised annually. The Secretary's ratesetting policies for the
310 Project shall be amended, modified, or superseded only through a public notice and comment
311 procedure. The Contracting Officer shall adjust the amount of Project Water for which payment
312 is required to the extent of any reduction in diversions of Project Water made in accordance with
313 the water conservation provisions of Article 29(e).

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

316 (1) Prior to July 1 of each Year, the Contracting Officer shall provide
317 the Contractor an estimate of the Charges for Project Water that will be applied to the period
318 October 1, of the current Year, through September 30, of the following Year, and the basis for

319 such estimate. The Contractor shall be allowed not less than two months to review and comment
320 on such estimates. On or before September 15 of each Year, the Contracting Officer shall notify
321 the Contractor in writing of the Charges to be in effect during the period October 1 of the current
322 Year, through September 30, of the following Year, and such notification shall revise Exhibit D.

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

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

332 (1) With respect to Rates, prior to May 1 of each Year, the Contractor
333 shall pay the United States one-half the total amount payable pursuant to subdivision (a) of this
334 Article and the remainder shall be paid prior to July 1 or such later date or dates as may be
335 specified by the United States in a written notice to the Contractor; Provided, however, that if at
336 any time during the Year the amount of Project Water diverted by the Contractor shall equal the
337 amount for which payment has been made, the Contractor shall pay for the remaining amount of
338 such water as shown in Exhibit A in advance of any further diversion of Project Water.

339 (2) With respect to Charges, the Contractor shall also make a payment
340 to the United States, in addition to the Rate(s) in subdivision (c)(1) of this Article, at the Charges
341 then in effect, before the end of the month following the month of delivery or transfer. The

342 payments shall be consistent with the quantities of Project Water delivered or transferred.
343 Adjustment for overpayment or underpayment of Charges shall be made through the adjustment
344 of payments due to the United States for Charges for the next month. Any amount to be paid for
345 past due payment of Charges shall be computed pursuant to Article 13 of this Settlement
346 Contract.

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

353 (e) The Contracting Officer shall keep its accounts pertaining to the
354 administration of the financial terms and conditions of its long-term water service and Settlement
355 Contracts, in accordance with applicable Federal standards, so as to reflect the application of
356 Project costs and revenues. The Contracting Officer shall, each Year upon request of the
357 Contractor, provide to the Contractor a detailed accounting of all Project and Contractor expense
358 allocations, the disposition of all Project and Contractor revenues, and a summary of all water
359 delivery information. The Contracting Officer and the Contractor shall enter into good faith
360 negotiations to resolve any discrepancies or disputes relating to accountings, reports, or
361 information.

362 (f) The parties acknowledge and agree that the efficient administration of this
363 Settlement Contract is their mutual goal. Recognizing that experience has demonstrated that
364 mechanisms, policies, and procedures used for establishing Rates and Charges and/or for making

365 and allocating payments, other than those set forth in this Article may be in the mutual best
366 interest of the parties, it is expressly agreed that the parties may enter into agreements to modify
367 the mechanisms, policies, and procedures for any of those purposes while this Settlement
368 Contract is in effect without amendment of this Settlement Contract.

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

380 (h) Except as provided in subsection 3405(a)(1)(B) of the CVPIA, the Rates
381 for Project Water transferred, exchanged, or otherwise disposed of, by the Contractor shall be the
382 Contractor's Rates adjusted upward or downward to reflect the changed costs of delivery (if any)
383 of the transferred, exchanged, or otherwise disposed of Project Water to the transferee's point of
384 delivery in accordance with the then-current ratesetting policies for the Project. Except as
385 provided in subsection 3407(d)(2)(A) of the CVPIA, the Charges for Project Water transferred,
386 exchanged, or otherwise disposed of, by the Contractor shall be the Contractor's Charges
387 specified in Exhibit D. If the Contractor is receiving lower Rates and Charges because of

388 inability to pay and is transferring, exchanging, or otherwise disposing of Project Water to
389 another entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and
390 Charges for transferred, exchanged, or otherwise disposed of Project Water shall be the
391 Contractor's Rates and Charges unadjusted for ability to pay.

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

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

403 (1) Its failure, refusal, or neglect to divert 75 percent of the quantity of
404 Project Water shown on Exhibit A;

405 (2) The default in payment to it by any water user of assessments,
406 tolls, or other charges levied by or owing to said Contractor;

407 (3) Any judicial determination that any assessment, toll, or other
408 charge referred to in subsection 8(c)(2) of this Settlement Contract is irregular, void, or
409 ineffectual; or

410 (4) Any injunctive process enjoining or restraining the Contractor
411 from making or collecting any such assessment, toll, or other charge referred to in subsection
412 8(c)(2) of this Settlement Contract.

413 AGREEMENT ON WATER QUANTITIES

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

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

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

423 (b) Nothing herein contained is intended to or does limit rights of the
424 Contractor against others than the United States or of the United States against any person other
425 than the Contractor; Provided, however, that in the event the Contractor, the United States, or
426 any other person shall become a party to a general adjudication of rights to the use of water of
427 the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position
428 of either party hereto or of any other person and the rights of all such persons in respect to the
429 use of such water shall be determined in such proceedings the same as if this Settlement Contract
430 had not been entered into, and if final judgment in any such general adjudication shall determine
431 that the rights of the parties hereto are different from the rights as assumed herein, the parties
432 shall negotiate an amendment to give effect to such judgment. In the event the parties are unable

433 to agree on an appropriate amendment they shall, within 60 days of determining that there is an
434 impasse, employ the services of a neutral mediator, experienced in resolving water rights
435 disputes, to assist in resolving the impasse. The cost of the mediation will be shared equally. A
436 failure to reach agreement on an amendment within 60 days of the end of mediation will cause
437 the immediate termination of this Settlement Contract.

438 (c) In the event that the California State Water Resources Control Board or a
439 court of competent jurisdiction issues a final decision or order modifying the terms and
440 conditions of the water rights of either party to this Settlement Contract in order to impose Bay-
441 Delta water quality obligations, the Contractor and the United States shall promptly meet to
442 determine whether or not to modify any of the terms of this Settlement Contract to comply with
443 the final decision or order, including, but not limited to, the applicability of the rescheduling
444 charge in Article 3(c)(1) of this Settlement Contract. If within 60 days of the date of the issuance
445 of the final decision or order the parties are not able to reach agreement regarding either the need
446 to modify this Settlement Contract or the manner in which this Settlement Contract is to be
447 modified, the parties shall promptly retain a neutral mediator, experienced in resolving water
448 right disputes, to assist the parties in resolving their dispute. The cost of the mediator shall be
449 shared equally. In the event that either of the parties to this Settlement Contract determines that
450 the parties will not be able to develop mutually-agreeable modification(s) to this Settlement
451 Contract even with the assistance of a mediator, either of the parties to this Settlement Contract
452 may attempt to resolve the impasse by seeking appropriate judicial relief including, but not
453 limited to, filing a general adjudication of the rights to the use of water in the Sacramento River
454 system. The foregoing provisions of this sub-article shall only apply to the incremental
455 obligations contained within a final decision or order of the State Water Resources Control

456 Board that reflects a modification to the obligations imposed in State Water Resources Control
457 Board Revised Water Rights Decision 1641 dated March 15, 2000, and its associated 1995 Water
458 Quality Control Plan which, taken together, will be considered the baseline for the application of
459 the provisions of this sub-article.

460 (d) In the event this Settlement Contract terminates, the rights of the parties to
461 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;
462 and the fact that as a compromise settlement of a controversy as to the respective rights of the
463 parties to divert and use water and the yield of such rights during the term hereof, this Settlement
464 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the
465 Settlement Contract term and segregates it into Base Supply and Project Water shall not
466 jeopardize the rights or position of either party with respect to its water rights or the yield thereof
467 at all times after the Settlement Contract terminates. It is further agreed that the Contractor at all
468 times will first use water to the use of which it is entitled by virtue of its own water rights, and
469 neither the provisions of this Settlement Contract, action taken thereunder, nor payments made
470 thereunder to the United States by the Contractor shall be construed as an admission that any part
471 of the water used by the Contractor during the term of this Settlement Contract was in fact water
472 to which it would not have been entitled under water rights owned by it nor shall receipt of
473 payments thereunder by the United States from the Contractor be construed as an admission that
474 any part of the water used by the Contractor during the term of this Settlement Contract was in
475 fact water to which it would have been entitled under water rights owned by it.

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MEASUREMENT OF WATER

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10. (a) All water diverted by the Contractor from the Sacramento River will be

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diverted at the existing point or points of diversion shown on Exhibit A or at such other points as

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may be mutually agreed upon in writing by the Contracting Officer and the Contractor.

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(b) All water diverted from the Sacramento River pursuant to this Settlement

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Contract will be measured or caused to be measured by the United States at each point of

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diversion with existing equipment or equipment to be installed, operated, and maintained by the

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United States, and/or others, under contract with and at the option of the United States. The

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equipment and methods used to make such measurement shall be in accordance with sound

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engineering practices. Upon request of the Contractor, the accuracy of such measurements will

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be investigated by the Contracting Officer and any errors appearing therein will be corrected.

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(c) The right of ingress to and egress from all points of diversion is hereby

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granted to all authorized employees of the United States. The Contractor also hereby grants to

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the United States the right to install, operate, maintain, and replace such equipment on diversion

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or carriage facilities at each point of diversion as the Contracting Officer deems necessary.

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(d) The Contractor shall not modify, alter, remove, or replace diversion

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facilities or do any other act which would alter the effectiveness or accuracy of the measuring

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equipment installed by the United States or its representatives unless and until the Contracting

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Officer has been notified with due diligence and has been given an opportunity to modify such

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measuring equipment in such manner as may be necessary or appropriate. In the event of an

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emergency the Contractor shall notify the United States within a reasonable time thereafter as to

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the existence of the emergency and the nature and extent of such modification, alteration,

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removal, or replacement of diversion facilities.

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

529 CHARGES FOR DELINQUENT PAYMENTS

530 13. (a) The Contractor shall be subject to interest, administrative and penalty
531 charges on delinquent installments or payments. When a payment is not received by the due
532 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
533 the due date. When a payment becomes 60 days delinquent, the Contractor shall pay an
534 administrative charge to cover additional costs of billing and processing the delinquent payment.
535 When a payment is delinquent 90 days or more, the Contractor shall pay an additional penalty
536 charge of six percent per year for each day the payment is delinquent beyond the due date.
537 Further, the Contractor shall pay any fees incurred for debt collection services associated with a
538 delinquent payment.

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

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

547 QUALITY OF WATER

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

553 WATER AND AIR POLLUTION CONTROL

554 15. The Contractor, in carrying out this Settlement Contract, shall comply with all
555 applicable water and air pollution laws and regulations of the United States and the State of

556 California, and shall obtain all required permits or licenses from the appropriate Federal, State,
557 or local authorities.

558 EQUAL OPPORTUNITY

559 16. During the performance of this Settlement Contract, the Contractor agrees as
560 follows:

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

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

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

581 (d) The Contractor will comply with all provisions of Executive Order No.
582 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of
583 the Secretary of Labor.

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

589 (f) In the event of the Contractor's noncompliance with the nondiscrimination
590 clauses of this Settlement Contract or with any of the said rules, regulations, or orders, this
591 Settlement Contract may be canceled, terminated, or suspended, in whole or in part, and the
592 Contractor may be declared ineligible for further Government contracts in accordance with

593 procedures authorized in said amended Executive Order, and such other sanctions may be
594 imposed and remedies invoked as provided in said Executive Order, or by rule, regulation, or
595 order of the Secretary of Labor, or as otherwise provided by law.

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

605 17. Omitted.

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

607 18. (a) Project Water must of necessity be transported by the Contractor to its
608 water users by means of the same works and channels used for the transport of its non-Project
609 Water including Base Supply. Notwithstanding such mingling of water, the provisions of Article
610 11 hereof shall be applicable only to Project Water, and such mingling of water shall not in any
611 manner subject to the provisions of Article 11 hereof the Contractor's non-Project Water
612 including Base Supply.

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

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

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

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

639 BOOKS, RECORDS, AND REPORTS

640 19. The Contractor shall establish and maintain accounts and other books and records
641 pertaining to administration of the terms and conditions of this Settlement Contract, including:
642 the Contractor's financial transactions, water supply data, and Project land and right-of-way
643 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
644 data; and other matters that the Contracting Officer may require. Reports thereon shall be
645 furnished to the Contracting Officer in such form and on such date or dates as the Contracting

646 Officer may require. Subject to applicable Federal laws and regulations, each party to this
647 Settlement Contract shall have the right during office hours to examine and make copies of each
648 other's books and official records relating to matters covered by this Settlement Contract.

649 CHANGE OF PLACE OF USE OR ORGANIZATION

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

652 CONSOLIDATION OF CONTRACTING ENTITIES

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

657 No such consolidation shall be valid unless and until approved by the Contracting
658 Officer.

659 NOTICES

660 22. Any notice, demand, or request authorized or required by this Settlement Contract
661 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,
662 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,
663 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United
664 States, when mailed, postage prepaid, or delivered to Conaway Preservation Group, LLC,
665 2251 Fair Oaks Boulevard, Suite 300, Sacramento, California 95825. The designation of the
666 addressee or the address may be changed by notice given in the same manner as provided in this
667 Article for other notices.

668 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

678 OFFICIALS NOT TO BENEFIT

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

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

686 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

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

692 CONFIRMATION OF SETTLEMENT CONTRACT

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

700 UNAVOIDABLE GROUNDWATER PERCOLATION

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

705

PRIVACY ACT COMPLIANCE

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

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

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

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

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

731

WATER CONSERVATION

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

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

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

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

758 (d) If the Contractor is engaged in direct groundwater recharge, such activity
759 shall be described in the Contractor's water conservation plan.

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

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

770 (2) If Reclamation accepts the Offer, the Contractor's payment
771 obligation under Article 8(a)(1) shall be reduced to the maximum quantity of Project Water to be
772 diverted by the Contractor as specified in the Offer. The Contractor shall not divert Project
773 Water in excess of the quantities set forth in the Offer; Provided, however, if the Contractor's
774 diversions of Project Water exceed the quantities set forth in the Offer, the Contractor shall pay
775 to Reclamation the applicable Rates and Charges plus an amount equal to the applicable Rates
776 and Charges, unadjusted for ability to pay, for each acre-foot of Project Water diverted in excess
777 of the quantities set forth in the Offer.

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

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

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OPINIONS AND DETERMINATIONS

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30. (a) Where the terms of this Settlement Contract provide for actions to be

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based upon the opinion or determination of either party to this Settlement Contract, said terms

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shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or

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unreasonable opinions or determinations. Both parties, notwithstanding any other provisions of

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this Settlement Contract, expressly reserve the right to seek relief from and appropriate

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adjustment for any such arbitrary, capricious, or unreasonable opinion or determination. Each

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opinion or determination by either party shall be provided in a timely manner. Nothing in

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subdivision (a) of Article 30 of this Settlement Contract is intended to or shall affect or alter the

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standard of judicial review applicable under Federal law to any opinion or determination

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implementing a specific provision of Federal law embodied in statute or regulation.

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(b) The Contracting Officer shall have the right to make determinations

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necessary to administer this Settlement Contract that are consistent with the provisions of this

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Settlement Contract, the laws of the United States and of the State of California, and the rules

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and regulations promulgated by the Secretary of the Interior. Such determinations shall be made

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in consultation with the Contractor to the extent reasonably practicable.

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CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

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31. (a) In addition to all other payments to be made by the Contractor pursuant to

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this Settlement Contract, the Contractor shall pay to the United States, within 60 days after

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receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for

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such specific items of direct cost incurred by the United States for work requested by the

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Contractor associated with this Settlement Contract plus indirect costs in accordance with

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applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this

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

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

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

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

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

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

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

813 Settlement Contract.

814 WAIVER OF DEFAULT

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

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

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

818 thing which would constitute a default.

819 CONTRACT ASSIGNMENT OR TERMINATION UPON TRANSFER OF LAND

820 33. (a) The rights and obligations of the Contractor may be transferred in

821 connection with the transfer of title to the land or any portion thereof delineated on Exhibit B on

822 the following terms and conditions:

823 (1) A voluntary inter vivos transfer may be made, upon mutual

824 agreement of the United States and the Contractor, to a person eligible to hold title to the land as

825 a nonexcess landowner:

826 (2) A voluntary inter vivos transfer may be made to a person ineligible

827 to hold title to the land as a nonexcess landowner provided that no Project Water may thereafter

828 be used on Excess Lands and the assignee shall not be privileged to obtain such use of Project
829 Water on Excess Lands.

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

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

839 (1) Designate the proportionate quantities of Base Supply and Project
840 Water which it desires to assign;

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

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

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

849

TERMINATION

850

34. This Settlement Contract will terminate upon mutual agreement of the parties

851

prior to the end of the term or any renewal thereof.

852

IN WITNESS WHEREOF, the parties hereto have executed this Settlement

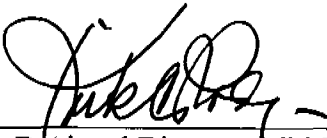
853

Contract as of the day and year first hereinabove written.

854

THE UNITED STATES OF AMERICA

855

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

856

857

858

(SEAL)


APPROVED AS TO LEGAL
FORM AND SUFFICIENCY

859


OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

CONAWAY PRESERVATION GROUP, LLC

860

By: 

861

862

Name: Steve Gidaro

863

864

Title: President

865

(H\public\Sac River Final LTRC's\2005-01-31 Conaway Preservation Group Final Draft

866

Contract with exhibits.doc)

Exhibit A

CONAWAY PRESERVATION GROUP, LLC
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>6,890</u>	<u>0</u>	<u>6,890</u>
May	<u>13,970</u>	<u>0</u>	<u>13,970</u>
June	<u>14,690</u>	<u>0</u>	<u>14,690</u>
July	<u>5,070</u>	<u>304</u>	<u>5,374</u>
August	<u>980</u>	<u>288</u>	<u>1,268</u>
September	<u>6,730</u>	<u>80</u>	<u>6,810</u>
October	<u>1,860</u>	<u>0</u>	<u>1,860</u>
Total	<u>50,190</u>	<u>672</u>	<u>50,862</u>

Points of Diversion: 12.0R

Dated: 01-31-2005



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

Conaway Preservation Group, LLC

Contract No. 14-06-200-7422A-R-1

Exhibit B



-  Contractor's Service Area
-  Point of Diversion



Exhibit C

CONAWAY PRESERVATION GROUP, LLC
Sacramento RiverUNIT DUTY

(In Acre-Feet Per Acre)

	<u>Rice</u>	<u>Alfalfa and Irrigated Pasture</u>	<u>General Crops</u>
June	1.80	0.80	0.60
July	1.90	1.00	0.70
August	1.80	0.80	0.70
September	0.50	0.60	0.40

Dated: 01-31-2005

Exhibit D

CONAWAY PRESERVATION GROUP, LLC
 Sacramento River
2005 Water Rates and Charges per Acre-Foot

COST OF SERVICE RATES:	<u>Irrigation</u>
Capital Rates	
Storage	\$ 4.57
O&M Rates:	
Water Marketing	\$ 6.61
Storage	\$ 5.93
Deficit Rates:	
Interest Bearing	\$ 4.41
CFO/PFR Adjustment Rate 1/	<u>\$ 0.00</u>
TOTAL	<u>\$21.52</u>
RESCHEDULING FEE:	<u>\$5.59</u>
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>\$25.83</u>
Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	<u>\$28.27</u>
CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 2/	
Restoration Payments (3407(d)(2)(A))	<u>\$ 7.93</u>

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

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

**RESOLUTIONS ADOPTED BY THE
UNANIMOUS WRITTEN CONSENT OF THE
MANAGEMENT COMMITTEE OF CONAWAY
PRESERVATION GROUP, LLC, A
CALIFORNIA LIMITED LIABILITY COMPANY**

ON MARCH 2, 2005

WHEREAS, the undersigned constitute all of the members of the management committee of Conaway Preservation Group, LLC ("Company");

WHEREAS, the management committee desires to authorize STEVEN A. GIDARO, as president of the Company, to execute the Contract Between the United States and Conaway Preservation Group, LLC, Divertor of Water from Sacramento River Sources, Settling Water Rights Disputes and Providing for Project Water ("Contract");

RESOLVED, that the Contract is approved as to form;

RESOLVED FURTHER, that STEVEN A. GIDARO, as president of the Company is authorized to execute and deliver the Contract;

RESOLVED FURTHER, that STEVEN A. GIDARO, as president of the Company, is authorized to execute all such other documents, agreements, certificates, and instruments that may be required in order to implement the foregoing resolutions.

JOHN D. REYNEN

LEN C. MCCANDLISS


JACK VAN VALKENBURGH

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