

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

CONTRACT BETWEEN THE UNITED STATES AND  
PLEASANT GROVE-VERONA MUTUAL WATER COMPANY,  
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.....	3-7
2	Term of Settlement Contract.....	7
3	Water to be Furnished to Contractor.....	8-11
4	Return Flow .....	11-12
5	Constraints on the Availability of Water .....	12
6	Integrated Water Management and Partnerships .....	12-13
7	Use of Water Furnished to Contractor .....	13
8	Rate and Method of Payment for Water .....	13-19
9	Agreement on Water Quantities.....	19-21
10	Measurement of Water.....	22-23
11	Rules and Regulations.....	23
12	General Obligation – Benefits Conditioned Upon Payment.....	23-24
13	Charges for Delinquent Payments .....	24
14	Quality of Water .....	24
15	Water and Air Pollution Control.....	25
16	Equal Opportunity.....	25-26
17	Compliance With Civil Rights Laws and Regulations.....	26
18	Mingling of Contractor’s Project and Non-Project Water .....	27-28

Table of Contents - continued

<u>Article No.</u>	<u>Title</u>	<u>Page No.</u>
19	Books, Records, and Reports .....	28
20	Change of Place of Use or Organization.....	28-29
21	Consolidation of Contracting Entities.....	29
22	Notices .....	29
23	Assignment Limited – Successors and Assigns Obligated .....	29-30
24	Officials Not to Benefit.....	30
25	Contingent Upon Appropriation or Allotment of Funds .....	30
26	Confirmation of Settlement Contract.....	30
27	Unavoidable Groundwater Percolation.....	30-31
28	Privacy Act Compliance .....	31
29	Water Conservation .....	31-34
30	Opinions and Determinations .....	34
31	Contractor to Pay Certain Miscellaneous Costs.....	34-35
32	Waiver of Default .....	35
	Signature Page .....	36
Exhibit A	Schedule of Monthly Diversions of Water	
Exhibit B	Map of Contractor’s Ownership	
Exhibit C	Unit Duty	
Exhibit D	Water Rates and Charges	

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

5 CONTRACT BETWEEN THE UNITED STATES AND  
6 PLEASANT GROVE-VERONA MUTUAL WATER COMPANY,  
7 DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,  
8 SETTLING WATER RIGHTS DISPUTES AND  
9 PROVIDING FOR PROJECT WATER

10 THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into  
11 by THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made  
12 this 28<sup>th</sup> day of February, 2005, pursuant to the applicable authority  
13 granted to it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or  
14 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),  
15 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,  
16 including, but not limited to, Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21,  
17 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as  
18 amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively  
19 hereinafter referred to as Federal Reclamation law, and PLEASANT GROVE-VERONA  
20 MUTUAL WATER COMPANY, hereinafter referred to as the Contractor, a California  
21 corporation acting pursuant to Sections 12003 and 12004 of the California Water Code, as agent  
22 for and on behalf of its shareholders, the owners of the underlying water rights within the  
23 Contractor's service area, with its principal place of business in California;

24 WITNESSETH, that:

25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46

EXPLANATORY RECITALS

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

[2<sup>nd</sup>] WHEREAS, the Contractor's shareholders have rights to divert, are 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;

[3<sup>rd</sup>] 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

[4<sup>th</sup>] 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

[5<sup>th</sup>] WHEREAS, the Contractor's shareholders 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. 14-06-200-5520A, as revised, 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 or its shareholders from the Sacramento River pursuant to such contract; and

47 [6<sup>th</sup>] WHEREAS, the United States and the Contractor disagree with respect to the  
48 authority of the United States to change the quantities of Base Supply and/or Project Water  
49 specified as available for diversion in this Settlement Contract from the quantities specified in  
50 the Existing Contract, and other issues related thereto. That dispute was the subject of litigation  
51 in a lawsuit entitled *Glenn-Colusa Irrigation District, et al. v. United States, et al.* [Civ. No. S-  
52 01-1816 GEB/JFM (E.D. Cal.)], but that litigation was dismissed, without prejudice, pursuant to  
53 a stipulation of dismissal filed by the parties thereto on August 29, 2002. Notwithstanding that  
54 dismissal, the Contractor and the United States enter into this Settlement Contract to renew the  
55 Existing Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and  
56 the laws of the State of California; and

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

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

63 DEFINITIONS

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

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

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

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

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

84                   (e)     “Critical Year” shall mean any Year in which either of the following  
85 eventualities exists:

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

90                             (2)     The total accumulated actual deficiencies below 4 million acre-feet  
91 in the immediately prior Water Year or series of successive prior Water Years each of which had

92 inflows of less than 4 million acre-feet, which together with the forecasted deficiency for the  
93 current Water Year, exceed 800,000 acre-feet.

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

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

107 (g) "Eligible Lands" shall mean all lands to which Project Water may be  
108 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982  
109 (96 Stat. 1263), as amended, hereinafter referred to as RRA;

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

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

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

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

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

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

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

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

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



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

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

140 TERM OF SETTLEMENT CONTRACT

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

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

160 WATER TO BE FURNISHED TO CONTRACTOR

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

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

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

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

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

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

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

202 (d) In the event conditions warrant, the Contracting Officer reserves the right  
203 to require the Contractor to submit, at least 72 hours prior to the beginning of each weekly  
204 period, its estimate of daily diversion requirements for each such period from the Sacramento

205 River; Provided, however, that changes during any such period may be made upon the giving of  
206 72 hours' notice thereof to the Contracting Officer.

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

222 (f) For the purpose of determining whether Section 3405(a)(1)(M) of the  
223 CVPIA applies to the Contractor as a transferor or transferee of Project Water, the Contracting  
224 Officer acknowledges that the Contractor's shareholders are within a county, watershed, or other  
225 area of origin, as those terms are utilized under California law.

226 (g) Nothing herein contained shall prevent the Contractor or its shareholders  
227 from diverting water during the months of November through March for beneficial use on the

228 land shown on Exhibit B or elsewhere to the extent authorized under the laws of the State of  
229 California.

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

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

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

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

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

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

248 RETURN FLOW

249 4. Nothing herein shall be construed as an abandonment or a relinquishment by the  
250 United States of any right it may have to the use of waste, seepage, and return flow water derived

251 from water diverted by the Contractor or its shareholders hereunder and which escapes or is  
252 discharged beyond the boundaries of the lands shown on Exhibit B; Provided, that this shall not  
253 be construed as claiming for the United States any right to such water which is recovered by the  
254 Contractor or its shareholders pursuant to California law from within the boundaries of the lands  
255 shown on Exhibit B, and which is being used pursuant to this Settlement Contract for surface  
256 irrigation or underground storage for the benefit of the lands shown on Exhibit B by the  
257 Contractor.

258 CONSTRAINTS ON THE AVAILABILITY OF WATER

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

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

267 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

268 6. The Contractor and United States desire to work together to maximize the  
269 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States  
270 and the Contractor will work in partnership and with others within the Sacramento Valley,  
271 including other contractors, to facilitate the better integration within the Sacramento Valley of all  
272 water supplies including, but not limited to, the better management and integration of surface  
273 water and groundwater, the development and better utilization of surface water storage, the

274 effective utilization of waste, seepage and return flow water, and other operational and  
275 management options that may be identified in the future.

276 USE OF WATER FURNISHED TO CONTRACTOR

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

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

294 RATE AND METHOD OF PAYMENT FOR WATER

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

297 (1) 75 percent of the amount shown as Project Water shall be paid for  
298 by the Contractor in each Year; and in addition

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

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

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

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



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

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

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

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

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

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

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

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

361 (f) The parties acknowledge and agree that the efficient administration of this  
362 Settlement Contract is their mutual goal. Recognizing that experience has demonstrated that  
363 mechanisms, policies, and procedures used for establishing Rates and Charges and/or for making  
364 and allocating payments, other than those set forth in this Article may be in the mutual best

365 interest of the parties, it is expressly agreed that the parties may enter into agreements to modify  
366 the mechanisms, policies, and procedures for any of those purposes while this Settlement  
367 Contract is in effect without amendment of this Settlement Contract.

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

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

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

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

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

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

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

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

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

412 AGREEMENT ON WATER QUANTITIES

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

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

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

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

432 effect to such judgment. In the event the parties are unable to agree on an appropriate  
433 amendment they shall, within 60 days of determining that there is an impasse, employ the  
434 services of a neutral mediator, experienced in resolving water rights disputes, to assist in  
435 resolving the impasse. The cost of the mediation will be shared equally. A failure to reach  
436 agreement on an amendment within 60 days of the end of mediation will cause the immediate  
437 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 United States' or the Contractor's shareholders' water rights in order to impose  
441 Bay-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 the United States or the Contractor's shareholders with  
467 regard to their respective water rights or the yield thereof at all times after the Settlement  
468 Contract terminates. It is further agreed that the Contractor at all times will first use water to the  
469 use of which its shareholders are entitled by virtue of their own water rights, and neither the  
470 provisions of this Settlement Contract, action taken thereunder, nor payments made thereunder to  
471 the United States by the Contractor shall be construed as an admission that any part of the water  
472 used by the Contractor's shareholders during the term of this Settlement Contract was in fact  
473 water to which its shareholders would not have been entitled under their respective water rights  
474 nor shall receipt of payments thereunder by the United States from the Contractor be construed  
475 as an admission that any part of the water used by the Contractor's shareholders during the term  
476 of this Settlement Contract was in fact water to which its shareholders would have been entitled  
477 under water rights owned by them.

478

MEASUREMENT OF WATER

479

10. (a) All water diverted by the Contractor or its shareholders from the

480

Sacramento River will be diverted at the existing point or points of diversion shown on Exhibit A

481

or at such other points as may be mutually agreed upon in writing by the Contracting Officer and

482

the Contractor.

483

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

484

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

485

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

486

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

487

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

488

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

489

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

490

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

491

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

492

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

493

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

494

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

495

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

496

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

497

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

498

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

499

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



500 the existence of the emergency and the nature and extent of such modification, alteration,  
501 removal, or replacement of diversion facilities.

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

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

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

512 RULES AND REGULATIONS

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

518 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

523 (b) The payment of Charges becoming due hereunder is a condition precedent  
524 to receiving benefits under this Settlement Contract. The United States shall not make water  
525 available to the Contractor through Project facilities during any period in which the Contractor

526 may be in arrears in the advance payment of water Rates due the United States. The Contractor  
527 shall not furnish water made available pursuant to this Settlement Contract for lands or parties  
528 which are in arrears in the advance payment of water rates levied or established by the  
529 Contractor.

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

532 CHARGES FOR DELINQUENT PAYMENTS

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

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

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

550 QUALITY OF WATER

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

556

WATER AND AIR POLLUTION CONTROL

557

15. The Contractor, in carrying out this Settlement Contract, shall comply with all

558

applicable water and air pollution laws and regulations of the United States and the State of

559

California, and shall obtain all required permits or licenses from the appropriate Federal, State,

560

or local authorities.

561

EQUAL OPPORTUNITY

562

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

563

564

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

565

566

567

568

569

570

571

572

573

574

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

575

576

577

578

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

579

580

581

582

583

584

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

585

586

587

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

588

589

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

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

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

608 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

609 17. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964  
610 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the  
611 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights  
612 laws, as well as with their respective implementing regulations and guidelines imposed by the  
613 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

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

630 18. (a) Project Water must of necessity be transported by the Contractor to its  
631 water users by means of the same works and channels used for the transport of its non-Project  
632 Water including Base Supply. Notwithstanding such mingling of water, the provisions of Article  
633 11 hereof shall be applicable only to Project Water, and such mingling of water shall not in any  
634 manner subject to the provisions of Article 11 hereof the Contractor's non-Project Water  
635 including Base Supply.

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

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

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

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

662 BOOKS, RECORDS, AND REPORTS

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

672 CHANGE OF PLACE OF USE OR ORGANIZATION

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

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

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

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

684 CONSOLIDATION OF CONTRACTING ENTITIES

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

689 No such consolidation shall be valid unless and until approved by the Contracting  
690 Officer.

691 NOTICES

692 22. Any notice, demand, or request authorized or required by this Settlement Contract  
693 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,  
694 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,  
695 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United  
696 States, when mailed, postage prepaid, or delivered to the Board of Directors of the Pleasant  
697 Grove-Verona Mutual Water Company, c/o MBK Engineers, 2450 Alhambra Boulevard, 2<sup>nd</sup>  
698 Floor, Sacramento, California 95817. The designation of the addressee or the address may be  
699 changed by notice given in the same manner as provided in this Article for other notices.

700 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

701  
702 23. (a) The provisions of this Settlement Contract shall apply to and bind the  
703 successors and assigns of the parties hereto, but no assignment or transfer of this Settlement  
704 Contract or any right or interest therein shall be valid until approved in writing by the  
705 Contracting Officer.

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

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

711 OFFICIALS NOT TO BENEFIT

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

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

719 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

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

725 CONFIRMATION OF SETTLEMENT CONTRACT

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

733 UNAVOIDABLE GROUNDWATER PERCOLATION

734 27. To the extent applicable, the Contractor shall not be deemed to have delivered  
735 Project Water to Excess Lands or Ineligible Lands if such lands are irrigated with groundwater



736 that reaches the underground strata as an unavoidable result of the delivery of Project Water by  
737 the Contractor to Eligible Lands.

738 PRIVACY ACT COMPLIANCE

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

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

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

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

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

764 WATER CONSERVATION

765 29. (a) Prior to the diversion of Project Water, the Contractor shall be  
766 implementing an effective water conservation and efficiency program based on the Basin-Wide  
767 Water Management Plan and/or Contractor's water conservation plan that has been determined  
768 by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water

769 conservation plans established under Federal law. The water conservation and efficiency  
770 program shall contain definite water conservation objectives, appropriate economically feasible  
771 water conservation measures, and time schedules for meeting those objectives. Continued  
772 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the  
773 Contractor's continued implementation of such water conservation program. In the event the  
774 Contractor's water conservation plan or any revised water conservation plan completed pursuant  
775 to subdivision (c) of Article 29 of this Settlement Contract have not yet been determined by the  
776 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer  
777 determines are beyond the control of the Contractor, Project Water deliveries shall be made  
778 under this Settlement Contract so long as the Contractor diligently works with the Contracting  
779 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor  
780 immediately begins implementing its water conservation and efficiency program in accordance  
781 with the time schedules therein.

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

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

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

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

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

803 (2) If Reclamation accepts the Offer, the Contractor's payment  
804 obligation under Article 8(a)(1) shall be reduced to the maximum quantity of Project Water to be  
805 diverted by the Contractor as specified in the Offer. The Contractor shall not divert Project  
806 Water in excess of the quantities set forth in the Offer; Provided, however, if the Contractor's  
807 diversions of Project Water exceed the quantities set forth in the Offer, the Contractor shall pay  
808 to Reclamation the applicable Rates and Charges plus an amount equal to the applicable Rates  
809 and Charges, unadjusted for ability to pay, for each acre-foot of Project Water diverted in excess  
810 of the quantities set forth in the Offer.

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

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

816 OPINIONS AND DETERMINATIONS

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

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

832 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

833 31. (a) In addition to all other payments to be made by the Contractor pursuant to  
834 this Settlement Contract, the Contractor shall pay to the United States, within 60 days after  
835 receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for

836 such specific items of direct cost incurred by the United States for work requested by the  
837 Contractor associated with this Settlement Contract plus indirect costs in accordance with  
838 applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this  
839 Article shall not exceed the amount agreed to in writing in advance by the Contractor. This  
840 Article shall not apply to costs for routine contract administration.

841 (b) All advances for miscellaneous costs incurred for work requested by the  
842 Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the  
843 actual costs when the work has been completed. If the advances exceed the actual costs incurred,  
844 the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's  
845 advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this  
846 Settlement Contract.

847 WAIVER OF DEFAULT

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

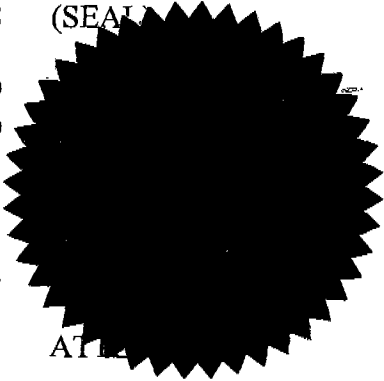
852 IN WITNESS WHEREOF, the parties hereto have executed this Settlement Contract  
853 as of the day and year first hereinabove written.

854 THE UNITED STATES OF AMERICA

APPROVED AS TO LEGAL  
FORM AND SUFFICIENCY  
*James E. Turner*  
OFFICE OF REGIONAL SOLICITOR  
DEPARTMENT OF THE INTERIOR

By: *[Signature]*  
Regional Director, Mid-Pacific Region  
Bureau of Reclamation

858 (SEAL)



859 PLEASANT GROVE-VERONA MUTUAL  
860 WATER COMPANY

By: *[Signature]*  
President

861 AT  
862  
863

864 *[Signature]*  
865 Secretary

866 (H:\public\Sac River Final LTRC's \2005-01-31 Pleasant Grove Verona MWC Final Draft with  
867 exhibits.doc)

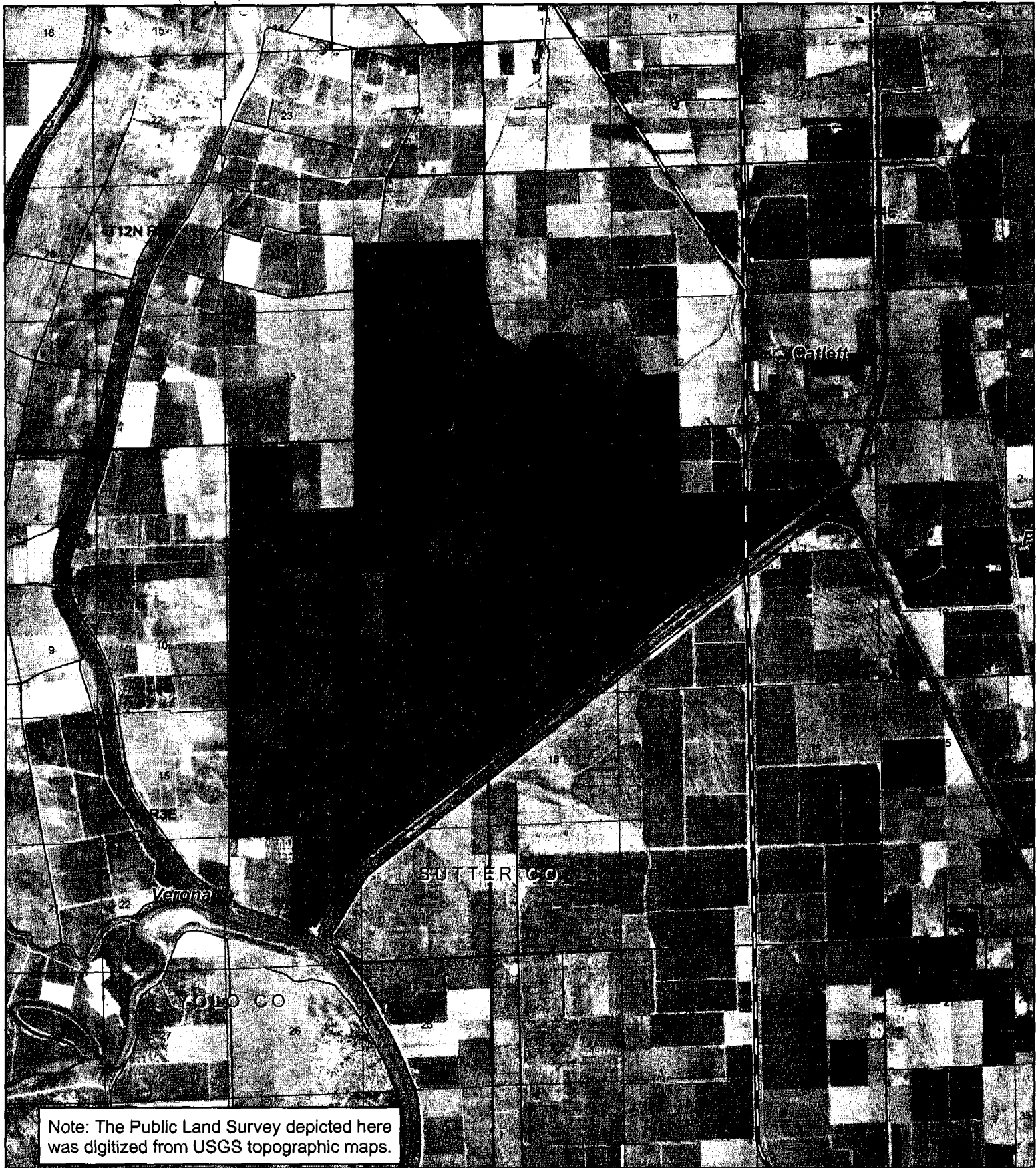
## Exhibit A

PLEASANT GROVE-VERONA MUTUAL WATER COMPANY  
Sacramento RiverSCHEDULE 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>2,360</u>	<u>0</u>	<u>2,360</u>
May	<u>5,250</u>	<u>0</u>	<u>5,250</u>
June	<u>6,690</u>	<u>0</u>	<u>6,690</u>
July	<u>2,980</u>	<u>700</u>	<u>3,680</u>
August	<u>1,890</u>	<u>1,800</u>	<u>3,690</u>
September	<u>3,100</u>	<u>0</u>	<u>3,100</u>
October	<u>1,520</u>	<u>0</u>	<u>1,520</u>
Total	<u>23,790</u>	<u>2,500</u>	<u>26,290</u>

Points of Diversion: 19.6L, (Natomas Cross Canal at 3.3N and 3.45N)

Dated: 01-31-2005



# Pleasant Grove-Verona M.W.C.

Contract No. 14-06-200-5520A-R-1

Exhibit B

 Contractor's Service Area

 District Boundary

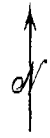
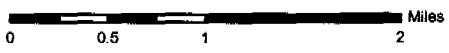




Exhibit C

PLEASANT GROVE-VERONA MUTUAL WATER COMPANY  
Sacramento River

UNIT 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

PLEASANT GROVE-VERONA MUTUAL WATER COMPANY  
 Sacramento River  
2005 Water Rates and Charges per Acre-Foot

<u>COST OF SERVICE RATES:</u>	<u>Irrigation</u>
Capital Rates	
Storage	\$ 4.79
O&M Rates:	
Water Marketing	\$ 6.61
Storage	\$ 5.93
Deficit Rates:	
Interest Bearing	\$ 7.20
CFO/PFR Adjustment Rate 1/	<u>\$ 1.24</u>
 TOTAL	 <u>\$25.77</u>

RESCHEDULING FEE: \$5.70

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. \$28.03

Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981. \$30.64

CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 2/

Restoration Payments (3407(d)(2)(A)) \$ 7.93

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

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

**BOARD OF DIRECTORS**  
**PLEASANT GROVE-VERONA MUTUAL WATER COMPANY**

**RESOLUTION NO. 02-28-05**

**RESOLUTION APPROVING LONG-TERM RENEWAL  
OF CONTRACT BETWEEN THE UNITED STATES AND  
PLEASANT GROVE-VERONA MUTUAL WATER COMPANY, DIVERTER OF  
WATER FROM SACRAMENTO RIVER SOURCES, SETTling WATER  
RIGHTS DISPUTES AND PROVIDING FOR PROJECT WATER**

---

WHEREAS Pleasant Grove-Verona Mutual Water Company (the "Company") has, since 1964, held a water rights settlement contract with the United States Department of the Interior, Bureau of Reclamation ("Reclamation") bearing Contract No. 14-06-200-5520A (the "Original Contract").

WHEREAS the Original Contract would have expired on March 31, 2004.

WHEREAS in advance of that expiration, the Company and Reclamation entered into negotiations for a long-term renewal of the Original Contract.

WHEREAS by Act of Congress, the Original Contract was extended for a period of two years, because the negotiations and related procedures had not been completed by March 31, 2004.

WHEREAS the negotiations and related procedures have now been completed, and Reclamation has presented to the Company the agreed-upon final form of renewal contract bearing Contract No. 14-06-200-5520A-R1 (the "Renewal Contract").

WHEREAS the Board of Directors of the Company finds and determines that it is in the best interest of the Company to approve the Renewal Contract and to authorize the staff of the Company to carry out any actions necessary to implement the Renewal Contract.

NOW, THEREFORE, BE IT RESOLVED that:

1. The Board of Directors of the Company hereby approves the Renewal Contract between Reclamation and the Company.
2. Brett Scheidel, President, and Nicoli Nicholas, Secretary, are authorized and directed to execute the Renewal Contract on behalf of the Company.

3. The Staff of the Company are authorized and directed to take any other action necessary to implement the terms of the Renewal Contract.

PASSED AND ADOPTED by vote of the Board of Directors on FEB 28, 2005.

By Brett Scheidel

Brett Scheidel  
President, Board of Directors

CERTIFICATION

I, Nicoli Nicholas, certify that I am, and at all times mentioned herein was, the duly appointed, qualified and acting Secretary of the Pleasant Grove-Verona Mutual Water Company, a corporation organized and existing under and by virtue of the laws of the State of California; that the foregoing is a full, true and correct copy of a Resolution duly and regularly adopted at a meeting of the Board of Directors of said Company duly and specially held the 28 day of February 2005, a majority and quorum of the members of said Board being present and voting in favor of said Resolution; and that said Resolution has not been modified, rescinded, altered or amended and is now in full force and effect.

WITNESS my hand this 28 day of February, 2005.

Nicoli Nicholas  
Nicoli Nicholas  
Secretary, Board of Directors