

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

CONTRACT BETWEEN THE UNITED STATES AND
ABDUL AND TAHMINA RAUF,
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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6 Central Valley Project, California

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8 ABDUL AND TAHMINA RAUF,
9 DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
10 SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER

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

23 WITNESSETH, that:

EXPLANATORY RECITALS

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

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

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

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

[5th] WHEREAS, the Contractor and the United States had a dispute over the respective rights of the parties to divert and use water from the regulated flow of the Sacramento River which threatened to result in litigation, and as a means to settle that dispute entered into Contract No. 8-07-20-W0117, 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

[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

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

55 [7th] WHEREAS, to assure the Contractor of the enjoyment and use of the regulated
56 flow of the said Rivers and the Delta, and to provide for the economical operation of the Central
57 Valley Project by, and the reimbursement to, the United States for expenditures made for said
58 Project.

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

61 DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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TERM OF SETTLEMENT CONTRACT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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WATER TO BE FURNISHED TO CONTRACTOR

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

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

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

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

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

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

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

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

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

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

199 (d) In the event conditions warrant, the Contracting Officer reserves the right
200 to require the Contractor to submit, at least 72 hours prior to the beginning of each weekly
201 period, its estimate of daily diversion requirements for each such period from the Sacramento
202 River; Provided, however, that changes during any such period may be made upon the giving of
203 72 hours' notice thereof to the Contracting Officer.

204 (e) No sale, transfer, exchange, or other disposal of any of the Contract Total
205 designated in Exhibit A or the right to the use thereof for use on land other than that shown on

206 Exhibit B shall be made by the Contractor without first obtaining the written consent of the
207 Contracting Officer. Such consent will not be unreasonably withheld and a decision will be
208 rendered in a timely manner. For short-term actions that will occur within one year or less, the
209 decision will be rendered within 30 days after receipt of a complete written proposal. For long-
210 term actions that will occur in a period longer than one year, the decision will be rendered within
211 90 days after receipt of a complete written proposal. For a proposal to be deemed complete by
212 the Contracting Officer, it must comply with all provisions required by State and Federal law,
213 including information sufficient to enable the Contracting Officer to comply with the National
214 Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then
215 in effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate
216 or effectuate the sale, transfer, exchange, or other disposal of Base Supply. Such use of Federal
217 facilities will be the subject of a separate agreement to be entered into between the Contractor
218 and Reclamation.

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

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

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

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

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

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

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

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

244 RETURN FLOW

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

251 which is being used pursuant to this Settlement Contract for surface irrigation or underground
252 storage for the benefit of the lands shown on Exhibit B by the Contractor.

253 CONSTRAINTS ON THE AVAILABILITY OF WATER

254 5. (a) In a Critical Year, the Contractor's Base Supply and Project Water agreed
255 to be diverted during the period April through October of the Year in which the principal portion
256 of the Critical Year occurs and, each monthly quantity of said period shall be reduced by
257 25 percent.

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

262 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

263 6. The Contractor and United States desire to work together to maximize the
264 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States
265 and the Contractor will work in partnership and with others within the Sacramento Valley,
266 including other contractors, to facilitate the better integration within the Sacramento Valley of all
267 water supplies including, but not limited to, the better management and integration of surface
268 water and groundwater, the development and better utilization of surface water storage, the
269 effective utilization of waste, seepage and return flow water, and other operational and
270 management options that may be identified in the future.

271 USE OF WATER FURNISHED TO CONTRACTOR

272 7. (a) Project Water furnished to the Contractor pursuant to this Settlement
273 Contract shall not be delivered or furnished by the Contractor for any purposes other than

274 agricultural purposes without the written consent of the Contracting Officer. For purposes of this
275 Settlement Contract, "agricultural purposes" includes, but is not restricted to, the irrigation of
276 crops, the watering of livestock, incidental domestic use including related landscape irrigation,
277 and underground water replenishment.

278 (b) The Contractor shall comply with requirements applicable to the
279 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
280 of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of
281 1973, as amended, that are within the Contractor's legal authority to implement. The Existing
282 Contract, which evidences in excess of 40 years of diversions, for agricultural uses, of the
283 quantities of water provided for in Article 3, and the underlying water rights of the Contractor
284 will be considered in developing an appropriate base-line for the Biological Assessment prepared
285 pursuant to the Endangered Species Act, and in any other needed environmental review.
286 Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial
287 relief in a court of competent jurisdiction with respect to any biological opinion or other
288 environmental documentation referred to in this Article.

289 RATE AND METHOD OF PAYMENT FOR WATER

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

292 (1) 75 percent of the amount shown as Project Water shall be paid for
293 by the Contractor in each Year; and in addition

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

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

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

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

316 (2) Prior to October 1 of each Year, the Contracting Officer shall make
317 available to the Contractor an estimate of the Rates for Project Water for the following Year and
318 the computations and cost allocations upon which those Rates are based. The Contractor shall be

319 allowed not less than two months to review and comment on such computations and cost
320 allocations. By December 31 of each Year, the Contracting Officer shall provide the Contractor
321 with the final Rates to be in effect for the upcoming Year, and such notification shall revise
322 Exhibit D.

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

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

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

340 (d) Payments to be made by the Contractor to the United States under this
341 Settlement Contract may be paid from any revenues available to the Contractor. All revenues

342 received by the United States from the Contractor relating to the delivery of Project Water or the
343 delivery of non-Project Water through Project facilities shall be allocated and applied in
344 accordance with Federal Reclamation law and the associated rules or regulations, and the then
345 current Project ratesetting policies for irrigation water.

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

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

362 (g) For the term of this Settlement Contract, Rates under the respective
363 ratesetting policies for the Project will be established to recover only reimbursable operation and
364 maintenance (including any deficits) and capital costs of the Project, as those terms are used in

365 the then current Project ratesetting policies, and interest, where appropriate, except in instances
366 where a minimum Rate is applicable in accordance with the relevant Project ratesetting policy.
367 Proposed changes of significance in practices which implement the ratesetting policies for the
368 Project will not be implemented until the Contracting Officer has provided the Contractor an
369 opportunity to discuss the nature, need, and impact of the proposed change. The Contractor
370 retains all rights to challenge the validity of Rates and Charges imposed pursuant to this
371 Settlement Contract, including but not limited to operation and maintenance expenses and
372 operation and maintenance deficits, in an appropriate administrative or judicial proceeding.

373 (h) Except as provided in subsection 3405(a)(1)(B) of the CVPIA, the Rates
374 for Project Water transferred, exchanged, or otherwise disposed of, by the Contractor shall be the
375 Contractor's Rates adjusted upward or downward to reflect the changed costs of delivery (if any)
376 of the transferred, exchanged, or otherwise disposed of Project Water to the transferee's point of
377 delivery in accordance with the then-current ratesetting policies for the Project. Except as
378 provided in subsection 3407(d)(2)(A) of the CVPIA, the Charges for Project Water transferred,
379 exchanged, or otherwise disposed of, by the Contractor shall be the Contractor's Charges
380 specified in Exhibit D. If the Contractor is receiving lower Rates and Charges because of
381 inability to pay and is transferring, exchanging, or otherwise disposing of Project Water to
382 another entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and
383 Charges for transferred, exchanged, or otherwise disposed of Project Water shall be the
384 Contractor's Rates and Charges unadjusted for ability to pay.

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

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

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

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

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

403 (4) Any injunctive process enjoining or restraining the Contractor
404 from making or collecting any such assessment, toll, or other charge referred to in subsection
405 8(c)(2) of this Settlement Contract.

406 AGREEMENT ON WATER QUANTITIES

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

408 (1) It shall constitute full agreement as between the United States and
409 the Contractor as to the quantities of water and the allocation thereof between Base Supply and

410 Project Water which may be diverted by the Contractor from the Sacramento River for beneficial
411 use on the land shown on Exhibit B from April 1 through October 31, which said diversion, use,
412 and allocation shall not be disturbed so long as the Contractor shall fulfill all of its obligations
413 hereunder;

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

416 (b) Nothing herein contained is intended to or does limit rights of the
417 Contractor against others than the United States or of the United States against any person other
418 than the Contractor; Provided, however, that in the event the Contractor, the United States, or
419 any other person shall become a party to a general adjudication of rights to the use of water of
420 the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position
421 of either party hereto or of any other person and the rights of all such persons in respect to the
422 use of such water shall be determined in such proceedings the same as if this Settlement Contract
423 had not been entered into, and if final judgment in any such general adjudication shall determine
424 that the rights of the parties hereto are different from the rights as assumed herein, the parties
425 shall negotiate an amendment to give effect to such judgment. In the event the parties are unable
426 to agree on an appropriate amendment they shall, within 60 days of determining that there is an
427 impasse, employ the services of a neutral mediator, experienced in resolving water rights
428 disputes, to assist in resolving the impasse. The cost of the mediation will be shared equally. A
429 failure to reach agreement on an amendment within 60 days of the end of mediation will cause
430 the immediate termination of this Settlement Contract.

431 (c) In the event that the California State Water Resources Control Board or a
432 court of competent jurisdiction issues a final decision or order modifying the terms and

433 conditions of the water rights of either party to this Settlement Contract in order to impose Bay-
434 Delta water quality obligations, the Contractor and the United States shall promptly meet to
435 determine whether or not to modify any of the terms of this Settlement Contract to comply with
436 the final decision or order, including, but not limited to, the applicability of the rescheduling
437 charge in Article 3(c)(1) of this Settlement Contract. If within 60 days of the date of the issuance
438 of the final decision or order the parties are not able to reach agreement regarding either the need
439 to modify this Settlement Contract or the manner in which this Settlement Contract is to be
440 modified, the parties shall promptly retain a neutral mediator, experienced in resolving water
441 right disputes, to assist the parties in resolving their dispute. The cost of the mediator shall be
442 shared equally. In the event that either of the parties to this Settlement Contract determines that
443 the parties will not be able to develop mutually-agreeable modification(s) to this Settlement
444 Contract even with the assistance of a mediator, either of the parties to this Settlement Contract
445 may attempt to resolve the impasse by seeking appropriate judicial relief including, but not
446 limited to, filing a general adjudication of the rights to the use of water in the Sacramento River
447 system. The foregoing provisions of this sub-article shall only apply to the incremental
448 obligations contained within a final decision or order of the State Water Resources Control
449 Board that reflects a modification to the obligations imposed in State Water Resources Control
450 Board Revised Water Rights Decision 1641 dated March 15, 2000, and its associated 1995 Water
451 Quality Control Plan which, taken together, will be considered the baseline for the application of
452 the provisions of this sub-article.

453 (d) In the event this Settlement Contract terminates, the rights of the parties to
454 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;
455 and the fact that as a compromise settlement of a controversy as to the respective rights of the

456 parties to divert and use water and the yield of such rights during the term hereof, this Settlement
457 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the
458 Settlement Contract term and segregates it into Base Supply and Project Water shall not
459 jeopardize the rights or position of either party with respect to its water rights or the yield thereof
460 at all times after the Settlement Contract terminates. It is further agreed that the Contractor at all
461 times will first use water to the use of which it is entitled by virtue of its own water rights, and
462 neither the provisions of this Settlement Contract, action taken thereunder, nor payments made
463 thereunder to the United States by the Contractor shall be construed as an admission that any part
464 of the water used by the Contractor during the term of this Settlement Contract was in fact water
465 to which it would not have been entitled under water rights owned by it nor shall receipt of
466 payments thereunder by the United States from the Contractor be construed as an admission that
467 any part of the water used by the Contractor during the term of this Settlement Contract was in
468 fact water to which it would have been entitled under water rights owned by it.

469 MEASUREMENT OF WATER

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

473 (b) All water diverted from the Sacramento River pursuant to this Settlement
474 Contract will be measured or caused to be measured by the United States at each point of
475 diversion with existing equipment or equipment to be installed, operated, and maintained by the
476 United States, and/or others, under contract with and at the option of the United States. The
477 equipment and methods used to make such measurement shall be in accordance with sound

478 engineering practices. Upon request of the Contractor, the accuracy of such measurements will
479 be investigated by the Contracting Officer and any errors appearing therein will be corrected.

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

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

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

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

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

502 RULES AND REGULATIONS

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

508 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

522 CHARGES FOR DELINQUENT PAYMENTS

523 13. (a) The Contractor shall be subject to interest, administrative and penalty
524 charges on delinquent installments or payments. When a payment is not received by the due
525 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
526 the due date. When a payment becomes 60 days delinquent, the Contractor shall pay an
527 administrative charge to cover additional costs of billing and processing the delinquent payment.
528 When a payment is delinquent 90 days or more, the Contractor shall pay an additional penalty
529 charge of six percent per year for each day the payment is delinquent beyond the due date.

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

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

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

540 QUALITY OF WATER

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

546 WATER AND AIR POLLUTION CONTROL

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

551 EQUAL OPPORTUNITY

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

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

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

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

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

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

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

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

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

598 17. Omitted.

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

600 18. (a) Project Water must of necessity be transported by the Contractor to its
601 water users by means of the same works and channels used for the transport of its non-Project
602 Water including Base Supply. Notwithstanding such mingling of water, the provisions of Article
603 11 hereof shall be applicable only to Project Water, and such mingling of water shall not in any
604 manner subject to the provisions of Article 11 hereof the Contractor's non-Project Water
605 including Base Supply.

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

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

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

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

632 BOOKS, RECORDS, AND REPORTS

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

642 CHANGE OF PLACE OF USE OR ORGANIZATION

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

645 CONSOLIDATION OF CONTRACTING ENTITIES

646 21. Consolidation of Contractors may be approved by the Contracting Officer
647 provided: (i) the Contracting Officer approves the form and organization of the resulting entity

648 and the utilization by it of the Contract Total; and (ii) the obligations of the Contractors are
649 assumed by such entity.

650 No such consolidation shall be valid unless and until approved by the Contracting
651 Officer.

652 NOTICES

653 22. Any notice, demand, or request authorized or required by this Settlement Contract
654 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,
655 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,
656 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United
657 States, when mailed, postage prepaid, or delivered to Abdul and Tahmina Rauf, 3170 Yarwood
658 Way, Sacramento, California 95833. The designation of the addressee or the address may be
659 changed by notice given in the same manner as provided in this Article for other notices.

660 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

670 OFFICIALS NOT TO BENEFIT

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

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

678 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

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

684 CONFIRMATION OF SETTLEMENT CONTRACT

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

692 UNAVOIDABLE GROUNDWATER PERCOLATION

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

697 PRIVACY ACT COMPLIANCE

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

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

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

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

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

723 WATER CONSERVATION

724 29. (a) Prior to the diversion of Project Water, the Contractor shall be
725 implementing an effective water conservation and efficiency program based on the Basin-Wide
726 Water Management Plan and/or Contractor's water conservation plan that has been determined
727 by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water
728 conservation plans established under Federal law. The water conservation and efficiency
729 program shall contain definite water conservation objectives, appropriate economically feasible
730 water conservation measures, and time schedules for meeting those objectives. Continued
731 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the
732 Contractor's continued implementation of such water conservation program. In the event the
733 Contractor's water conservation plan or any revised water conservation plan completed pursuant
734 to subdivision (c) of Article 29 of this Settlement Contract have not yet been determined by the
735 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer
736 determines are beyond the control of the Contractor, Project Water deliveries shall be made
737 under this Settlement Contract so long as the Contractor diligently works with the Contracting
738 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor

739 immediately begins implementing its water conservation and efficiency program in accordance
740 with the time schedules therein.

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

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

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

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

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

762 (2) If Reclamation accepts the Offer, the Contractor's payment
763 obligation under Article 8(a)(1) shall be reduced to the maximum quantity of Project Water to be
764 diverted by the Contractor as specified in the Offer. The Contractor shall not divert Project
765 Water in excess of the quantities set forth in the Offer; Provided, however, if the Contractor's
766 diversions of Project Water exceed the quantities set forth in the Offer, the Contractor shall pay
767 to Reclamation the applicable Rates and Charges plus an amount equal to the applicable Rates
768 and Charges, unadjusted for ability to pay, for each acre-foot of Project Water diverted in excess
769 of the quantities set forth in the Offer.

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

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

775 OPINIONS AND DETERMINATIONS

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

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

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

791 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

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

800 (b) All advances for miscellaneous costs incurred for work requested by the
801 Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the
802 actual costs when the work has been completed. If the advances exceed the actual costs incurred,
803 the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's
804 advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this
805 Settlement Contract.

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WAIVER OF DEFAULT

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

CONTRACT ASSIGNMENT OR TERMINATION UPON TRANSFER OF LAND

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

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

(2) A voluntary inter vivos transfer may be made to a person ineligible to hold title to the land as a nonexcess landowner provided that no Project Water may thereafter be used on Excess Lands and the assignee shall not be privileged to obtain such use of Project Water on Excess Lands.

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

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

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

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

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

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

841 TERMINATION

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

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

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

THE UNITED STATES OF AMERICA

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

850 (SEAL)

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854
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CONTRACTORS:

[Signature]
Abdul Rauf

[Signature]
Tahmina Rauf

856 (H:\public\Sac River Final LTRC's - 01\2005-01-31 Rauf, Abdul and Tahmina Final Draft
857 Contract with exhibits.doc)

Exhibit A

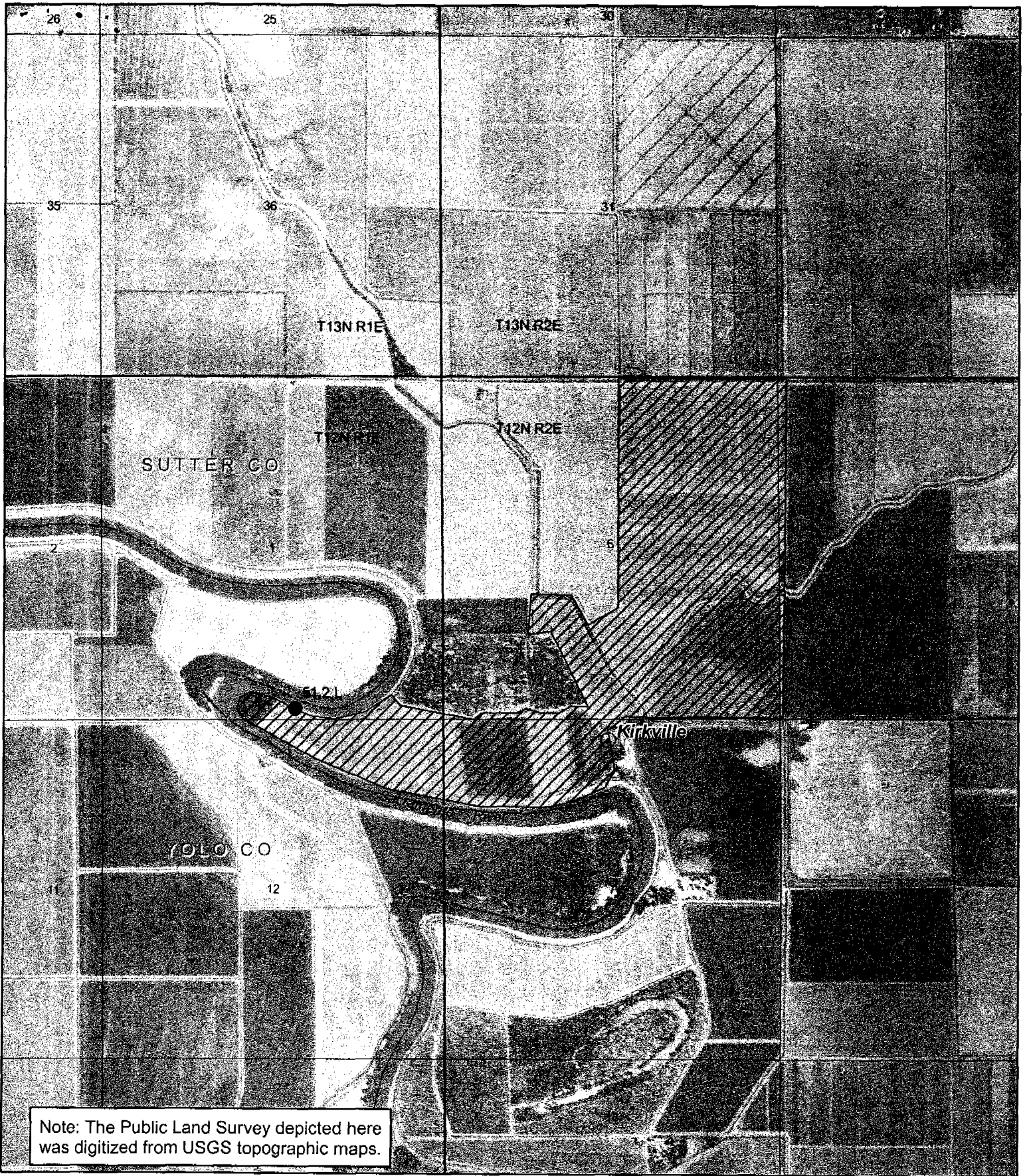
ABDUL AND TAHMINA RAUF
Sacramento River

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>250</u>	<u>0</u>	<u>250</u>
May	<u>710</u>	<u>0</u>	<u>710</u>
June	<u>510</u>	<u>30</u>	<u>540</u>
July	<u>370</u>	<u>300</u>	<u>670</u>
August	<u>240</u>	<u>360</u>	<u>600</u>
September	<u>360</u>	<u>20</u>	<u>380</u>
October	<u>10</u>	<u>0</u>	<u>10</u>
Total	<u>2,450</u>	<u>710</u>	<u>3,160</u>

Point of Diversion: 51.2L

Dated: 01-31-2005



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

Rauf, Abdul and Tahmina

Contract No. 8-07-20-W0117-R-1

Exhibit B



Contractor's Service Area



Point of Diversion

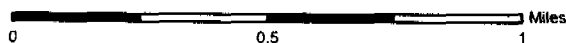


Exhibit C

ABDUL AND TAHMINA RAUF
Sacramento River

UNIT DUTY

(In Acre-Feet Per Acre)

	<u>Rice</u>	<u>Alfalfa and Irrigated Pasture</u>	<u>General Crops</u>
June	1.90	0.80	0.60
July	2.00	1.00	0.70
August	1.90	0.80	0.70
September	0.50	0.60	0.40

Dated: 01-31-2005

Exhibit D

ABDUL AND TAHMINA RAUF
 Sacramento River
2005 Water Rates and Charges per Acre-Foot

<u>COST OF SERVICE RATES:</u>	<u>Irrigation</u>
Capital Rates	
Storage	\$ 4.62
O&M Rates:	
Water Marketing	\$ 6.61
Storage	\$ 5.93
Deficit Rates:	
Interest Bearing	\$ 0.08
CFO/PFR Adjustment Rate 1/	<u>\$ 1.17</u>
TOTAL	<u>\$18.41</u>
<u>RESCHEDULING FEE:</u>	<u>\$5.62</u>
<u>FULL-COST RATES:</u>	
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>\$22.94</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>\$25.38</u>
<u>CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 2/</u>	
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).