

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

CONTRACT BETWEEN THE UNITED STATES AND
THE CITY OF REDDING,
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER

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7 CONTRACT BETWEEN THE UNITED STATES AND
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10 SETTLING WATER RIGHTS DISPUTES AND
11 PROVIDING FOR PROJECT WATER

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

24 WITNESSETH, that:

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EXPLANATORY RECITALS

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

[2nd] WHEREAS, the City 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; and

[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 City 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. 14-06-200-2871A, hereinafter referred to as the Existing Contract, which established terms for the delivery to the City of Central Valley Project Water, and the quantities of Base Supply the United States and the City agreed may be diverted by the City from the Sacramento River pursuant to such contract; and

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

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

56 [7th] WHEREAS, to assure the City of the enjoyment and use of the regulated flow of
57 the said Rivers and the Delta, and to provide for the economical operation of the Central Valley
58 Project by, and the reimbursement to, the United States for expenditures made for said 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 City from the Sacramento River each Year
66 without payment to the United States for such quantities diverted;

67 (b) "Basin-Wide Water Management Plan" shall mean the mutually agreeable
68 Sacramento River Basinwide Water Management Plan, dated October 11, 2004, developed by
69 Glenn-Colusa Irrigation District, Maxwell Irrigation District, Natomas Central Mutual Water

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

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

78 (d) "Contract Total" shall mean the sum of the Base Supply and Project Water
79 available for diversion by the City for the Year;

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

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

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

90 For the purpose of determining a Critical Year, the computation of inflow to
91 Shasta Lake shall be performed in a manner that considers the extent of upstream development
92 above Shasta Lake during the year in question, and shall be used as the full natural flow to

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

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

103 (g) "Project" shall mean the Central Valley Project owned by the United
104 States and managed by the Department of the Interior, Bureau of Reclamation;

105 (h) "Project Water" shall mean all Surface Water diverted or scheduled to be
106 diverted each Year by the City from the Sacramento River which is in excess of the Base Supply.
107 The United States recognizes the right of the City to make arrangements for acquisition of water
108 from projects of others than the United States for delivery through the Sacramento River and
109 tributaries subject to written agreement between City and the United States as to identification of
110 such water which water when so identified shall not be deemed Project Water under this
111 Settlement Contract;

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

115 (j) "Secretary" or "Contracting Officer" shall mean the Secretary of the
116 Interior, a duly appointed successor, or an authorized representative acting pursuant to any
117 authority of the Secretary and through any agency of the Department of the Interior;

118 (k) "Surface Water" shall mean only those waters that are considered as
119 surface water under California law;

120 (l) "Water Year" shall mean the period commencing with October 1 of one
121 year and extending through September 30 of the next; and

122 (m) "Year" shall mean a calendar year.

123 TERM OF SETTLEMENT CONTRACT

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

129 (b) With respect to Project Water and the portions of this Settlement Contract
130 pertaining thereto, upon written request by the City of the Secretary made not later than one year
131 prior to the expiration of this Settlement Contract, whenever, account being taken of the amount
132 then credited to the costs of construction of water supply works, the remaining amount of
133 construction costs of water supply work which is properly assignable for ultimate return by the
134 City probably can be repaid to the United States within the term of a contract under subsection
135 9(c)(1) of the 1939 Reclamation Project Act (53 Stat. 1187), the relevant portions of this
136 Settlement Contract may be converted to a contract under said subsection 9(c)(1) upon terms and
137 conditions mutually agreeable to the United States and the City. The Secretary shall make a

138 determination ten years after the date of execution of this Settlement Contract, and every five
139 years thereafter, of whether a conversion to a contract under said subsection 9(c)(1) can be
140 accomplished.

141 WATER TO BE FURNISHED TO CONTRACTOR

142 3. (a) Subject to the conditions, limitations, and provisions hereinafter
143 expressed, the City is hereby entitled and authorized to divert from the Sacramento River at the
144 locations shown in Exhibit A, for beneficial use within the area delineated on Exhibit B, (both
145 Exhibits are attached hereto and made a part hereof), the Contract Total designated in Exhibit A,
146 or any revision thereof, in accordance with the monthly operating schedule required by Article
147 3(c) of this Settlement Contract.

148 (b) The City may have acquired rights to divert water from the Sacramento
149 River that were obtained after the date of execution of the Existing Contract, or the City may
150 acquire such rights in the future. All diversions made from the Sacramento River, pursuant to
151 such rights, shall not be considered a part of the quantity of Base Supply and Project Water
152 specified in Exhibit A; Provided, that the quantities diverted pursuant to the above rights shall be
153 identified on the schedule submitted pursuant to Article 3(c) below, and shall not be substituted
154 for any Base Supply or Project Water; Provided, further, that any such identified quantities of
155 other acquired rights may be diverted by the City before incurring any fee pursuant to Article
156 3(c)(1), below.

157 (c) Before March 1 and before the first day of each month thereafter when a
158 revision is needed, the City shall submit a written schedule to the Contracting Officer indicating
159 the Contract Total to be diverted by the City for municipal, industrial and domestic purposes
160 during each month under this Settlement Contract. The United States shall furnish water to the

161 City in accordance with the monthly operating schedule or any revisions thereof. However, the
162 United States recognizes the need of the City to change from time to time its monthly diversions
163 of water; the City may make such changes, provided:

164 (1) that the City's rate of diversion from the Sacramento River shall
165 not exceed 75 cubic feet per second, however, the City shall be entitled to reasonable flexibility
166 in demands based on maximum daily requirements and maximum daily peaks and will cooperate
167 with the Contracting Officer to facilitate United States operations to make this possible.

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

173 (3) that in no event shall the total quantity scheduled for diversion by
174 the Contractor from the Sacramento River:

175 (i) During the period March through February of the following
176 Year exceed the aggregate of the Contract Total for that period shown in Exhibit A or any
177 revision thereof;

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

180 (d) In the event conditions warrant, the Contracting Officer reserves the right
181 to require the City to submit, at least 72 hours prior to the beginning of each weekly period, its
182 estimate of daily diversion requirements for each such period from the Sacramento River;

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

185 (e) No sale, transfer, exchange, or other disposal of any of the Contract Total
186 designated in Exhibit A or the right to the use thereof for use on land other than that shown on
187 Exhibit B shall be made by the City without first obtaining the written consent of the Contracting
188 Officer. Such consent will not be unreasonably withheld and a decision will be rendered in a
189 timely manner. For short-term actions that will occur within one year or less, the decision will
190 be rendered within 30 days after receipt of a complete written proposal. For long-term actions
191 that will occur in a period longer than one year, the decision will be rendered within 90 days
192 after receipt of a complete written proposal. For a proposal to be deemed complete by the
193 Contracting Officer, it must comply with all provisions required by State and Federal law,
194 including information sufficient to enable the Contracting Officer to comply with the National
195 Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then
196 in effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate
197 or effectuate the sale, transfer, exchange or other disposal of Base Supply. Such use of Federal
198 facilities will be the subject of a separate agreement to be entered into between the City and
199 Reclamation.

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

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

- 206 (1) The quality of water to be diverted by the City;
- 207 (2) The control, carriage, handling, use, disposal, or distribution of
- 208 water diverted by the City outside the facilities constructed and then being operated and
- 209 maintained by or on behalf of the United States;
- 210 (3) Claims of damage of any nature whatsoever, including but not
- 211 limited to, property loss or damage, personal injury, or death arising out of or connected with the
- 212 control, carriage, handling, use, disposal, or distribution of said water outside of the hereinabove
- 213 referred to facilities; and
- 214 (4) Any damage whether direct or indirect arising out of or in any
- 215 manner caused by a shortage of water whether such shortage be on account of errors in
- 216 operation, drought, or unavoidable causes.
- 217 (h) In addition to the provisions of subdivision (g) of Article 3 of this
- 218 Contract, if there is a shortage of Project Water because of actions taken by the Contracting
- 219 Officer to meet legal obligations then, except as provided in subdivision (a) of Article 30 of this
- 220 Contract, no liability shall accrue against the United States or any of its officers, agents, or
- 221 employees for any damage, direct or indirect, arising therefrom.

222 RETURN FLOW

223 4. Nothing herein shall be construed as an abandonment or a relinquishment by the

224 United States of any right it may have to the use of waste, seepage, and return flow water derived

225 from water diverted by the City hereunder and which escapes or is discharged beyond the

226 boundaries of the lands shown on Exhibit B; Provided, that this shall not be construed as

227 claiming for the United States any right to such water which is recovered by the City pursuant to

228 California law from within the boundaries of the lands shown on Exhibit B, and which is being

229 used pursuant to this Settlement Contract for municipal, industrial or domestic use or
230 underground storage for the benefit of the lands shown on Exhibit B by the City.

231 CONSTRAINTS ON THE AVAILABILITY OF WATER

232 5. (a) In a Critical Year, the United States reserves the right to reduce the
233 Contract Total shown on Exhibit A or any revision thereof; Provided, that any reduction in the
234 Contract Total shall not exceed 25 percent of the average quantity taken by the City during the
235 period April 1 through October 31 for the last 3 preceding non-Critical Years as determined from
236 those Years' record of actual measurements. Such reduction shall be apportioned to Base Supply
237 and Project Water in the same ratio as contained in Exhibit A.

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

242 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

243 6. The City and United States desire to work together to maximize the reasonable
244 beneficial use of water for their mutual benefit. As a consequence, the United States and the
245 City will work in partnership and with others within the Sacramento Valley, including other
246 contractors, to facilitate the better integration within the Sacramento Valley of all water supplies
247 including, but not limited to, the better management and integration of surface water and
248 groundwater, the development and better utilization of surface water storage, the effective
249 utilization of waste, seepage and return flow water, and other operational and management
250 options that may be identified in the future.

251 USE OF WATER FURNISHED TO CONTRACTOR

252 7. (a) Project Water furnished to the City pursuant to this Settlement Contract
253 shall not be delivered or furnished by the City for any purposes other than municipal, industrial,
254 and domestic purposes without the written consent of the Contracting Officer.

255 (b) The City shall comply with requirements applicable to the City in
256 biological opinion(s) prepared as a result of a consultation regarding the execution of this
257 Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973, as
258 amended, that are within the City's legal authority to implement. The Existing Contract, which
259 evidences in excess of 115 years of diversions, for municipal, industrial, and domestic purposes,
260 of the quantities of water provided for in Article 3, and the underlying water rights of the City
261 will be considered in developing an appropriate base-line for the Biological Assessment prepared
262 pursuant to the Endangered Species Act, and in any other needed environmental review.
263 Nothing herein shall be construed to prevent the City from challenging or seeking judicial relief
264 in a court of competent jurisdiction with respect to any biological opinion or other environmental
265 documentation referred to in this Article.

266 RATE AND METHOD OF PAYMENT FOR WATER

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

269 (1) 75 percent of the amount shown as Project Water shall be paid for
270 by the City in each Year; and in addition

271 (2) the City shall pay for Project Water actually diverted in excess of
272 75 percent of the amount shown as Project Water.

273 Such payments shall be at Rates and Charges established in accordance with: (i) the
274 Secretary's then current ratesetting policies for the Project; and (ii) applicable Reclamation law
275 and associated rules and regulations, or policies. The Rates and Charges applicable to the City
276 upon execution of this Settlement Contract are set forth in Exhibit D, as may be revised annually.
277 The Secretary's ratesetting policies for the Project shall be amended, modified, or superseded
278 only through a public notice and comment procedure. The Contracting Officer shall adjust the
279 amount of Project Water for which payment is required to the extent of any reduction in
280 diversions of Project Water made in accordance with the water conservation provisions of
281 Article 29(e).

282 (b) The Contracting Officer shall notify the City of the Rates and Charges as
283 follows:

284 (1) Prior to July 1 of each Year, the Contracting Officer shall provide
285 the City an estimate of the Charges for Project Water that will be applied to the period October 1,
286 of the current Year, through September 30, of the following Year, and the basis for such
287 estimate. The City shall be allowed not less than two months to review and comment on such
288 estimates. On or before September 15 of each Year, the Contracting Officer shall notify the City
289 in writing of the Charges to be in effect during the period October 1 of the current Year, through
290 September 30, of the following Year, and such notification shall revise Exhibit D.

291 (2) Prior to October 1 of each Year, the Contracting Officer shall make
292 available to the City an estimate of the Rates for Project Water for the following Year and the
293 computations and cost allocations upon which those Rates are based. The City shall be allowed
294 not less than two months to review and comment on such computations and cost allocations. By

295 December 31 of each Year, the Contracting Officer shall provide the City with the final Rates to
296 be in effect for the upcoming Year, and such notification shall revise Exhibit D.

297 (c) The City shall pay the United States for Project Water in the following
298 manner:

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

306 (2) With respect to Charges, the City shall also make a payment to the
307 United States, in addition to the Rate(s) in subdivision (c)(1) of this Article, at the Charges then
308 in effect, before the end of the month following the month of delivery or transfer. The payments
309 shall be consistent with the quantities of Project Water delivered or transferred. Adjustment for
310 overpayment or underpayment of Charges shall be made through the adjustment of payments due
311 to the United States for Charges for the next month. Any amount to be paid for past due
312 payment of Charges shall be computed pursuant to Article 13 of this Settlement Contract.

313 (d) Payments to be made by the City to the United States under this
314 Settlement Contract may be paid from any revenues available to the City. All revenues received
315 by the United States from the City relating to the delivery of Project Water or the delivery of
316 non-Project Water through Project facilities shall be allocated and applied in accordance with

317 Federal Reclamation law and the associated rules or regulations, and the then current Project
318 ratesetting policies for municipal and industrial water.

319 (e) The Contracting Officer shall keep its accounts pertaining to the
320 administration of the financial terms and conditions of its long-term water service and Settlement
321 Contracts, in accordance with applicable Federal standards, so as to reflect the application of
322 Project costs and revenues. The Contracting Officer shall, each Year upon request of the City,
323 provide to the City a detailed accounting of all Project and City expense allocations, the
324 disposition of all Project and City revenues, and a summary of all water delivery information.
325 The Contracting Officer and the City shall enter into good faith negotiations to resolve any
326 discrepancies or disputes relating to accountings, reports, or information.

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

334 (g) For the term of this Settlement Contract, Rates under the respective
335 ratesetting policies for the Project will be established to recover only reimbursable operation and
336 maintenance (including any deficits) and capital costs of the Project, as those terms are used in
337 the then current Project ratesetting policies, and interest, where appropriate, except in instances
338 where a minimum Rate is applicable in accordance with the relevant Project ratesetting policy.
339 Proposed changes of significance in practices which implement the ratesetting policies for the

340 Project will not be implemented until the Contracting Officer has provided the City an
341 opportunity to discuss the nature, need, and impact of the proposed change. The City retains all
342 rights to challenge the validity of Rates and Charges imposed pursuant to this Settlement
343 Contract, including but not limited to operation and maintenance expenses and operation and
344 maintenance deficits, in an appropriate administrative or judicial proceeding.

345 (h) Except as provided in subsection 3405(a)(1)(B) of the CVPIA, the Rates
346 for Project Water transferred, exchanged, or otherwise disposed of, by the City shall be the
347 City's Rates adjusted upward or downward to reflect the changed costs of delivery (if any) of the
348 transferred, exchanged, or otherwise disposed of Project Water to the transferee's point of
349 delivery in accordance with the then current ratesetting policies for the Project. Except as
350 provided in subsection 3407(d)(2)(A) of the CVPIA, the Charges for Project Water transferred,
351 exchanged, or otherwise disposed of, by the City shall be the City's Charges specified in Exhibit

352 D.

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

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

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

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

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

371 AGREEMENT ON WATER QUANTITIES

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

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

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

380 (b) Nothing herein contained is intended to or does limit rights of the City
381 against others than the United States or of the United States against any person other than the
382 City; Provided, however, that in the event the City, the United States, or any other person shall
383 become a party to a general adjudication of rights to the use of water of the Sacramento River
384 system, this Settlement Contract shall not jeopardize the rights or position of either party hereto
385 or of any other person and the rights of all such persons in respect to the use of such water shall

386 be determined in such proceedings the same as if this Settlement Contract had not been entered
387 into, and if final judgment in any such general adjudication shall determine that the rights of the
388 parties hereto are different from the rights as assumed herein, the parties shall negotiate an
389 amendment to give effect to such judgment. In the event the parties are unable to agree on an
390 appropriate amendment they shall, within 60 days of determining that there is an impasse,
391 employ the services of a neutral mediator, experienced in resolving water rights disputes, to
392 assist in resolving the impasse. The cost of the mediation will be shared equally. A failure to
393 reach agreement on an amendment within 60 days of the end of mediation will cause the
394 immediate termination of this Settlement Contract.

395 (c) In the event that the California State Water Resources Control Board or a
396 court of competent jurisdiction issues a final decision or order modifying the terms and
397 conditions of the water rights of either party to this Settlement Contract in order to impose Bay-
398 Delta water quality obligations, the City and the United States shall promptly meet to determine
399 whether or not to modify any of the terms of this Settlement Contract to comply with the final
400 decision or order, including (but not limited to) to the applicability of the rescheduling charge in
401 Article 3(c)(1) of this Settlement Contract. If within 60 days of the date of the issuance of the
402 final decision or order the parties are not able to reach agreement regarding either the need to
403 modify this Settlement Contract or the manner in which this Settlement Contract is to be
404 modified, the parties shall promptly retain a neutral mediator, experienced in resolving water
405 right disputes, to assist the parties in resolving their dispute. The cost of the mediator shall be
406 shared equally. In the event that either of the parties to this Settlement Contract determines that
407 the parties will not be able to develop mutually-agreeable modification(s) to this Settlement
408 Contract even with the assistance of a mediator, either of the parties to this Settlement Contract

409 may attempt to resolve the impasse by seeking appropriate judicial relief including, but not
410 limited to, filing a general adjudication of the rights to the use of water in the Sacramento River
411 system. The foregoing provisions of this sub-article shall only apply to the incremental
412 obligations contained within a final decision or order of the State Water Resources Control
413 Board that reflects a modification to the obligations imposed in State Water Resources Control
414 Board Revised Water Rights Decision 1641 dated March 15, 2000, and its associated 1995 Water
415 Quality Control Plan which, taken together, will be considered the baseline for the application of
416 the provisions of this sub-article.

417 (d) In the event this Settlement Contract terminates, the rights of the parties to
418 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;
419 and the fact that as a compromise settlement of a controversy as to the respective rights of the
420 parties to divert and use water and the yield of such rights during the term hereof, this Settlement
421 Contract places a limit on the Contract Total to be diverted annually by the City during the
422 Settlement Contract term and segregates it into Base Supply and Project Water shall not
423 jeopardize the rights or position of either party with respect to its water rights or the yield thereof
424 at all times after the Settlement Contract terminates. It is further agreed that the City at all times
425 will first use water to the use of which it is entitled by virtue of its own water rights, and neither
426 the provisions of this Settlement Contract, action taken thereunder, nor payments made
427 thereunder to the United States by the City shall be construed as an admission that any part of the
428 water used by the City during the term of this Settlement Contract was in fact water to which it
429 would not have been entitled under water rights owned by it nor shall receipt of payments
430 thereunder by the United States from the City be construed as an admission that any part of the

431 water used by the City during the term of this Settlement Contract was in fact water to which it
432 would have been entitled under water rights owned by it.

433 MEASUREMENT OF WATER

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

437 (b) All water diverted from the Sacramento River pursuant to this Settlement
438 Contract will be measured or caused to be measured by the City at each point of diversion with
439 existing equipment or equipment to be installed, operated, and maintained by the City and at the
440 City's expense. The equipment and methods used to make such measurement shall be in
441 accordance with sound engineering practices. Upon request of the Contracting Officer, the
442 accuracy of such measurements will be investigated by the Contracting Officer and the City and
443 any errors appearing therein will be corrected.

444 (c) The right of ingress to and egress from all points of diversion is hereby
445 granted to all authorized employees of the United States.

446 (d) City and Contracting Officer shall develop a mutually agreeable surface
447 water delivery water measurement program which shall be implemented by the City, and such
448 measurement program shall be consistent with the conservation and efficiency criteria for
449 evaluating water conservation plans as provided in Article 29(a).

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

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RULES AND REGULATIONS

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11. The parties agree that the delivery of Project Water for municipal and industrial

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use or use of Federal facilities pursuant to this Settlement Contract is subject to Federal

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Reclamation law, and the rules and regulations promulgated by the Secretary of the Interior

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under Federal Reclamation law.

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GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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(c) With respect to subdivision (b) of this Article, the Contractor shall have no

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obligation to require advance payment for water Rates which it levies.

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CHARGES FOR DELINQUENT PAYMENTS

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

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

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

490 QUALITY OF WATER

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

496 WATER AND AIR POLLUTION CONTROL

497 15. The City, in carrying out this Settlement Contract, shall comply with all
498 applicable water and air pollution laws and regulations of the United States and the State of
499 California, and shall obtain all required permits or licenses from the appropriate Federal, State,
500 or local authorities.

501 EQUAL OPPORTUNITY

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

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

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

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

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

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

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

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

548 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

549 17. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
550 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
551 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
552 laws, as well as with their respective implementing regulations and guidelines imposed by the
553 U.S. Department of the Interior and/or Bureau of Reclamation.

554 (b) These statutes require that no person in the United States shall, on the
555 grounds of race, color, national origin, handicap, or age, be excluded from participation in, be
556 denied the benefits of, or be otherwise subjected to discrimination under any program or activity

557 receiving financial assistance from the Bureau of Reclamation. By executing this Settlement
558 Contract, the Contractor agrees to immediately take any measures necessary to implement this
559 obligation, including permitting officials of the United States to inspect premises, programs, and
560 documents.

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

569 18. Omitted.

570 BOOKS, RECORDS, AND REPORTS

571 19. The Contractor shall establish and maintain accounts and other books and records
572 pertaining to administration of the terms and conditions of this Settlement Contract, including:
573 the Contractor's financial transactions, water supply data, and Project land and right-of-way
574 agreements; water use data; and other matters that the Contracting Officer may require. Reports
575 thereon shall be furnished to the Contracting Officer in such form and on such date or dates as
576 the Contracting Officer may require. Subject to applicable Federal laws and regulations, each
577 party to this Settlement Contract shall have the right during office hours to examine and make
578 copies of each other's books and official records relating to matters covered by this Settlement
579 Contract.

580 CHANGE OF PLACE OF USE OR ORGANIZATION

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

583 (b) While this Settlement Contract is in effect, no change shall be made in the
584 area of the City as shown on its Exhibit B, by inclusion, exclusion, annexation or detachment of
585 lands, by dissolution, consolidation, or merger or otherwise, except upon the Contracting
586 Officer's written consent thereto. Such consent will not be unreasonably withheld and a decision
587 will be provided in a timely manner.

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

591 CONSOLIDATION OF CONTRACTING ENTITIES

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

596 No such consolidation shall be valid unless and until approved by the Contracting
597 Officer.

598 NOTICES

599 22. Any notice, demand, or request authorized or required by this Settlement Contract
600 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,
601 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,
602 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United
603 States, when mailed, postage prepaid, or delivered to the Council of the City of Redding, 777
604 Cypress Avenue, Redding, California 96001. The designation of the addressee or the address
605 may be changed by notice given in the same manner as provided in this Article for other notices.

606 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

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OFFICIALS NOT TO BENEFIT

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

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

624 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

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

630 CONFIRMATION OF SETTLEMENT CONTRACT

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

638 27. Omitted.

639 28. Omitted.

640 WATER CONSERVATION

641 29. (a) Prior to the diversion of Project Water, the City shall be implementing an
642 effective water conservation and efficiency program based on the Basin-Wide Water
643 Management Plan and/or City's water conservation plan that has been determined by the
644 Contracting Officer to meet the conservation and efficiency criteria for evaluating water
645 conservation plans established under Federal law. The water conservation and efficiency

646 program shall contain definite water conservation objectives, appropriate economically feasible
647 water conservation measures, and time schedules for meeting those objectives. Continued
648 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the
649 City's continued implementation of such water conservation program. In the event the City's
650 water conservation plan or any revised water conservation plan completed pursuant to
651 subdivision (c) of Article 29 of this Settlement Contract have not yet been determined by the
652 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer
653 determines are beyond the control of the City, Project Water deliveries shall be made under this
654 Settlement Contract so long as the City diligently works with the Contracting Officer to obtain
655 such determination at the earliest practicable date, and thereafter the City immediately begins
656 implementing its water conservation and efficiency program in accordance with the time
657 schedules therein.

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

661 (c) At five-year intervals, the City shall revise its water conservation plan to
662 reflect the then current conservation and efficiency criteria for evaluating water conservation
663 plans established under Federal law and submit such revised water management plan to the
664 Contracting Officer for review and evaluation. The Contracting Officer will then determine if
665 the water conservation plan meets Reclamation's then current conservation and efficiency
666 criteria for evaluating water conservation plans established under Federal law.

667 (d) If the City is engaged in direct groundwater recharge, such activity shall
668 be described in the City's water conservation plan.

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

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

679 (2) If Reclamation accepts the Offer, the City's payment obligation
680 under Article 8(a)(1) shall be reduced to the maximum quantity of Project Water to be diverted
681 by the City as specified in the Offer. The City shall not divert Project Water in excess of the
682 quantities set forth in the Offer; Provided, however, if the City's diversions of Project Water
683 exceed the quantities set forth in the Offer, the City shall pay to Reclamation the applicable
684 Rates and Charges plus an amount equal to the applicable Rates and Charges for each acre-foot
685 of Project Water diverted in excess of the quantities set forth in the Offer.

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

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

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OPINIONS AND DETERMINATIONS

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

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

CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

31. (a) In addition to all other payments to be made by the City pursuant to this Settlement Contract, the City shall pay to the United States, within 60 days after receipt of a bill and detailed statement submitted by the Contracting Officer to the City for such specific items of direct cost incurred by the United States for work requested by the City associated with this Settlement Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this Article shall not exceed the amount

714 agreed to in writing in advance by the City. This Article shall not apply to costs for routine
715 contract administration.

716 (b) All advances for miscellaneous costs incurred for work requested by the
717 City pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the actual costs
718 when the work has been completed. If the advances exceed the actual costs incurred, the
719 difference will be refunded to the City. If the actual costs exceed the City's advances, the City
720 will be billed for the additional costs pursuant to Article 31 of this Settlement Contract.

721 WAIVER OF DEFAULT

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

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

728

THE UNITED STATES OF AMERICA

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

729

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

730

731

732 (SEAL)

733

CITY OF REDDING

734

By: *John M. Utter*
Mayor

735

736 ATTEST:

737

738

Connie Strickman
Secretary CITY CLERK

Form Approved
Barry E. DeWalt
Barry E. DeWalt
Assistant City Attorney

739 (H:\public\Sac River Final LTRC's\2005-01-31 Redding, City of Final Draft Contract with
740 exhibits.doc)

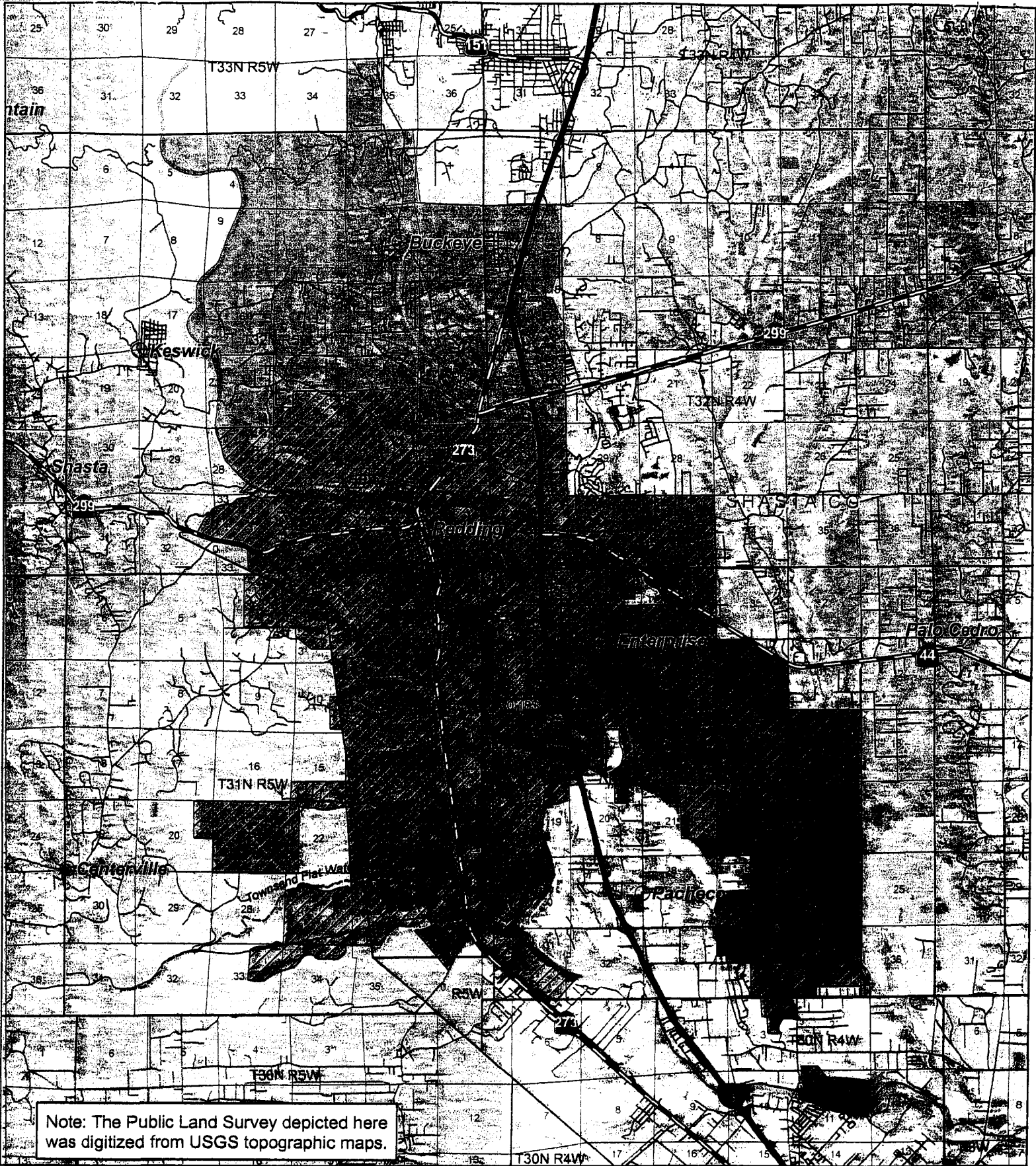
Exhibit A

CITY OF REDDING
Sacramento RiverSCHEDULE OF WATER REQUIREMENTS

	<u>Base Supply</u> (acre-feet)	<u>Project Water</u> (acre-feet)	<u>Contract Total</u> (acre-feet)
March	<u>1,100</u>	<u>0</u>	<u>1,100</u>
April	<u>1,400</u>	<u>0</u>	<u>1,400</u>
May	<u>1,925</u>	<u>0</u>	<u>1,925</u>
June	<u>2,675</u>	<u>25</u>	<u>2,700</u>
July	<u>2,150</u>	<u>850</u>	<u>3,000</u>
August	<u>750</u>	<u>2,250</u>	<u>3,000</u>
September	<u>2,150</u>	<u>25</u>	<u>2,175</u>
October	<u>1,800</u>	<u>0</u>	<u>1,800</u>
November	<u>1,150</u>	<u>0</u>	<u>1,150</u>
December	<u>1,050</u>	<u>0</u>	<u>1,050</u>
January	<u>900</u>	<u>0</u>	<u>900</u>
February	<u>800</u>	<u>0</u>	<u>800</u>
Total	<u>17,850</u>	<u>3,150</u>	<u>21,000</u>

Points of Diversion: 246.7R, 246.25L



Dated: 01-31-2005

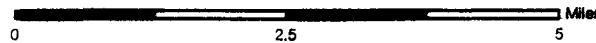


Note: The Public Land Survey depicted here was digitized from USGS topographic maps.

City of Redding

Contract No. 14-06-200-2871A-R-1
Exhibit B

-  Contractor's Service Area
-  District Boundary



725-202-42

Exhibit C

CITY OF REDDING
Sacramento River

UNIT DUTY

OMITTED (Not Applicable to M&I contract)

Exhibit D

CITY OF REDDING
Sacramento River
2005 Water Rates and Charges per Acre-Foot

<u>COST OF SERVICE RATES:</u>	<u>M&I</u>
Capital Rates	(\$0.22)
Storage	\$
Minimum Rate Adjustment	1.19
O&M Rates:	
Water Marketing	\$ 3.89
Storage	\$ 6.67
Deficit Rates:	
Interest Bearing	\$ 0.23
CFO/PFR Adjustment Rate 1/	<u>\$ 3.24</u>
 TOTAL	 <u>\$15.00</u> 2/

CHARGES UNDER P.L. 102-575 TO THE
RESTORATION FUND 3/

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

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

2/ Cost of service rate is the greater of the CVP minimum rate (higher of (1) a rate of \$15.00 per acre-foot, or (2) a rate equal to the O&M costs applicable to delivering project water to the contractor's designated point of delivery), the contract rate and the cost of service rate.

3/ 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).

Recent Historic Use, as defined in the CVP M&I Water Shortage Policy, is 0 acre-feet.

RESOLUTION NO. 2005- 69

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDDING TO EXECUTE THE COMPLETED CONTRACT WITH THE BUREAU OF RECLAMATION FOR CONTRACT NO. 14-06-200-2871-A-R-1 (REDDING SETTLEMENT CONTRACT) FOR PURCHASE OF CENTRAL VALLEY PROJECT WATER AND AUTHORIZING THE MAYOR TO EXECUTE SAME.

WHEREAS, the City has two Municipal and Industrial Contracts with the United States Bureau of Reclamation (Bureau) for water with the Redding Settlement Contract having an expiration date of March 31, 2004; and

WHEREAS, The "Redding Contract" is a Sacramento River Settlement Contract (water rights contract) for 21,000 acre-feet of water; and

WHEREAS, The amount of water available to the City of Redding is a maximum of 21,000 acre-feet of water annually. The City currently uses approximately 72 percent of the 21,000 acre-feet; and

WHEREAS, The Bureau and the City entered into a Contract No. 14-06-200-2871-A, which established terms of delivery to the City of Project Water from the Bureau from May 31, 1966, through March 31, 2004; and

WHEREAS, the Bureau announced on July 19, 2001, through a notice in the Federal Register, of the Bureau's intent to prepare completion of a programmatic environmental impact statement and other environmental documentation for the purpose of renewing existing Sacramento River Settlement Contracts for Sacramento River water; and

WHEREAS, The required environmental compliance, including the Endangered Species Act (ESA) and National Environmental Policy Act (NEPA) have been completed by the Bureau prior to the execution of the Sacramento River Settlement Contracts.

WHEREAS, the City has requested the renewal of the Existing Sacramento River Settlement Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and laws of the State of California , for water service from the Central Valley Project; and

WHEREAS, City staff has been in contract negotiations with the Bureau since May 1, 2002, and has completed the negotiation process for the new Sacramento River Settlement Contract, which incorporates all the agreed upon terms and conditions between the Bureau of Reclamation and the City of Redding; and

WHEREAS, on November 18, 2003, City Council approved the draft form of contract, by Resolution No. 2003-182, allowing the Bureau to post the contract for public review and comment before the completion of the environmental documentation; and

WHEREAS, the Bureau has completed the environmental documentation and the contract is ready to be executed; and

WHEREAS, the new Contract term would be for 40 years and will expire on March 31, 2045, it provides for provisions for annual rate increases, new shortage provisions, and increased water conservation programs.

NOW, THEREFORE, IT IS RESOLVED by the City Council to execute the Renewal of the Sacramento River Settlement Contract between the Bureau of Reclamation and the City of Redding which will allow 21,000 acre-feet of Central Valley Project Water for a term of 40 years, which would expire on March 31, 2045, and a request for renewal of the contract to be submitted to the Bureau in writing two years prior to the contract expiration date.

I HEREBY CERTIFY that the foregoing resolution was introduced, read, and adopted at a regular meeting of the City Council on the 7th day of June 2005, by the following vote:

AYES:	COUNCIL MEMBERS: Dickerson, Murray, Pohlmeier, Stegall, and Mathena
NOES:	COUNCIL MEMBERS: None
ABSENT:	COUNCIL MEMBERS: None
ABSTAIN:	COUNCIL MEMBERS: None



JOHN R. MATHENA, Mayor

Attest:


CONNIE STROHMAYER, City Clerk

Form Approved:


RICHARD A. DUVERNAY, City Attorney