

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
CITY OF REDDING
PROVIDING FOR PROJECT WATER SERVICE
FROM THE SACRAMENTO RIVER, SHASTA, AND TRINITY RIVER DIVISIONS

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3 BUREAU OF RECLAMATION
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10 THIS CONTRACT, made this 14th day of April, 2005,
11 in pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
12 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),
13 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,
14 July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263),
15 October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992
16 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, between
17 THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, and CITY
18 OF REDDING, hereinafter referred to as the Contractor, a municipal corporation of the State of
19 California, duly organized, existing, and acting pursuant to the laws thereof;

20 WITNESSETH, That:

21 EXPLANATORY RECITALS

22 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
23 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for
24 flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection
25 and restoration, generation and distribution of electric energy, salinity control, navigation and
26 other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River,
27 and the San Joaquin River and their tributaries; and

28 [2nd] WHEREAS, the United States constructed Shasta Dam, Spring Creek Power
29 Conduit and Toyon Pipeline, hereinafter collectively referred to as the Project facilities, which
30 will be used in part for the furnishing of water to the Contractor pursuant to the terms of this
31 Contract; and

32 [3rd] WHEREAS, the rights to Project Water were acquired by the United States
33 pursuant to California law for operation of the Project; and

34 [4th] WHEREAS, the Contractor and the United States entered into Contract
35 No. 14-06-200-5272A, as amended, which established terms for the delivery to the Contractor of
36 Project Water from the Project facilities from February 22, 1971, through December 31, 2009,
37 hereinafter referred to as the "Existing Contract," and

38 [4.1] WHEREAS, the water diverted from the Spring Creek Power Conduit by the
39 Contractor will not be available to pass through the Project's hydroelectric generators at Spring
40 Creek or Keswick Powerplants, which will result in losses of electricity generated by the Project;
41 and as such the Contractor is willing to compensate the United States for such electricity losses
42 through an agreement with the Western Area Power Administration, Department of Energy, for
43 any foregone generation based on the terms of that agreement; and

44 [5th] WHEREAS, the United States and the Contractor have, pursuant to subsection
45 3404(c)(3) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into a
46 binding agreement identified as Binding Agreement No. 14-06-200-5272A-BA, which sets out

47 the terms pursuant to which the Contractor agreed to renew the Existing Contract before its
48 expiration date after completion of a programmatic environmental impact statement and other
49 appropriate environmental documentation and negotiation of a renewal contract, and which also
50 sets out the consequences of a subsequent decision not to renew; and

51 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the
52 Existing Contract following completion of appropriate environmental documentation, including a
53 programmatic environmental impact statement (PEIS) pursuant to the National Environmental
54 Policy Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the
55 CVPIA and the potential renewal of all existing contracts for Project Water; and

56 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
57 environmental review necessary to provide for long-term renewal of the Existing Contract; and

58 [8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing
59 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws
60 of the State of California, for water service from the Project; and

61 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all
62 of its obligations under the Existing Contract; and

63 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the
64 Contracting Officer that the Contractor has utilized the Project Water supplies available to it for
65 reasonable and beneficial use and, based upon a needs analysis cooperatively prepared by the
66 Contracting Officer and the Contractor, has demonstrated projected future demand for water use
67 that exceeds the Contract Total to be made available to it pursuant to this Contract; and

68 [11th] WHEREAS, water obtained from the Project has been relied upon by urban and
69 agricultural areas within California for more than 50 years, and is considered by the Contractor
70 as an essential portion of its water supply; and

71 [12th] WHEREAS, the economies of regions within the Project, including the
72 Contractor's, depend upon the continued availability of water, including water service from the
73 Project; and

74 [12.1] WHEREAS, Contractor has made and will continue to make substantial capital
75 investments in diversion and treatment facilities, and requires a consistent, predictable quality of
76 raw water in order to meet Safe Drinking Water Act requirements for its municipal customers;
77 and to provide a consistent and predictable quality of water for its industrial customers; and

78 [13th] WHEREAS, the Secretary intends through coordination, cooperation, and
79 partnerships to pursue measures to improve water supply, water quality, and reliability of the
80 Project for all Project purposes; and

81 [13.1] WHEREAS, the Contractor is located in the region of the Redding Groundwater
82 Basin, and it is the desire of both the United States and the Contractor to facilitate the
83 cooperative efforts of local water service agencies to develop the Redding Groundwater Basin
84 for conjunctive management and use with Project Water supplies, to maximize the reasonable
85 beneficial use of water for the water service agencies and their customers in the region; and

86 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
87 provide for reliable Project Water supplies; to control costs of those supplies; to achieve
88 repayment of the Project as required by law; to guard reasonably against Project Water
89 shortages; to achieve a reasonable balance among competing demands for use of Project Water;
90 and to comply with all applicable environmental statutes, all consistent with the legal obligations
91 of the United States relative to the Project; and

92 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
93 relationship in order to achieve their mutual goals; and

94 [16th] WHEREAS, the United States and the Contractor are willing to enter into this
95 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

96 NOW, THEREFORE, in consideration of the mutual and dependent covenants herein
97 contained, it is hereby mutually agreed by the parties hereto as follows:

98 DEFINITIONS

99 1. When used herein unless otherwise distinctly expressed, or manifestly
100 incompatible with the intent of the parties as expressed in this Contract, the term:

101 (a) "Calendar Year" shall mean the period January 1 through December 31,
102 both dates inclusive;

103 (b) "Charges" shall mean the payments required by Federal Reclamation law
104 in addition to the Rates and Tiered Pricing Component specified in this Contract as determined
105 annually by the Contracting Officer pursuant to this Contract;

106 (c) "Condition of Shortage" shall mean a condition respecting the Project
107 during any Year such that the Contracting Officer is unable to deliver sufficient water to meet the
108 Contract Total;

109 (d) "Contracting Officer" shall mean the Secretary of the Interior's duly
110 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law
111 or regulation;

112 (e) "Contract Total" shall mean the maximum amount of water to which the
113 Contractor is entitled under subdivision (a) of Article 3 of this Contract;

114 (f) "Contractor's Service Area" shall mean the area to which the Contractor is
115 permitted to provide Project Water under this Contract as described in Exhibit "A" attached
116 hereto, which may be modified from time to time in accordance with Article 35 of this Contract
117 without amendment of this Contract;

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

120 (h) Omitted;

121 (i) Omitted;

122 (j) "Full Cost Rate" shall mean an annual rate as determined by the
123 Contracting Officer that shall amortize the expenditures for construction properly allocable to the
124 Project irrigation or M&I functions, as appropriate, of facilities in service including all O&M
125 deficits funded, less payments, over such periods as may be required under Federal Reclamation
126 law, or applicable contract provisions. Interest will accrue on both the construction expenditures
127 and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the
128 date incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated
129 in accordance with subsections 202(3)(B) and (3)(C) of the Reclamation Reform Act of
130 October 12, 1982 (96 Stat. 1263), as amended, hereinafter referred to as RRA. The Full Cost
131 Rate includes actual operation, maintenance, and replacement costs consistent with Section 426.2
132 of the Rules and Regulations for the RRA;

133 (k) Omitted;

134 (l) Omitted;

135 (m) Omitted;

136 (n) Omitted;

137 (o) "Municipal and Industrial (M&I) Water" shall mean Project Water made
138 available to the Contractor for purposes other than the commercial production of agricultural
139 crops or livestock;

140 (p) "M&I Full Cost Water Rate" shall mean the Full Cost Rate applicable to
141 the delivery of M&I Water;

142 (q) "Operation and Maintenance" or "O&M" shall mean normal and
143 reasonable care, control, operation, repair, replacement (other than capital replacement), and
144 maintenance of Project facilities;

145 (r) Omitted;

146 (s) "Project" shall mean the Central Valley Project owned by the United
147 States and managed by the Department of the Interior, Bureau of Reclamation;

148 (t) "Project Contractors" shall mean all parties who have water service
149 contracts for Project Water from the Project with the United States pursuant to Federal
150 Reclamation law;

151 (u) "Project Water" shall mean all water that is developed, diverted, stored, or
152 delivered by the Secretary in accordance with the statutes authorizing the Project and in
153 accordance with the terms and conditions of water rights acquired pursuant to California law;

154 (v) "Rates" shall mean the payments determined annually by the Contracting
155 Officer in accordance with the then-current applicable water ratesetting policies for the Project,
156 as described in subdivision (a) of Article 7 of this Contract;

157 (w) "Recent Historic Average" shall mean the most recent five-year average of
158 the final forecast of Water Made Available to the Contractor pursuant to this Contract or its
159 preceding contract(s);

160 (x) "Secretary" shall mean the Secretary of the Interior, a duly appointed
161 successor, or an authorized representative acting pursuant to any authority of the Secretary and
162 through any agency of the Department of the Interior;

163 (y) "Tiered Pricing Component" shall be the incremental amount to be paid
164 for each acre-foot of Water Delivered as described in subdivision (j) of Article 7 of this Contract;

165 (z) "Water Delivered" or "Delivered Water" shall mean Project Water
166 diverted for use by the Contractor at the point(s) of delivery approved by the Contracting
167 Officer;

168 (aa) "Water Made Available" shall mean the estimated amount of Project
169 Water that can be delivered to the Contractor for the upcoming Year as declared by the
170 Contracting Officer, pursuant to subdivision (a) of Article 4 of this Contract;

171 (bb) "Water Scheduled" shall mean Project Water made available to the
172 Contractor for which times and quantities for delivery have been established by the Contractor
173 and Contracting Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

174 (cc) "Year" shall mean the period from and including March 1 of each
175 Calendar Year through the last day of February of the following Calendar Year.

176 (dd) "Meter Vault" shall mean the Project's concrete box containing pipelines,
177 meters, and valves located on the 6-Inch Pipeline about ¾ mile south of the intersection of Lake
178 Boulevard and Shasta Dam Boulevard as shown on Exhibit "A", attached hereto; and

179 (ee) "Spring Creek Power Conduit" shall mean the Project's conveyance
180 conduit, running from Whiskeytown Lake to Spring Creek Powerplant on Keswick Lake; and

181 (ff) "Toyon Pipeline" shall mean the Project's 16-Inch Pipeline which
182 originates from the left abutment of Shasta Dam and runs to the section line between Sections 23
183 and 26 of Township 33 North, Range 5 West, as shown on Exhibit "A", attached hereto; and

184 (gg) "Western" shall mean the Western Area Power Administration, United
185 States, Department of Energy; and

186 (hh) "6-Inch Pipeline" shall mean the Project's pipeline, or the Contractor's
187 parallel replacement pipeline in those areas where use of the Project's pipeline has been
188 discontinued, originating at the north boundary of Section 26 through Section 35 in Township 33
189 North, Range 5 West, to a storage tank in Section 2 of Township 32 North, Range 5 West, as
190 generally shown on Exhibit "A", attached hereto, and extending south to the north boundary of
191 Section 11, Township 32 North, Range 5 West.

192 TERM OF CONTRACT

193 2. (a) This Contract shall be effective March 1, 2005, through February 28,
194 2045, and supersedes the Existing Contract. In the event the Contractor wishes to renew this
195 Contract beyond February 28, 2045, the Contractor shall submit a request for renewal in writing
196 to the Contracting Officer no later than two years prior to the date this Contract expires.

197 (b) Omitted.

198 (c) This Contract shall be renewed for successive periods of up to 40 years
199 each, which periods shall be consistent with then-existing Reclamation-wide policy, under terms

200 and conditions mutually agreeable to the parties and consistent with Federal and State law. The
201 Contractor shall be afforded the opportunity to comment to the Contracting Officer on the
202 proposed adoption and application of any revised policy applicable to the delivery of M&I Water
203 that would limit the term of any subsequent renewal contract with the Contractor for the
204 furnishing of M&I Water to less than 40 years.

205 (d) The Contracting Officer shall make a determination ten years after the
206 date of execution of this Contract, and every five years thereafter during the term of this
207 Contract, of whether a conversion to a contract under subsection (c)(1) of Section 9 of the
208 Reclamation Project Act of 1939 can be accomplished. The Contracting Officer anticipates that
209 during the term of this Contract, all authorized Project construction expected to occur will have
210 occurred, and on that basis the Contracting Officer agrees upon such completion to allocate all
211 costs that are properly assignable to the Contractor, and agrees further that, at any time after such
212 allocation is made, and subject to satisfaction of the condition set out in this subdivision, this
213 Contract shall, at the request of the Contractor, be converted to a contract under said subsection
214 9(c)(1), of the Reclamation Project Act of 1939, subject to applicable Federal law and under
215 stated terms and conditions mutually agreeable to the Contractor and the Contracting Officer. A
216 condition for such conversion to occur shall be a determination by the Contracting Officer that,
217 account being taken of the amount credited to return by the Contractor as provided for under
218 Federal Reclamation law, the remaining amount of construction costs assignable for ultimate
219 return by the Contractor can probably be repaid to the United States within the term of a contract
220 under said subsection 9(c)(1). If the remaining amount of costs that are properly assignable to
221 the Contractor cannot be determined during the term of this Contract, the Contracting Officer
222 shall notify the Contractor, and provide the reason(s) why such a determination could not be

223 made. Further, the Contracting Officer shall make such a determination as soon thereafter as
224 possible so as to permit, upon request of the Contractor and satisfaction of the condition set out
225 above, conversion to a contract under said subsection 9(c)(1). In the event such determination of
226 costs has not been made at a time which allows conversion of this Contract during the term of
227 this Contract or the Contractor has not requested conversion of this Contract within such term,
228 the parties shall incorporate in any subsequent renewal contract as described in subdivision (c) of
229 this Article a provision that carries forth in substantially identical terms the provisions of this
230 subdivision.

231 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

232 3. (a) During each Year, consistent with all applicable State water rights,
233 permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of
234 this Contract, the Contracting Officer shall make available for delivery to the Contractor
235 6,140 acre-feet of Project Water for M&I purposes. Water Delivered to the Contractor in
236 accordance with this subdivision shall be scheduled and paid for pursuant to the provisions of
237 Articles 4 and 7 of this Contract.

238 (b) Because the capacity of the Project to deliver Project Water has been
239 constrained in recent years and may be constrained in the future due to many factors including
240 hydrologic conditions and implementation of Federal and State laws, the likelihood of the
241 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this
242 Article in any given Year is uncertain. The Contracting Officer's modeling referenced in the
243 PEIS projected that the Contract Total set forth in this Contract will not be available to the
244 Contractor in many years. During the most recent five years, the Recent Historic Average of
245 water made available to the Contractor was 5,649 acre-feet. Nothing in subdivision (b) of this
246 Article shall affect the rights and obligations of the parties under any provision of this Contract.

247 (c) The Contractor shall utilize the Project Water in accordance with all
248 applicable legal requirements.

249 (d) The Contractor shall make reasonable and beneficial use of all water
250 furnished pursuant to this Contract. Groundwater recharge programs (direct, indirect, or in lieu),
251 groundwater banking programs, surface water storage programs, and other similar programs
252 utilizing Project Water or other water furnished pursuant to this Contract conducted within the
253 Contractor's Service Area which are consistent with applicable State law and result in use
254 consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge
255 program(s) is (are) described in the Contractor's water conservation plan submitted pursuant to
256 Article 26 of this Contract; Provided, further, That such water conservation plan demonstrates
257 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average,
258 the quantity of Delivered Water is demonstrated to be reasonable for such uses and in
259 compliance with Federal Reclamation law. Groundwater recharge programs, groundwater
260 banking programs, surface water storage programs, and other similar programs utilizing Project
261 Water or other water furnished pursuant to this Contract conducted outside the Contractor's
262 Service Area may be permitted upon written approval of the Contracting Officer, which approval
263 will be based upon environmental documentation, Project Water rights, and Project operational
264 concerns. The Contracting Officer will address such concerns in regulations, policies, or
265 guidelines.

266 (e) The Contractor shall comply with requirements applicable to the
267 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
268 of this Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA),
269 as amended, that are within the Contractor's legal authority to implement. The Existing
270 Contract, which evidences in excess of 32 years of diversions for M&I purposes of the quantities
271 of water provided in subdivision (a) of Article 3 of this Contract, will be considered in
272 developing an appropriate baseline for biological assessment(s) prepared pursuant to the ESA,

273 and any other needed environmental review. Nothing herein shall be construed to prevent the
274 Contractor from challenging or seeking judicial relief in a court of competent jurisdiction with
275 respect to any biological opinion or other environmental documentation referred to in this
276 Article.

277 (f) As soon as possible following each declaration of Water Made Available
278 under Article 4 of this Contract, the Contracting Officer will make a determination whether
279 Project Water, or other water available to the Project, can be made available to the Contractor in
280 addition to the Contract Total under Article 3 of this Contract during the Year without adversely
281 impacting other Project Contractors. At the request of the Contractor, the Contracting Officer
282 will consult with the Contractor prior to making such a determination. If the Contracting Officer
283 determines that Project Water, or other water available to the Project, can be made available to
284 the Contractor, the Contracting Officer will announce the availability of such water and shall so
285 notify the Contractor as soon as practical. The Contracting Officer will thereafter meet with the
286 Contractor and other Project Contractors capable of taking such water to determine the most
287 equitable and efficient allocation of such water. If the Contractor requests the delivery of any
288 quantity of such water, the Contracting Officer shall make such water available to the Contractor
289 in accordance with applicable statutes, regulations, guidelines, and policies.

290 (g) The Contractor may request permission to reschedule for use during the
291 subsequent Year some or all of the Water Made Available to the Contractor during the current
292 Year, referred to as "carryover." The Contractor may request permission to use during the
293 current Year a quantity of Project Water which may be made available by the United States to
294 the Contractor during the subsequent Year, referred to as "preuse." The Contracting Officer's
295 written approval may permit such uses in accordance with applicable statutes, regulations,
296 guidelines, and policies.

297 (h) The Contractor's right pursuant to Federal Reclamation law and applicable
298 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract

299 during the term thereof and any subsequent renewal contracts, as described in Article 2 of this
300 Contract, during the terms thereof shall not be disturbed so long as the Contractor shall fulfill all
301 of its obligations under this Contract and any renewals thereof. Nothing in the preceding
302 sentence shall affect the Contracting Officer's ability to impose shortages under Article 11 or
303 subdivision (b) of Article 12 of this Contract or applicable provisions of any subsequent renewal
304 contracts.

305 (i) Project Water furnished to the Contractor pursuant to this Contract may be
306 delivered for other M&I purposes upon written approval by the Contracting Officer in
307 accordance with the terms and conditions of such approval.

308 (j) The Contracting Officer shall make reasonable efforts to protect the water
309 rights necessary for the Project and to provide the water available under this Contract. The
310 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
311 extent permitted by law, in administrative proceedings related to the Project Water rights;
312 Provided, That the Contracting Officer retains the right to object to the substance of the
313 Contractor's position in such a proceeding; Provided further, That in such proceedings the
314 Contracting Officer shall recognize the Contractor has a legal right under the terms of this
315 Contract to use Project Water.

316 (k) The Contractor shall take delivery of Project Water at point or points of
317 delivery agreed upon pursuant to Article 5 of this Contract; Provided, That in no event shall the
318 United States be obligated to furnish Project Water from Shasta Reservoir at the Meter Vault on
319 the 6-inch Pipeline in excess of 40 acre-feet per Year; Provided further, That the Contractor's
320 entitlement to take Project Water from Shasta Reservoir at the Meter Vault on the 6-Inch
321 Pipeline shall terminate 12 months after the Contracting Officer provides written notice to the
322 Contractor that the capacity of the upstream Toyon Pipeline is needed by the United States for
323 other Project purposes; Provide further, That the Contractor shall continue to perform all duties
324 required by Article 40 of this Contract through the effective date of the termination.

325 (l) Water furnished to the Contractor pursuant to this Contract shall not be
326 used by the Contractor for power production (hydroelectric generation) unless such use is
327 incidental to the operation of the Buckeye Water Treatment Plant, and water delivery to
328 individual customers for consumptive use and is so used with the concurrence of Reclamation.

329 (m) Water furnished to the Contractor pursuant to this Contract shall be
330 considered and accounted for separate and apart from the water furnished to the Contractor under
331 Contract No. 14-06-200-2871A-R-1, dated _____, between the United States and the
332 Contractor.

333 TIME FOR DELIVERY OF WATER

334 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer
335 shall announce the Contracting Officer's expected declaration of the Water Made Available.
336 Such declaration will be expressed in terms of both Water Made Available and the Recent
337 Historic Average and will be updated monthly, and more frequently if necessary, based on then-
338 current operational and hydrologic conditions and a new declaration with changes, if any, to the
339 Water Made Available will be made. The Contracting Officer shall provide forecasts of Project
340 operations and the basis of the estimate, with relevant supporting information, upon the written
341 request of the Contractor. Concurrently with the declaration of the Water Made Available, the
342 Contracting Officer shall provide the Contractor with the updated Recent Historic Average.

343 (b) On or before each March 1 and at such other times as necessary, the
344 Contractor shall submit to the Contracting Officer a written schedule, satisfactory to the
345 Contracting Officer, showing the monthly quantities of Project Water to be delivered by the
346 United States to the Contractor pursuant to this Contract for the Year commencing on such
347 March 1. The Contracting Officer shall use all reasonable means to deliver Project Water
348 according to the approved schedule for the Year commencing on such March 1.

349 (c) The Contractor shall not schedule Project Water in excess of the quantity
350 of Project Water the Contractor intends to put to reasonable and beneficial use within the

351 Contractor's Service Area or to sell, transfer, or exchange pursuant to Article 9 of this Contract
352 during any Year.

353 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
354 Contract, the United States shall deliver Project Water to the Contractor in accordance with the
355 initial schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any
356 written revision(s), satisfactory to the Contracting Officer, thereto submitted within a reasonable
357 time prior to the date(s) on which the requested change(s) is/are to be implemented.

358 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

359 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
360 Contract shall be delivered to the Contractor at the Meter Vault on the 6-Inch Pipeline, from the
361 Spring Creek Power Conduit at the Contractor's Buckeye Water Treatment Plant, the existing
362 point or points of delivery from the Sacramento River below Keswick Dam, and any additional
363 point or points of delivery either on Project facilities or another location or locations mutually
364 agreed to in writing by the Contracting Officer and the Contractor.

365 (b) The Contracting Officer or other appropriate entity as designated by the
366 Contracting Officer (hereinafter referred to as the "Other Appropriate Entity") shall make all
367 reasonable efforts to maintain sufficient flows and levels of water in the Sacramento River,
368 Spring Creek Power Conduit, and the Toyon Pipeline to deliver Project Water to the Contractor
369 at specific turnouts established pursuant to subdivision (a) of this Article.

370 (c) Omitted.

371 (d) All Water Delivered to the Contractor pursuant to this Contract, including
372 backwash water used for cleaning the filters at the Contractor's Buckeye Water Treatment Plant,
373 shall be measured and recorded with equipment furnished, installed, operated, and maintained by
374 the Contractor at the point or points of delivery established pursuant to subdivision (a) of this
375 Article or at points where such water enters the Contractor's Service Area as delineated in
376 Exhibit "A". Upon the request of either party to this Contract, the Contracting Officer shall

377 investigate the accuracy of such measurements and shall take any necessary steps to adjust any
378 errors appearing therein. For any period of time when accurate measurements have not been
379 made, the Contracting Officer shall consult with the Contractor prior to making a final
380 determination of the quantity delivered for that period of time.

381 (e) The Contracting Officer shall not be responsible for the control, carriage,
382 handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to this
383 Contract beyond the delivery points specified in subdivision (a) of this Article. The Contractor
384 shall indemnify the United States, its officers, employees, agents, and assigns on account of
385 damage or claim of damage of any nature whatsoever for which there is legal responsibility,
386 including property damage, personal injury, or death arising out of or connected with the control,
387 carriage, handling, use, disposal, or distribution of such Water Delivered beyond such delivery
388 points, except for any damage or claim arising out of (i) acts or omissions of the Contracting
389 Officer or any of its officers, employees, agents, or assigns, with the intent of creating the
390 situation resulting in any damage or claim, (ii) willful misconduct of the Contracting Officer or
391 any of its officers, employees, agents, or assigns, (iii) negligence of the Contracting Officer or
392 any of its officers, employees, agents, or assigns, or (iv) damage or claims resulting from a
393 malfunction of facilities owned and/or operated by the United States.

394 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

395 6. (a) The Contractor has established a measuring program satisfactory to the
396 Contracting Officer. The Contractor shall ensure that all surface water delivered for M&I
397 purposes is measured at each M&I service connection. The water measuring devices or water
398 measuring methods of comparable effectiveness must be acceptable to the Contracting Officer.
399 The Contractor shall be responsible for installing, operating, and maintaining and repairing all
400 such measuring devices and implementing all such water measuring methods at no cost to the
401 United States. The Contractor shall use the information obtained from such water measuring
402 devices or water measuring methods to ensure its proper management of the water, to bill water

403 users for water delivered by the Contractor; and, if applicable, to record water delivered for M&I
404 purposes by customer class as defined in the Contractor's water conservation plan provided for
405 in Article 26 of this Contract. Nothing herein contained, however, shall preclude the Contractor
406 from establishing and collecting any charges, assessments, or other revenues authorized by
407 California law. The Contractor shall include a summary of all its annual surface water deliveries
408 in the annual report described in subdivision (c) of Article 26.

409 (b) To the extent the information has not otherwise been provided, upon
410 execution of this Contract, the Contractor shall provide to the Contracting Officer a written
411 report describing the measurement devices or water measuring methods being used or to be used
412 to implement subdivision (a) of this Article and identifying the M&I service connections or
413 alternative measurement programs approved by the Contracting Officer, at which such
414 measurement devices or water measuring methods are being used, and, if applicable, identifying
415 the locations at which such devices and/or methods are not yet being used including a time
416 schedule for implementation at such locations. The Contracting Officer shall advise the
417 Contractor in writing within 60 days as to the adequacy and necessary modifications, if any, of
418 the measuring devices or water measuring methods identified in the Contractor's report and if the
419 Contracting Officer does not respond in such time, they shall be deemed adequate. If the
420 Contracting Officer notifies the Contractor that the measuring devices or methods are
421 inadequate, the parties shall within 60 days following the Contracting Officer's response,
422 negotiate in good faith the earliest practicable date by which the Contractor shall modify said
423 measuring devices and/or measuring methods as required by the Contracting Officer to ensure
424 compliance with subdivision (a) of this Article.

425 (c) All new surface water delivery systems installed within the Contractor's
426 Service Area after the effective date of this Contract shall also comply with the measurement
427 provisions described in subdivision (a) of this Article.

428 (d) The Contractor shall inform the Contracting Officer and the State of
429 California in writing by April 30 of each Year of the monthly volume of surface water delivered
430 within the Contractor's Service Area during the previous Year.

431 (e) The Contractor shall inform the Contracting Officer on or before the 10th
432 calendar day of each month of the quantity of M&I Water taken during the preceding month.

433 RATES AND METHOD OF PAYMENT FOR WATER

434 7. (a) The Contractor shall pay the United States as provided in this Article for
435 all Delivered Water at Rates, Charges, and the Tiered Pricing Component established in
436 accordance with (i) the Secretary's then-existing ratesetting policy for M&I Water. Such
437 ratesetting policy shall be amended, modified, or superseded only through a public notice and
438 comment procedure; (ii) applicable Federal Reclamation law and associated rules and
439 regulations, or policies; and (iii) other applicable provisions of this Contract. Payments shall be
440 made by cash transaction, electronic funds transfer, or any other mechanism as may be agreed to
441 in writing by the Contractor and the Contracting Officer. The Rates, Charges, and Tiered Pricing
442 Component applicable to the Contractor upon execution of this Contract are set forth in Exhibit
443 "B," as may be revised annually.

444 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges,
445 and Tiered Pricing Component as follows:

446 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
447 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
448 period October 1, of the current Calendar Year, through September 30, of the following Calendar
449 Year, and the basis for such estimate. The Contractor shall be allowed not less than two months
450 to review and comment on such estimates. On or before September 15 of each Calendar Year,
451 the Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during
452 the period October 1 of the current Calendar Year, through September 30, of the following
453 Calendar Year, and such notification shall revise Exhibit "B."

454 (2) Prior to October 1 of each Calendar Year, the Contracting Officer
455 shall make available to the Contractor an estimate of the Rates and Tiered Pricing Component
456 for Project Water for the following Year and the computations and cost allocations upon which
457 those Rates are based. The Contractor shall be allowed not less than two months to review and
458 comment on such computations and cost allocations. By December 31 of each Calendar Year,
459 the Contracting Officer shall provide the Contractor with the final Rates and Tiered Pricing
460 Component to be in effect for the upcoming Year, and such notification shall revise Exhibit "B."

461 (c) At the time the Contractor submits the initial schedule for the delivery of
462 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the
463 Contractor shall make an advance payment to the United States equal to the total amount payable
464 pursuant to the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water
465 scheduled to be delivered pursuant to this Contract during the first two calendar months of the
466 Year. Before the end of the first month and before the end of each calendar month thereafter, the
467 Contractor shall make an advance payment to the United States, at the Rate(s) set under
468 subdivision (a) of this Article, for the Water Scheduled to be delivered pursuant to this Contract
469 during the second month immediately following. Adjustments between advance payments for
470 Water Scheduled and payments at Rates due for Water Delivered shall be made before the end of
471 the following month; Provided, That any revised schedule submitted by the Contractor pursuant
472 to Article 4 of this Contract which increases the amount of Water Delivered pursuant to this
473 Contract during any month shall be accompanied with appropriate advance payment, at the Rates
474 then in effect, to assure that Project Water is not delivered to the Contractor in advance of such
475 payment. In any month in which the quantity of Water Delivered to the Contractor pursuant to
476 this Contract equals the quantity of Water Scheduled and paid for by the Contractor, no
477 additional Project Water shall be delivered to the Contractor unless and until an advance
478 payment at the Rates then in effect for such additional Project Water is made. Final adjustment
479 between the advance payments for the Water Scheduled and payments for the quantities of Water

480 Delivered during each Year pursuant to this Contract shall be made as soon as practicable, but no
481 later than April 30th of the following Year, or 60 days after the delivery of Project Water carried
482 over under subdivision (g) of Article 3 of this Contract if such water is not delivered by the last
483 day of February.

484 (d) The Contractor shall also make a payment in addition to the Rate(s) in
485 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
486 appropriate Tiered Pricing Component then in effect, before the end of the month following the
487 month of delivery. The payments shall be consistent with the quantities of M&I Water Delivered
488 as shown in the water delivery report for the subject month prepared by the Contracting Officer.
489 The water delivery report shall be deemed a bill for the payment of Charges and the applicable
490 Tiered Pricing Component for Water Delivered. Adjustment for overpayment or underpayment
491 of Charges shall be made through the adjustment of payments due to the United States for
492 Charges for the next month. Any amount to be paid for past due payment of Charges and the
493 Tiered Pricing Component shall be computed pursuant to Article 20 of this Contract.

494 (e) The Contractor shall pay for any Water Delivered under subdivision (a),
495 (f), or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to
496 applicable statutes, associated regulations, any applicable provisions of guidelines or ratesetting
497 policies; Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this
498 Contract shall be no more than the otherwise applicable Rate for M&I Water under subdivision
499 (a) of this Article.

500 (f) Payments to be made by the Contractor to the United States under this
501 Contract may be paid from any revenues available to the Contractor.

502 (g) All revenues received by the United States from the Contractor relating to
503 the delivery of Project Water or the delivery of non-Project water through Project facilities shall
504 be allocated and applied in accordance with Federal Reclamation law and the associated rules or
505 regulations, and the then-current Project ratesetting policy for M&I Water.

506 (h) The Contracting Officer shall keep its accounts pertaining to the
507 administration of the financial terms and conditions of its long-term contracts, in accordance
508 with applicable Federal standards, so as to reflect the application of Project costs and revenues.
509 The Contracting Officer shall, each Year upon request of the Contractor, provide to the
510 Contractor a detailed accounting of all Project and Contractor expense allocations, the
511 disposition of all Project and Contractor revenues, and a summary of all water delivery
512 information. The Contracting Officer and the Contractor shall enter into good faith negotiations
513 to resolve any discrepancies or disputes relating to accountings, reports, or information.

514 (i) The parties acknowledge and agree that the efficient administration of this
515 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,
516 policies, and procedures used for establishing Rates, Charges, and the Tiered Pricing
517 Component, and/or for making and allocating payments, other than those set forth in this Article
518 may be in the mutual best interest of the parties, it is expressly agreed that the parties may enter
519 into agreements to modify the mechanisms, policies, and procedures for any of those purposes
520 while this Contract is in effect without amending this Contract.

521 (j) (1) Beginning at such time as deliveries of Project Water in a Year
522 exceed 80 percent of the Contract Total, then before the end of the month following the month of
523 delivery the Contractor shall make an additional payment to the United States equal to the
524 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water
525 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the
526 Contract Total, shall equal one-half of the difference between the Rate established under
527 subdivision (a) of this Article and the M&I Full Cost Water Rate. The Tiered Pricing
528 Component for the amount of Water Delivered which exceeds 90 percent of the Contract Total
529 shall equal the difference between (i) the Rate established under subdivision (a) of this Article
530 and (ii) the M&I Full Cost Water Rate.

531 (2) Omitted.

532 (3) For purposes of determining the applicability of the Tiered Pricing
533 Component pursuant to this Article, Water Delivered shall include Project Water that the
534 Contractor transfers to others but shall not include Project Water transferred to the Contractor,
535 nor shall it include the additional water provided to the Contractor under the provisions of
536 subdivision (f) of Article 3 of this Contract.

537 (k) For the term of this Contract, Rates under the respective ratesetting
538 policies will be established to recover only reimbursable O&M (including any deficits) and
539 capital costs of the Project, as those terms are used in the then-current Project ratesetting
540 policies, and interest, where appropriate, except in instances where a minimum Rate is applicable
541 in accordance with the relevant Project ratesetting policy. Changes of significance in practices
542 which implement the Contracting Officer's ratesetting policies will not be implemented until the
543 Contracting Officer has provided the Contractor an opportunity to discuss the nature, need, and
544 impact of the proposed change.

545 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the
546 CVPIA, the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates
547 adjusted upward or downward to reflect the changed costs, if any, incurred by the Contracting
548 Officer in the delivery of the transferred Project Water to the transferee's point of delivery in
549 accordance with the then applicable Project ratesetting policy. If the Contractor is receiving
550 lower Rates and Charges because of inability to pay and is transferring Project Water to another
551 entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and Charges
552 for transferred Project Water shall not be adjusted to reflect the Contractor's inability to pay.

553 (m) Omitted.

554 (n) With respect to the Rates for M&I Water, the Contractor asserts that it is
555 not legally obligated to pay any Project deficits claimed by the United States to have accrued as
556 of the date of this Contract or deficit-related interest charges thereon. By entering into this
557 Contract, the Contractor does not waive any legal rights or remedies that it may have with

558 respect to such disputed issues. Notwithstanding the execution of this Contract, and payments
559 made hereunder, the Contractor may challenge in the appropriate administrative or judicial
560 forums: (1) the existence, computation, or imposition of any deficit charges accruing during the
561 term of the Existing Contract and any preceding interim renewal contracts, if applicable; (2)
562 interest accruing on any such deficits; (3) the inclusion of any such deficit charges or interest in
563 the Rates; (4) the application by the United States of payments made by the Contractor under its
564 Existing Contract and any preceding interim renewal contracts, if applicable; and (5) the
565 application of such payments in the Rates. The Contracting Officer agrees that the Contractor
566 shall be entitled to the benefit of any administrative or judicial ruling in favor of any Project
567 M&I contractor on any of these issues, and credits for payments heretofore made, Provided, That
568 the basis for such ruling is applicable to the Contractor.

569 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

570 8. The Contractor and the Contracting Officer concur that, as of the effective date of
571 this Contract, the Contractor has no non-interest bearing O&M deficits and shall have no further
572 liability therefor.

573 SALES, TRANSFERS, OR EXCHANGES OF WATER

574 9. (a) The right to receive Project Water provided for in this Contract may be
575 sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of
576 California if such sale, transfer, or exchange is authorized by applicable Federal and State laws,
577 and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project
578 Water under this Contract may take place without the prior written approval of the Contracting
579 Officer, except as provided for in subdivision (b) of this Article, and no such sales, transfers, or
580 exchanges shall be approved absent all appropriate environmental documentation, including but
581 not limited to documents prepared pursuant to NEPA and ESA. Such environmental
582 documentation should include, as appropriate, an analysis of groundwater impacts and economic

583 and social effects, including environmental justice, of the proposed water transfers on both the
584 transferor and transferee.

585 (b) In order to facilitate efficient water management by means of water
586 transfers of the type historically carried out among Project Contractors located within the same
587 geographical area and to allow the Contractor to participate in an accelerated water transfer
588 program during the term of this Contract, the Contracting Officer shall prepare, as appropriate,
589 all necessary environmental documentation including, but not limited to, documents prepared
590 pursuant to NEPA and ESA, analyzing annual transfers within such geographical areas, and the
591 Contracting Officer shall determine whether such transfers comply with applicable law.
592 Following the completion of the environmental documentation, such transfers addressed in such
593 documentation shall be conducted with advance notice to the Contracting Officer, but shall not
594 require prior written approval by the Contracting Officer. Such environmental documentation
595 and the Contracting Officer's compliance determination shall be reviewed every five years and
596 updated, as necessary, prior to the expiration of the then-existing five-year period. All
597 subsequent environmental documentation shall include an alternative to evaluate not less than the
598 quantity of Project Water historically transferred within the same geographical area.

599 (c) For a water transfer to qualify under subdivision (b) of this Article, such
600 water transfer must: (i) be for irrigation purposes for lands irrigated within the previous three
601 years, for M&I use, groundwater recharge, groundwater banking, similar groundwater activities,
602 surface water storage, or fish and wildlife resources; not lead to land conversion; and be
603 delivered to established cropland, wildlife refuges, groundwater basins or M&I use; (ii) occur
604 within a single Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water
605 through existing facilities with no new construction or modifications to facilities and be between
606 existing Project Contractors and/or the Contractor and the United States, Department of the
607 Interior; and (v) comply with all applicable Federal, State, and local or tribal laws and

608 requirements imposed for protection of the environment and Indian Trust Assets, as defined
609 under Federal law.

610 (d) For the purpose of determining whether Section 3405(a)(1)(M) of the
611 CVPIA applies to the Contractor as a transferor or transferee of Project Water, the Contracting
612 Officer acknowledges that the Contractor is within a county, watershed, or other area of origin,
613 as those terms are utilized under California law, of water that constitutes the natural flow of the
614 Sacramento River and its tributaries above the confluence of the American and Sacramento
615 Rivers.

616 APPLICATION OF PAYMENTS AND ADJUSTMENTS

617 10. (a) The amount of any overpayment by the Contractor of the Contractor's
618 O&M, capital, and deficit (if any) obligations for the Year shall be applied first to any current
619 liabilities of the Contractor arising out of this Contract then due and payable. Overpayments of
620 more than \$1,000 shall be refunded at the Contractor's request. In lieu of a refund, any amount
621 of such overpayment, at the option of the Contractor, may be credited against amounts to become
622 due to the United States by the Contractor. With respect to overpayment, such refund or
623 adjustment shall constitute the sole remedy of the Contractor or anyone having or claiming to
624 have the right to the use of any of the Project Water supply provided for herein. All credits and
625 refunds of overpayments shall be made within 30 days of the Contracting Officer obtaining
626 direction as to how to credit or refund such overpayment in response to the notice to the
627 Contractor that it has finalized the accounts for the Year in which the overpayment was made.

628 (b) All advances for miscellaneous costs incurred for work requested by the
629 Contractor pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs
630 when the work has been completed. If the advances exceed the actual costs incurred, the
631 difference will be refunded to the Contractor. If the actual costs exceed the Contractor's
632 advances, the Contractor will be billed for the additional costs pursuant to Article 25.

633 TEMPORARY REDUCTIONS--RETURN FLOWS

634 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the
635 requirements of Federal law; and (ii) the obligations of the United States under existing
636 contracts, or renewals thereof, providing for water deliveries from the Project, the Contracting
637 Officer shall make all reasonable efforts to optimize Project Water deliveries to the Contractor as
638 provided in this Contract.

639 (b) The Contracting Officer may temporarily discontinue or reduce the
640 quantity of Water Delivered to the Contractor as herein provided for the purposes of
641 investigation, inspection, maintenance, repair, or replacement of any of the Project facilities or
642 any part thereof necessary for the delivery of Project Water to the Contractor, but so far as
643 feasible the Contracting Officer will give the Contractor due notice in advance of such temporary
644 discontinuance or reduction, except in case of emergency, in which case no notice need be given;
645 Provided, That the United States shall use its best efforts to avoid any discontinuance or
646 reduction in such service. Upon resumption of service after such reduction or discontinuance,
647 and if requested by the Contractor, the United States will, if possible, deliver the quantity of
648 Project Water which would have been delivered hereunder in the absence of such discontinuance
649 or reduction.

650 (c) The United States reserves the right to all seepage and return flow water
651 derived from Water Delivered to the Contractor hereunder which escapes or is discharged
652 beyond the Contractor's Service Area; Provided, That this shall not be construed as claiming for
653 the United States any right to seepage or return flow being put to reasonable and beneficial use
654 pursuant to this Contract within the Contractor's Service Area by the Contractor or those
655 claiming by, through, or under the Contractor.

656 CONSTRAINTS ON THE AVAILABILITY OF WATER

657 12. (a) In its operation of the Project, the Contracting Officer will use all
658 reasonable means to guard against a Condition of Shortage in the quantity of water to be made

659 available to the Contractor pursuant to this Contract. In the event the Contracting Officer
660 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the
661 Contractor of said determination as soon as practicable.

662 (b) If there is a Condition of Shortage because of errors in physical operations
663 of the Project, drought, other physical causes beyond the control of the Contracting Officer or
664 actions taken by the Contracting Officer to meet legal obligations then, except as provided in
665 subdivision (a) of Article 18 of this Contract, no liability shall accrue against the United States or
666 any of its officers, agents, or employees for any damage, direct or indirect, arising therefrom.

667 (c) Omitted.

668 (d) Project Water furnished under this long-term renewal contract will be
669 allocated in accordance with the then-existing Project M&I Water Shortage Policy. Such policy
670 shall be amended, modified, or superseded only through a public notice and comment procedure.

671 (e) By entering into this Contract, the Contractor does not waive any legal
672 rights or remedies it may have to file or participate in any administrative or judicial proceeding
673 contesting (i) the sufficiency of the manner in which any Project M&I Water Shortage Policy
674 adopted after the effective date of this Contract was promulgated; (ii) the substance of such a
675 policy; or (iii) the applicability of such a policy. By agreeing to the foregoing, the Contracting
676 Officer does not waive any legal defenses or remedies that it may then have to assert in such a
677 proceeding.

678 13. Omitted.

679 RULES AND REGULATIONS

680 14. The parties agree that the delivery of Project Water or use of Federal facilities
681 pursuant to this Contract is subject to Federal Reclamation law, as amended and supplemented,
682 and the rules and regulations promulgated by the Secretary of the Interior under Federal
683 Reclamation law.

684 WATER AND AIR POLLUTION CONTROL

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

687 shall obtain all required permits or licenses from the appropriate Federal, State, or local
688 authorities.

689 QUALITY OF WATER

690 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant
691 to this Contract shall be operated and maintained to enable the United States to deliver Project
692 Water to the Contractor in accordance with the water quality standards specified in subsection
693 2(b) of the Act of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October
694 27, 1986 (100 Stat. 3050) or other existing Federal laws. The United States is under no
695 obligation to construct or furnish water treatment facilities to maintain or to improve the quality
696 of Water Delivered to the Contractor pursuant to this Contract. The United States does not
697 warrant the quality of Water Delivered to the Contractor pursuant to this Contract.

698 (b) The O&M of Project facilities shall be performed in such manner as is
699 practicable to maintain the quality of raw water made available through such facilities at the
700 highest level reasonably attainable as determined by the Contracting Officer. The Contractor
701 shall be responsible for compliance with all State and Federal water quality standards applicable
702 to surface and subsurface agricultural drainage discharges generated through the use of Federal
703 or Contractor facilities or Project Water provided by the Contractor within the Contractor's
704 Service Area.

705 WATER ACQUIRED BY THE CONTRACTOR
706 OTHER THAN FROM THE UNITED STATES

707 17. (a) Omitted.

708 (b) Water or water rights now owned or hereafter acquired by the Contractor,
709 other than from the United States, may be stored, conveyed, and/or diverted through Project
710 facilities, subject to the completion of appropriate environmental documentation, with the

711 approval of the Contracting Officer and the execution of any contract determined by the
712 Contracting Officer to be necessary, consistent with the following provisions:

713 (1) The Contractor may introduce non-Project water into Project
714 facilities and deliver said water to lands within the Contractor's Service Area subject to payment
715 to the United States of an appropriate rate as determined by the applicable Project ratesetting
716 policy, the RRA, and the Project use power policy, if such Project use power policy is applicable,
717 each as amended, modified, or superseded from time to time.

718 (2) Delivery of such non-Project water in and through Project facilities
719 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project
720 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water
721 available to other Project Contractors; (iii) interfere with the delivery of contractual water
722 entitlements to any other Project Contractors; or (iv) interfere with the physical maintenance of
723 the Project facilities.

724 (3) The United States shall not be responsible for control, care, or
725 distribution of the non-Project water before it is introduced into or after it is delivered from the
726 Project facilities. The Contractor hereby releases and agrees to defend and indemnify the United
727 States and its respective officers, agents, and employees, from any claim for damage to persons
728 or property, direct or indirect, resulting from the acts of the Contractor, its officers', employees',
729 agents', or assigns', act(s) in (i) extracting or diverting non-Project water from any source, or (ii)
730 diverting such non-Project water into Project facilities.

731 (4) Diversion of such non-Project water into Project facilities shall be
732 consistent with all applicable laws, and if involving groundwater, consistent with any applicable
733 groundwater management plan for the area from which it was extracted.

734 (5) After Project purposes are met, as determined by the Contracting
735 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity
736 of the facilities declared to be available by the Contracting Officer for conveyance and

737 transportation of non-Project water prior to any such remaining capacity being made available to
738 non-Project contractors.

739 OPINIONS AND DETERMINATIONS

740 18. (a) Where the terms of this Contract provide for actions to be based upon the
741 opinion or determination of either party to this Contract, said terms shall not be construed as
742 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
743 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly
744 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious,
745 or unreasonable opinion or determination. Each opinion or determination by either party shall be
746 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is
747 intended to or shall affect or alter the standard of judicial review applicable under Federal law to
748 any opinion or determination implementing a specific provision of Federal law embodied in
749 statute or regulation.

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

755 COORDINATION AND COOPERATION

756 19. (a) In order to further their mutual goals and objectives, the Contracting
757 Officer and the Contractor shall communicate, coordinate, and cooperate with each other, and
758 with other affected Project Contractors, in order to improve the operation and management of the
759 Project. The communication, coordination, and cooperation regarding operations and
760 management shall include, but not be limited to, any action which will or may materially affect
761 the quantity or quality of Project Water supply, the allocation of Project Water supply, and
762 Project financial matters including, but not limited to, budget issues. The communication,

763 coordination, and cooperation provided for hereunder shall extend to all provisions of this
764 Contract. Each party shall retain exclusive decision making authority for all actions, opinions,
765 and determinations to be made by the respective party.

766 (b) Within 120 days following the effective date of this Contract, the
767 Contractor, other affected Project Contractors, and the Contracting Officer shall arrange to meet
768 with interested Project Contractors to develop a mutually agreeable, written Project-wide
769 process, which may be amended as necessary separate and apart from this Contract. The goal of
770 this process shall be to provide, to the extent practicable, the means of mutual communication
771 and interaction regarding significant decisions concerning Project operation and management on
772 a real-time basis.

773 (c) In light of the factors referred to in subdivision (b) of Article 3 of this
774 Contract, it is the intent of the Secretary to improve water supply reliability. To carry out this
775 intent:

776 (1) The Contracting Officer will, at the request of the Contractor,
777 assist in the development of integrated resource management plans for the Contractor. Further,
778 the Contracting Officer will, as appropriate, seek authorizations for implementation of
779 partnerships to improve water supply, water quality, and reliability.

780 (2) The Secretary will, as appropriate, pursue program and project
781 implementation and authorization in coordination with Project Contractors to improve the water
782 supply, water quality, and reliability of the Project for all Project purposes.

783 (3) The Secretary will coordinate with Project Contractors and the
784 State of California to seek improved water resource management.

785 (3.1) The Secretary and the Contractor desire to work together to
786 maximize the reasonable beneficial use of water for their mutual benefit. As a consequence, the
787 Secretary and the Contractor will work in partnership and with others in the region of the
788 Redding Groundwater Basin, including other Contractors in the Shasta and Trinity Divisions of

789 the Project, to facilitate the better integration with the region of the Redding Groundwater Basin
790 of all water supplies including, but not limited to, the better management and integration of
791 surface water and groundwater, transfers and exchanges of water, the development and better
792 utilization of surface water storage, the effective utilization of waste, seepage and return flow
793 water, and other operational and management options that may be identified in the future.

794 (4) The Secretary will coordinate actions of agencies within the
795 Department of the Interior that may impact the availability of water for Project purposes.

796 (5) The Contracting Officer shall periodically, but not less than
797 annually, hold division level meetings to discuss Project operations, division level water
798 management activities, and other issues as appropriate.

799 (d) Without limiting the contractual obligations of the Contracting Officer
800 under the other Articles of this Contract nothing in this Article shall be construed to limit or
801 constrain the Contracting Officer's ability to communicate, coordinate, and cooperate with the
802 Contractor or other interested stakeholders or to make decisions in a timely fashion as needed to
803 protect health, safety, or the physical integrity of structures or facilities.

804 CHARGES FOR DELINQUENT PAYMENTS

805 20. (a) The Contractor shall be subject to interest, administrative and penalty
806 charges on delinquent installments or payments. When a payment is not received by the due
807 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
808 the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an
809 administrative charge to cover additional costs of billing and processing the delinquent payment.
810 When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional
811 penalty charge of six (6%) percent per year for each day the payment is delinquent beyond the
812 due date. Further, the Contractor shall pay any fees incurred for debt collection services
813 associated with a delinquent payment.

814 (b) The interest charge rate shall be the greater of the rate prescribed quarterly
815 in the Federal Register by the Department of the Treasury for application to overdue payments,
816 or the interest rate of one-half of one (0.5%) percent per month prescribed by Section 6 of the
817 Reclamation Project Act of 1939 (Public Law 76-260). The interest charge rate shall be
818 determined as of the due date and remain fixed for the duration of the delinquent period.

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

822 EQUAL OPPORTUNITY

823 21. During the performance of this Contract, the Contractor agrees as follows:

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

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

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

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

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

852 (f) In the event of the Contractor's noncompliance with the nondiscrimination
853 clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be
854 canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared
855 ineligible for further Government contracts in accordance with procedures authorized in said
856 amended Executive Order, and such other sanctions may be imposed and remedies invoked as

857 provided in said Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as
858 otherwise provided by law.

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

868 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

881 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

882 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
883 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
884 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
885 laws, as well as with their respective implementing regulations and guidelines imposed by the
886 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

901 24. Omitted.

902 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

903 25. In addition to all other payments to be made by the Contractor pursuant to this
904 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and
905 detailed statement submitted by the Contracting Officer to the Contractor for such specific items
906 of direct cost incurred by the United States for work requested by the Contractor associated with
907 this Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies
908 and procedures. All such amounts referred to in this Article shall not exceed the amount agreed
909 to in writing in advance by the Contractor. This Article shall not apply to costs for routine
910 contract administration.

911 WATER CONSERVATION

912 26. (a) Prior to the delivery of water provided from or conveyed through
913 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor
914 shall be implementing an effective water conservation and efficiency program based on the
915 Contractor's water conservation plan that has been determined by the Contracting Officer to meet
916 the conservation and efficiency criteria for evaluating water conservation plans established under
917 Federal law. The water conservation and efficiency program shall contain definite water
918 conservation objectives, appropriate economically feasible water conservation measures, and
919 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this
920 Contract shall be contingent upon the Contractor's continued implementation of such water
921 conservation program. In the event the Contractor's water conservation plan or any revised water
922 conservation plan completed pursuant to subdivision (d) of Article 26 of this Contract have not

923 yet been determined by the Contracting Officer to meet such criteria, due to circumstances which
924 the Contracting Officer determines are beyond the control of the Contractor, water deliveries
925 shall be made under this Contract so long as the Contractor diligently works with the Contracting
926 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
927 immediately begins implementing its water conservation and efficiency program in accordance
928 with the time schedules therein.

929 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
930 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall
931 implement the Best Management Practices identified by the time frames issued by the California
932 Urban Water Conservation Council for such M&I Water unless any such practice is determined
933 by the Contracting Officer to be inappropriate for the Contractor.

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

937 (d) At five-year intervals, the Contractor shall revise its water conservation
938 plan to reflect the then-current conservation and efficiency criteria for evaluating water
939 conservation plans established under Federal law and submit such revised water management
940 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then
941 determine if the water conservation plan meets Reclamation's then-current conservation and
942 efficiency criteria for evaluating water conservation plans established under Federal law.

943 (e) If the Contractor is engaged in direct groundwater recharge, such activity
944 shall be described in the Contractor's water conservation plan.

945 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

946 27. Except as specifically provided in Article 17 of this Contract, the provisions of
947 this Contract shall not be applicable to or affect non-Project water or water rights now owned or
948 hereafter acquired by the Contractor or any user of such water within the Contractor's Service

949 Area. Any such water shall not be considered Project Water under this Contract. In addition,
950 this Contract shall not be construed as limiting or curtailing any rights which the Contractor or
951 any water user within the Contractor's Service Area acquires or has available under any other
952 contract pursuant to Federal Reclamation law.

953 28. Omitted.

954 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

955 29. The expenditure or advance of any money or the performance of any obligation of
956 the United States under this Contract shall be contingent upon appropriation or allotment of
957 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any
958 obligations under this Contract. No liability shall accrue to the United States in case funds are
959 not appropriated or allotted.

960 BOOKS, RECORDS, AND REPORTS

961 30. (a) The Contractor shall establish and maintain accounts and other books and
962 records pertaining to administration of the terms and conditions of this Contract, including: the
963 Contractor's financial transactions, water supply data, and Project land and right-of-way
964 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
965 data; and other matters that the Contracting Officer may require. Reports thereon shall be
966 furnished to the Contracting Officer in such form and on such date or dates as the Contracting
967 Officer may require. Subject to applicable Federal laws and regulations, each party to this
968 Contract shall have the right during office hours to examine and make copies of the other party's
969 books and records relating to matters covered by this Contract.

970 (b) Notwithstanding the provisions of subdivision (a) of this Article, no
971 books, records, or other information shall be requested from the Contractor by the Contracting
972 Officer unless such books, records, or information are reasonably related to the administration or
973 performance of this Contract. Any such request shall allow the Contractor a reasonable period of
974 time within which to provide the requested books, records, or information.

975 (c) Omitted.

976 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

977 31. (a) The provisions of this Contract shall apply to and bind the successors and
978 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
979 therein shall be valid until approved in writing by the Contracting Officer.

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

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

985 SEVERABILITY

986 32. In the event that a person or entity who is neither (i) a party to a Project contract,
987 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii)
988 an association or other form of organization whose primary function is to represent parties to
989 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or
990 enforceability of a provision included in this Contract and said person, entity, association, or
991 organization obtains a final court decision holding that such provision is legally invalid or
992 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s),
993 the parties to this Contract shall use their best efforts to (i) within 30 days of the date of such
994 final court decision identify by mutual agreement the provisions in this Contract which must be
995 revised, and (ii) within three months thereafter promptly agree on the appropriate revision(s).
996 The time periods specified above may be extended by mutual agreement of the parties. Pending
997 the completion of the actions designated above, to the extent it can do so without violating any
998 applicable provisions of law, the United States shall continue to make the quantities of Project
999 Water specified in this Contract available to the Contractor pursuant to the provisions of this
1000 Contract which were not found to be legally invalid or unenforceable in the final court decision.

1001 RESOLUTION OF DISPUTES

1002 33. Should any dispute arise concerning any provisions of this Contract, or the
1003 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to
1004 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting
1005 Officer referring any matter to Department of Justice, the party shall provide to the other party

1006 30 days' written notice of the intent to take such action; Provided, That such notice shall not be
1007 required where a delay in commencing an action would prejudice the interests of the party that
1008 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer
1009 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,
1010 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the
1011 United States may have.

1012 OFFICIALS NOT TO BENEFIT

1013 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1014 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1015 manner as other water users or landowners.

1016 CHANGES IN CONTRACTOR'S SERVICE AREA

1017 35. (a) While this Contract is in effect, no change may be made in the
1018 Contractor's Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger,
1019 or otherwise, except upon the Contracting Officer's written consent.

1020 (b) Within 30 days of receipt of a request for such a change, the Contracting
1021 Officer will notify the Contractor of any additional information required by the Contracting
1022 Officer for processing said request, and both parties will meet to establish a mutually agreeable
1023 schedule for timely completion of the process. Such process will analyze whether the proposed
1024 change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract;
1025 (ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or
1026 to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii)
1027 have an impact on any Project Water rights applications, permits, or licenses. In addition, the
1028 Contracting Officer shall comply with the NEPA and the ESA. The Contractor will be
1029 responsible for all costs incurred by the Contracting Officer in this process, and such costs will
1030 be paid in accordance with Article 25 of this Contract.

1031 FEDERAL LAWS

1032 36. By entering into this Contract, the Contractor does not waive its rights to contest
1033 the validity or application in connection with the performance of the terms and conditions of this

1034 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with
1035 the terms and conditions of this Contract unless and until relief from application of such Federal
1036 law or regulation to the implementing provision of the Contract is granted by a court of
1037 competent jurisdiction.

1038 NOTICES

1039 37. Any notice, demand, or request authorized or required by this Contract shall be
1040 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
1041 delivered to the Area Manager, Bureau of Reclamation, Northern California Area Office,
1042 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the
1043 United States, when mailed, postage prepaid, or delivered to the City Mayor, City of Redding,
1044 777 Cypress Avenue, Redding, California 96001. The designation of the addressee or the
1045 address may be changed by notice given in the same manner as provided in this Article for other
1046 notices.

1047 CONFIRMATION OF CONTRACT

1048 38. The Contractor, after the execution of this Contract, shall furnish to the
1049 Contracting Officer evidence that pursuant to the laws of the State of California, the Contractor
1050 is a legally constituted entity and the Contract is lawful, valid, and binding on the Contractor.
1051 This Contract shall not be binding on the United States until such evidence has been provided to
1052 the Contracting Officer's satisfaction.

1053 USE OF THE 6-INCH PIPELINE

1054 39. The Contractor may take Project Water from the 6-Inch Pipeline pursuant to the
1055 terms and limitations of subdivision (k) of Article 3 of this Contract; use the 6-Inch Pipeline for
1056 approved water transfers in accordance with Article 9 of this Contract; and provide for
1057 pressurized deliveries of Project Water through the 6-Inch Pipeline to the Contractor's Service
1058 Area pursuant to this Contract.

1059 O&M AND OWNERSHIP OF THE 6-INCH PIPELINE--
1060 UNITED STATES TO BE HELD HARMLESS

1061 40. (a) The Contractor at its own expense shall O&M the 6-Inch Pipeline as
1062 identified on Exhibit "A" of this Contract to the extent reasonably necessary to keep that Project
1063 facility operating in a satisfactory manner. By letter agreement, including provision for
1064 reimbursement by the Contractor of all costs incurred by the United States, the Contractor may

1065 be relieved of its responsibilities to O&M one or more sections of the 6-Inch Pipeline and
1066 Exhibit "A" shall be modified accordingly. Such relief, however, does not relieve the Contractor
1067 from maintaining the United States ability to transport water from the Meter Vault to the
1068 southernmost terminus of the 6-Inch Pipeline.

1069 (b) Unless otherwise provided by the Congress of the United States,
1070 ownership of the 6-Inch Pipeline shall remain in the name of the United States.

1071 (c) No liability shall accrue against the United States, its officers, and
1072 employees because of damage caused by O&M of the 6-Inch Pipeline by the Contractor. The
1073 Contractor hereby releases the United States and agrees to indemnify it from all damage claims
1074 that may result from such O&M.

1075 (d) From time to time the Contracting Officer may make a review of
1076 maintenance of the 6-Inch Pipeline in order to assist the Contractor in determining the condition
1077 of those facilities and the adequacy of the maintenance program. The review may include any or
1078 all of the 6-Inch Pipeline. A report of the review, including recommendations, if any, shall be
1079 prepared and copies shall be furnished to the Contractor. If deemed necessary by the Contracting
1080 Officer or when requested by the Contractor, an inspection of all or part of the 6-Inch Pipeline
1081 and of the Contractor's books and records relating thereto may be made to ascertain whether the
1082 requirements of this Contract are being satisfactorily performed by the Contractor or to assist the
1083 Contractor in solving specific problems. Any such inspection shall, except in a case of
1084 emergency, be made after written notice to the Contractor and the actual cost thereof shall be
1085 paid by the Contractor to the United States in the manner provided in Article 25 of this Contract.
1086 Contractor representatives may participate in the review or inspection. In the event such
1087 inspection reveals that the 6-Inch Pipeline is in need of repair reasonably necessary to keep the
1088 line operating in a satisfactory manner, in the conclusive opinion of the Contracting Officer, and
1089 the Contractor neglects or fails to make such repairs but retains its desire to continue to take
1090 water from the Meter Vault, the United States may cause the repairs to be made and charge the

1091 costs thereof to the Contractor. The Contractor shall pay the full amount of the costs of any such
1092 inspection and/or repairs to the United States on or before March 1 following the Calendar Year
1093 during which the costs of such inspection and/or repairs were incurred.

1094 (e) If any time the Contracting Officer determines that the Contractor has not
1095 cared for, operated, or maintained the 6-Inch Pipeline pursuant to the terms of this Contract, the
1096 Contracting Officer may send notice to the Contractor specifying the cause(s) thereof and
1097 requiring their remedy within 60 days. If such cause(s) is (are) not remedied to the satisfaction
1098 of the Contracting Officer within that 60-day period, the United States may take back and
1099 operate and maintain the 6-Inch Pipeline. The cost of the care, operation, and maintenance of the
1100 6-Inch Pipeline, during the time of their O&M by the United States, shall be paid in advance by
1101 the Contractor on the basis of estimates for a particular Year, or portion thereof, furnished to it
1102 by the United States. The surplus of any amount advanced by the Contractor in excess of the
1103 actual cost of O&M by the United States, shall be refunded to the Contractor or at the option of
1104 the Contractor credited upon estimated future costs of O&M by the United States. Whenever, in
1105 the opinion of the Contracting Officer the funds available from payments made by the Contractor
1106 to pay the estimated O&M costs are inadequate to properly maintain the 6-Inch Pipeline to the
1107 end of any Year, the Contracting Officer may give to the Contractor notice of a supplemental
1108 O&M charge stating the additional advance of funds required for such O&M and the Contractor
1109 shall pay the amount thereof on or before the date specified in such notice. The 6-Inch Pipeline
1110 so taken back by the United States may be retransferred to the Contractor upon the furnishing to
1111 the Contractor by the United States of a 90-day written notice of intention to retransfer.

1112 (f) In no event shall any substantial change be made by the Contractor to the
1113 6-Inch Pipeline without first obtaining the written consent of the Contracting Officer. The
1114 Contracting Officer's opinion as to whether any change is substantial shall be conclusive and
1115 binding on the Contractor.

1116 O&M AND OWNERSHIP OF TOYON PIPELINE

1117 41. (a) In the event the United States transfers O&M, or O&M and ownership of
1118 the Toyon Pipeline or portions thereof, to a non-Federal entity, including the Contractor, this
1119 Contract shall be revised as needed by a letter of agreement to conform with the terms and
1120 conditions of such transfer; Provided, That the United States shall consult with the Contractor
1121 prior to entering into any such O&M, or O&M and ownership agreement with the non-Federal
1122 entity.

1123 (b) Unless otherwise provided by the Congress of the United States,
1124 ownership of the Toyon Pipeline shall remain in the name of the United States.

1125 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of
1126 the day and year first above written.

1127 THE UNITED STATES OF AMERICA

1128 APPROVED AS TO LEGAL
1129 FORM AND SUFFICIENCY
1130 *James E. Turner*
OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

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

1131 (SEAL)

1132 CITY OF REDDING

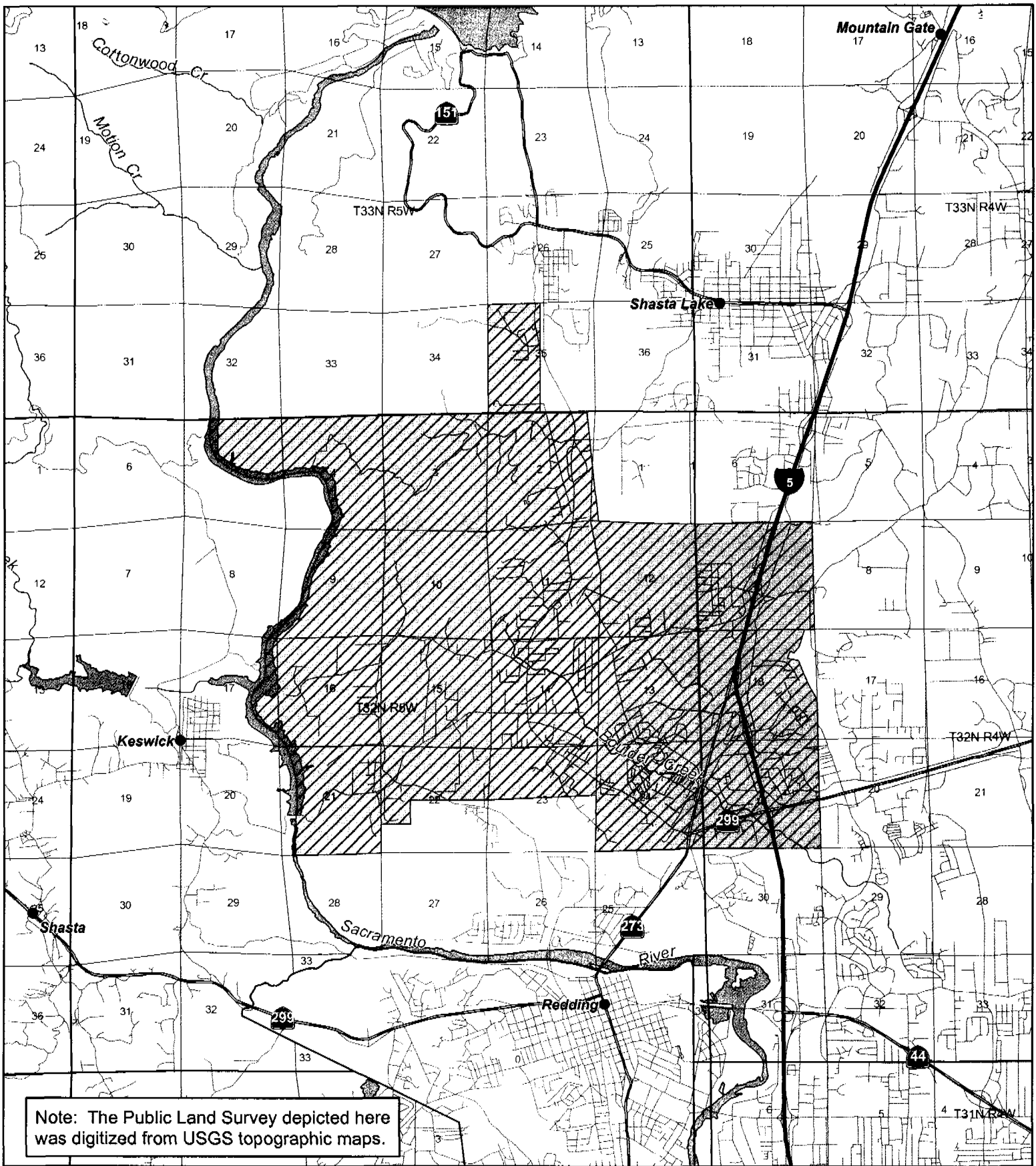
1133 By: *[Signature]*
1134 Mayor John R. Mathena

1135 Attest:

1136 By: *[Signature]*
1137 City Clerk Connie Stronmayer



1138 (H:\public\Willows Final LTRC's\2005-01-31 Redding LTRC Final Draft Contract.doc)

Form Approved
[Signature]
Barry E. DeWalt
Assistant City Attorney



City of Redding (Buckeye)

Contract No. 14-06-200-5272A-LTR1
Exhibit A

-  Contractor's Service Area
-  District Boundary

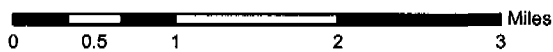


EXHIBIT B

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

	<u>Sacramento River</u>	<u>Spring Creek Conduit</u>	<u>Toyon Pipeline</u>
<u>M&I COST OF SERVICE RATES:</u>			
Capital Rates	(\$ 0.22)	\$ 3.80	\$ (269.36)
Minimum Rate Adjustment	1.19		273.80
O&M Rates:			
Water Marketing	3.89	3.89	3.89
Storage	6.67	6.67	6.67
Deficit Rates:	0.23	0.35	0.00
CFO/PFR Adjustment rate 2/	<u>3.24</u>	<u>0.45</u>	<u>0.00</u>
TOTAL COST OF SERVICE RATE	<u>\$15.00</u>	<u>\$15.16</u>	<u>\$15.00</u> 1/
<u>M&I FULL COST RATE</u>	<u>\$15.00</u>	<u>\$17.35</u>	<u>\$15.00</u>
<u>TIERED PRICING COMPONENTS:</u>			
Tiered Pricing Component >80% <=90% of Contract Total [Full Cost Rate – COS Rate / 2]	<u>\$ 0.00</u>	<u>\$ 1.10</u>	<u>\$ 0.00</u>
Tiered Pricing Component >90% of Contract Total [Full Cost Rate – COS Rate]	<u>\$ 0.00</u>	<u>\$ 2.19</u>	<u>\$ 0.00</u>
<u>CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 3/</u>			
Restoration Payments (3407(d)(2)(A))	<u>\$15.87</u>	<u>\$15.87</u>	<u>\$15.87</u>

1/ 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.

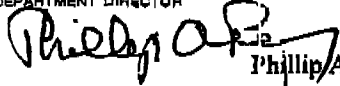

2/ Chief Financial Officer (CFO) adjustment and Provision for Replacement (PFR) expense is being distributed over a 5-year period beginning in FY 2003 for those contractors that requested those costs be deferred.

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 _____ acre-feet.

CITY OF REDDING

REPORT TO CITY COUNCIL

ITEM NO.	4-13(c)
MEETING DATE	3-15-05
APPROVED BY	
DEPARTMENT DIRECTOR	 Phillip A. Perry
CITY MANAGER	 Michael Warren

DATE: March 7, 2005

APPROVED

CODE: W-030-050

FROM: Assistant City Manager

SUBJECT: Resolution Approving the Execution of the Contract with the Bureau of Reclamation, for Long-Term Renewal of Contract No. 14-06-200-5272A-LTR1 (Buckeye Contract) for purchase of Central Valley Project Water

Recommendation

It is the recommendation of staff that the City Council select Alternative No. 1 and adopt the attached resolution authorizing the Mayor to execute the completed water supply contract between the Bureau of Reclamation and the City of Redding. Approving the long-term renewal of the contract will allow the Bureau of Reclamation to continue to supply Central Valley Project (CVP) water to the City for Municipal and Industrial (M&I) use for a contract term of 40 years, expiring in February 28, 2045.

Background

The City has two Municipal and Industrial (M&I) Contracts with the United States Bureau of Reclamation (Bureau) for water. The "Buckeye Contract" is a CVP Contract for 6,140 acre-feet of water. The Redding Contract is a Sacramento River Settlement Contract (water rights contract) for 21,000 acre-feet of water. The topic of this item is the "Buckeye Contract."

On September 16, 1997, City Council approved Resolution No. 97-162, approving entering into a Binding Agreement with the Bureau for Early Renewal of the Buckeye Contract before the contract expiration date of December 31, 2009. Entering into an agreement for early renewal of the contract helped avoid the penalty increase of 150 percent in the additional mitigation and restoration payments required by the Central Valley Project Improvement Act (CVPIA) passed by the United States Congress in 1992.

The amount of water available to the City under the Buckeye Contract is a maximum of 6,140 acre-feet of water per year. The City currently uses approximately 78 percent of the 6,140 acre-feet of water annually, or 4,784 acre-feet per year. The Bureau reserves the right to reduce the water supply if there exists a condition of shortage (drought). Project Water furnished under this long-term renewal contract would then be allocated in accordance with the Central Valley Project M&I Water Shortage Policy. The shortage allocation would allow 75 percent of the City's historical usage during the prior three years of water deliveries, adjusted for growth. The cost of CVP water is adjusted annually at the Cost-of-Service Rate.

On May 18, 2004, the City Council approved by Resolution No. 2004-81, approving the draft contract and allowing the Bureau to post the contract for public review and comment before the completion of the environmental documentation. A copy of the final contracts are on file in the City Clerk's office. The Bureau formally announced that the programmatic environmental impact statement required by Section 3409 of the CVPIA, Title XXXIV of Public Law 102-575, was completed on October 29, 1999, and filed with the United States Environmental Protection Agency for the purpose of renewing existing CVP contracts. Attached is a copy of the Bureau's News Release on this renewal and others in the state.

Issue

Does the City Council wish to adopt the attached resolution authorizing the Mayor to renew the water supply contract between the Bureau of Reclamation and the City of Redding. The execution of this contract will allow the Bureau to continue to provide CVP water to the City of Redding until February 28, 2045, or for an additional 40 years.

Alternatives; Implications of Alternatives

1. Approve the attached resolution approving the renewal of the contract with the Bureau to provide CVP water to the City for the next 40 years expiring February 28, 2045.
2. The City Council could choose not to adopt the attached resolution approving the long-term renewal of the contract and direct staff to negotiate further. If this option is selected, further direction needs to be given or the City will need to develop other sources of water and increase pumping capacity to the northern part of the City.

Fiscal Impact

Approving the long-term renewal of the completed contract will not increase the Water Utility's expense for the 6,140 acre-feet of CVP Project Water due to the fact that the utility is already paying the Bureau's full Cost-of-Service Rate. The fee for the 6,140 acre-feet of water, if the total amount is delivered, including the tiered pricing component of the contract is \$95,000 annually.

In addition to the full Cost-of-Service Rate for the project water, all project water is charged the CVPIA mitigation fee for the Anadromous Fish Restoration Program. This fee adds an additional \$15.87 charge per acre-foot for project water, or \$97,500 annually. This mitigation fee is also adjusted annually.

This contract provides water to the north end of the system, which offsets pumping costs from supply sources to the south.

***Report to City Council
Buckeye Contract***

***March 7, 2005
Page 3***

Conclusion

The Buckeye Contract, which is a Central Valley Project Contract for 6,140 acre-feet, provides approximately 18 percent of the City's total water supply and is used throughout the year. The renewal of the contract incorporates all the previously agreed upon terms and conditions between the Bureau and the City of Redding. The new contract provides provisions for annual rate increases, water shortage provisions and increased water conservation programs. The Bureau has completed the required environmental compliance, including the Endangered Species Act (ESA) and National Environmental Policy Act (NEPA) which were required prior to execution of the contract. The new contract term would be for 40 years and would expire in February 28, 2045. The existing Buckeye Contract was also a 40-year contract.

Attachments

Resolution

Bureau News Release on Water Contract Renewals

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C:\Documents and Settings\SHANKLIM\My Documents\ACMS\StaffRpt\mar03-15-05BuckeyeConr.wpd

**c: Mike Robertson, Municipal Utility Manager,
Kim Collins, Management Analyst**

RESOLUTION NO. 2005-40**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDDING TO EXECUTE THE LONG TERM RENEWAL OF THE COMPLETED CONTRACT WITH THE BUREAU OF RECLAMATION FOR CONTRACT NO. 14-06-200-5272A-LTRI (BUCKEYE 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 Buckeye Contract having an expiration date of December 31, 2009; and

WHEREAS, The "Buckeye Contract" is Central Valley Project Water contract for 6,140 acre-feet of water; and

WHEREAS, the Bureau and the City entered into a Contract No. 14-06-200-5272A, as amended, which established terms of delivery to the City of Project Water from the project facilities of the Bureau from February 22, 1971, through December 31, 2009; and

WHEREAS, the Bureau and the City have, pursuant to subsection 3404(c)(3) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into a binding agreement contract identified as contract No. 14-06-200-5272A-BA, which sets out the terms pursuant to which the City agreed to renew the Existing Contract before its expiration date after the completion of a programmatic environmental impact statement and other environmental documentation and negotiation of a renewal contract; 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 Long-Term Renewal of the Completed Contract.

WHEREAS, the amount of water available to the City of Redding is a maximum of 6,140 acre-feet of water per year; and

WHEREAS, the City has requested the long-term contract renewal of the Existing 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, the new Completed Contract incorporates all the agreed upon terms and conditions between the Bureau of Reclamation and the City of Redding; and

WHEREAS, the new Contract term would be for an additional 40 years and will expire on February 28, 2045. The contract provides for provisions for annual rate increases, new shortage provisions, and increased water conservation programs.

NOW, THEREFORE, IT IS RESOLVED that the Redding City Council authorizes the Mayor to execute the Renewal Contract between the Bureau of Reclamation and the City of Redding which will provide up

to 6,140 acre-feet of Central Valley Project Water to the City of Redding for 40 years expiring on February 28, 2045. It is further directed that the City request a 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 15th day of March, 2005, by the following vote:

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

/s/ John R. Mathena
JOHN R. MATHENA, Mayor

Attest:

Form Approved:

/s/ Connie Strohmayer
CONNIE STROHMAYER, City Clerk

/s/ Richard A. Duvernay
RICHARD A. DUVERNAY, City Attorney



City of Redding MUNICIPAL UTILITIES WATER UTILITY

Facsimile Transmission

DATE: March 22, 2005
 TIME: 3:58 PM

TO: Ms. Nancy Anderson
 COMPANY: Bureau of Reclamation
 FAX NO: (916) 978-5292

NO. OF PAGES INCLUDING
 THIS PAGE 6

FROM: Mike Robertson
Water Utility Manager
 PHONE NO: (530) 224-6040

Original will not follow Original will follow

SPECIAL INSTRUCTIONS:

Nancy,

The following is the City Council staff report approving the execution of the Water Service Contract No. 14-06-200-5272A-LTR1 and Resolution No. 2005-40 approved by the Mayor.

Thanks,
 Mike

*If the message is incomplete or is illegible, please call (530) 224-6040.
 If you want to return a facsimile, our fax number is (530) 224-6071.
 Email - mrobertson@ci.redding.ca.us*

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