

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
CLEAR CREEK COMMUNITY SERVICES DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM TRINITY RIVER DIVISION

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5 AND
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9 THIS CONTRACT, made this 25th day of February, 2005, in
10 pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
11 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as
12 amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2,
13 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986
14 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all
15 collectively hereinafter referred to as Federal Reclamation law, between THE UNITED STATES
16 OF AMERICA, hereinafter referred to as the United States, and CLEAR CREEK COMMUNITY
17 SERVICES DISTRICT, hereinafter referred to as the Contractor, a public agency of the State of
18 California, duly organized, existing, and acting pursuant to the laws thereof;

19 WITNESSETH, That:

20 EXPLANATORY RECITALS

21 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
22 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for
23 flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and
24 restoration, generation and distribution of electric energy, salinity control, navigation and other
25 beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the
26 San Joaquin River and their tributaries; and

27 [2nd] WHEREAS, the United States constructed the Clear Creek South Unit facilities,
28 which will be used in part for the furnishing of water to the Contractor pursuant to the terms of this
29 Contract; and

30 [3rd] WHEREAS, the rights to Project Water were acquired by the United States pursuant
31 to California law for operation of the Project; and

32 [4th] WHEREAS, the Contractor and the United States entered into Contract
33 No. 14-06-200-489-A, as amended, dated May 14, 1963, as amended by an amendatory contract
34 dated June 30, 1965, and by a letter agreement from the Bureau of Reclamation to the Contractor
35 dated December 14, 1971, which letter agreement was accepted and countersigned by the
36 Contractor on December 21, 1971, which contracts and letter agreement established terms for the
37 delivery to the Contractor of Project Water from the Clear Creek South Unit from May 14, 1963,
38 through December 31, 1994; and

39 [5th] WHEREAS, pursuant to subsection 3404(c)(1) of the Central Valley Project
40 Improvement Act (CVPIA), the Contractor and the United States have, beginning on December 28,
41 1994, entered into successive interim renewal contract(s) identified as Contract No(s). 14-06-200-
42 489-A-IR1, 14-06-200-489-A-IR2, 14-06-200-489-A-IR3, 14-06-200-489-A-IR4, 14-06-200-489-
43 A-IR5, 14-06-200-489-A-IR6, 14-06-200-489-A-IR7, 14-06-200-489-A-IR8, and 14-06-200-489-
44 A-IR9, which individually and successively amended and replaced the water service component,
45 Part A, of Contract No. 14-06-200-489-A, the current form of which is hereinafter referred to as the
46 "Existing Contract," providing for continued water service to the Contractor from March 1, 2004,
47 through February 28, 2006; and

48 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the
49 Existing Contract following completion of appropriate environmental documentation, including a
50 programmatic environmental impact statement (PEIS) pursuant to the National Environmental
51 Policy Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the
52 CVPIA and the potential renewal of all existing contracts for Project Water; and

53 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
54 environmental review necessary to provide for long-term renewal of the Existing Contract; and

55 [8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing
56 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws of
57 the State of California, for water service from the Project; and

58 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all of
59 its obligations, including its responsibility to ascertain whether Project Water delivered by it is put
60 to use as Irrigation Water or M&I Water, under the Existing Contract; and

61 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting
62 Officer that the Contractor has utilized the Project Water supplies available to it for reasonable and
63 beneficial use and, based upon a needs analysis cooperatively prepared by the Contracting Officer
64 and the Contractor, has demonstrated project future demand for water use that exceeds the Contract
65 Total to be made available to it pursuant to this Contract; and

66 [11th] WHEREAS, water obtained from the Project has been relied upon by urban and
67 agricultural areas within California for more than 50 years, and is considered by the Contractor as
68 an essential portion of its water supply; and

69 [12th] WHEREAS, the economies of regions within the Project, including the Contractor's,
70 depend upon the continued availability of water, including water service from the Project; and

71 [12.1] WHEREAS, Contractor has made and will continue to make substantial capital
72 investments in diversion and treatment facilities, and requires a consistent, predictable quality of
73 raw water in order to meet Safe Drinking Water Act requirements for its municipal customers, and
74 to provide a consistent and predictable quality of water for its industrial customers; and

75 [13th] WHEREAS, the Secretary intends through coordination, cooperation, and
76 partnerships to pursue measures to improve water supply, water quality, and reliability of the
77 Project for all Project purposes; and

78 [13.1] WHEREAS, the Contractor is located in the region of the Redding Groundwater
79 Basin, and it is the desire of both the United States and the Contractor to facilitate the
80 cooperative efforts of local water service agencies to develop the Redding Groundwater Basin
81 for conjunctive management and use with Project Water supplies, to maximize the reasonable
82 beneficial use of water for the water service agencies and their customers in the region; and

83 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
84 provide for reliable Project Water supplies; to control costs of those supplies; to achieve
85 repayment of the Project as required by law; to guard reasonably against Project Water
86 shortages; to achieve a reasonable balance among competing demands for use of Project Water;
87 and to comply with all applicable environmental statutes, all consistent with the legal obligations
88 of the United States relative to the Project; and

89 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
90 relationship in order to achieve their mutual goals; and

91 [16th] WHEREAS, the United States and the Contractor are willing to enter into this
92 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

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

95 DEFINITIONS

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

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

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

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

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

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

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

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

117 (h) "Eligible Lands" shall mean all lands to which Irrigation Water may be
118 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982
119 (96 Stat. 1263), as amended, hereinafter referred to as RRA;

120 (i) "Excess Lands" shall mean all lands in excess of the limitations contained
121 in Section 204 of the RRA, other than those lands exempt from acreage limitation under Federal
122 Reclamation law;

123 (j) "Full Cost Rate" shall mean an annual rate as determined by the
124 Contracting Officer that shall amortize the expenditures for construction properly allocable to the
125 Project irrigation or M&I functions, as appropriate, of facilities in service including all O&M
126 deficits funded, less payments, over such periods as may be required under Federal Reclamation
127 law, or applicable contract provisions. Interest will accrue on both the construction expenditures
128 and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the

129 date incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated
130 in accordance with subsections 202(3)(B) and (3)(C) of the RRA. The Full Cost Rate includes
131 actual operation, maintenance, and replacement costs consistent with Section 426.2 of the Rules
132 and Regulations for the RRA;

133 (k) "Ineligible Lands" shall mean all lands to which Irrigation Water may not
134 be delivered in accordance with Section 204 of the RRA;

135 (l) "Irrigation Full Cost Water Rate" shall mean the Full Cost Rate applicable
136 to the delivery of Irrigation Water;

137 (m) "Irrigation Water" shall mean water made available from the Project that
138 is used primarily in the production of agricultural crops or livestock, including domestic use
139 incidental thereto, and watering of livestock;

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

142 (o) "Municipal and Industrial (M&I) Water" shall mean Project Water, other
143 than Irrigation Water, made available to the Contractor. M&I Water shall include water used for
144 human use and purposes such as the watering of landscaping or pasture for animals (e.g., horses)
145 which are kept for personal enjoyment or water delivered to landholdings operated in units of
146 less than five acres unless the Contractor establishes to the reasonable satisfaction of the
147 Contracting Officer that the use of water delivered to any such landholding is a use described in
148 subdivision (m) of this Article. The determination of whether Project Water is used as Irrigation
149 Water or M&I Water shall be in accordance with the guidelines set forth in Exhibit "C" attached
150 hereto, which guidelines may be modified by mutual agreement of the parties to this Contract
151 without amending the Contract: Provided, That if during the term of this Contract, a
152 Reclamation-wide rule or regulation is promulgated that defines M&I Water or Irrigation Water
153 or if Congress should enact a law which defines M&I Water or Irrigation Water, such rule,
154 regulation, or law shall supersede this Article 1(o);

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

157 (q) "Operation and Maintenance" or "O&M" shall mean normal and
158 reasonable care, control, operation, repair, replacement (other than capital replacement), and
159 maintenance of Project facilities or the Transferred Works;

160 (r) Omitted;

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

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

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

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

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

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

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

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

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

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

189 (cc) "Year" shall mean the period from and including March 1 of each
190 Calendar Year through the last day of February of the following Calendar Year;

191 (dd) "Distribution System" shall mean the general distribution and lateral
192 system, and related works or portions thereof, constructed by the United States pursuant to
193 Contract No. 14-06-200-489-A, as amended, title to which was transferred by the United States
194 to the Contractor pursuant to Contract No. 8-07-20-L6975;

195 (ee) "Project Works" shall mean the Muletown Conduit extending from the
196 downstream side of the bifurcation valve at the outlet works of Whiskeytown Dam to the
197 terminus of the conduit at the existing pressure regulating tank located at the Contractor's
198 northern boundary, together with all necessary federal lands and related facilities and structures
199 located thereon; and

200 (ff) "Transferred Works" shall mean "Project Works" or "Distribution
201 System" or both, as defined herein, or portions thereof which have been transferred to the
202 Contractor for operation and maintenance, pursuant to the terms of Contract No. 14-06-200-489-
203 A, as amended.

204

TERM OF CONTRACT

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2. (a) This Contract shall be effective March 1, 2005, through February 28, 2030, and supersedes the Existing Contract. In the event the Contractor wishes to renew this Contract beyond February 28, 2030, the Contractor shall submit a request for renewal in writing to the Contracting Officer no later than two years prior to the date this Contract expires. The renewal of this Contract insofar as it pertains to the furnishing of Irrigation Water to the Contractor shall be governed by subdivision (b) of this Article, and the renewal of this Contract insofar as it pertains to the furnishing of M&I Water to the Contractor shall be governed by subdivision (c) of this Article.

(b) (1) Under terms and conditions of a renewal contract that are mutually agreeable to the parties hereto, and upon a determination by the Contracting Officer that at the time of contract renewal the conditions set forth in subdivision (b)(2) of this Article are met, and subject to Federal and State law, this Contract, insofar as it pertains to the furnishing of Irrigation Water to the Contractor, shall be renewed for a period of 25 years.

(2) The conditions which must be met for this Contract to be renewed are: (i) the Contractor has prepared a water conservation plan that has been determined by the Contracting Officer in accordance with Article 26 of this Contract to meet the conservation and efficiency criteria for evaluating such plans established under Federal law; (ii) the Contractor is implementing an effective water conservation and efficiency program based on the Contractor's water conservation plan as required by Article 26 of this Contract; (iii) the Contractor is maintaining all water measuring devices and implementing all water measurement methods as approved by the Contracting Officer pursuant to Article 6 of this Contract; (iv) the Contractor has reasonably and beneficially used the Project Water supplies made available to it and, based on projected demands, is reasonably anticipated and expects to fully utilize for reasonable and beneficial use the quantity of Project Water to be made available to it pursuant to such renewal;

230 (v) the Contractor is complying with all terms and conditions of this Contract; and (vi) the
231 Contractor has the physical and legal ability to deliver Project Water.

232 (3) The terms and conditions of the renewal contract described in
233 subdivision (b)(1) of this Article and any subsequent renewal contracts shall be developed
234 consistent with the parties' respective legal rights and obligations, and in consideration of all
235 relevant facts and circumstances, as those circumstances exist at the time of renewal, including,
236 without limitation, the Contractor's need for continued delivery of Project Water; environmental
237 conditions affected by implementation of the Contract to be renewed, and specifically changes in
238 those conditions that occurred during the life of the Contract to be renewed; the Secretary's
239 progress toward achieving the purposes of the CVPIA as set out in Section 3402 and in
240 implementing the specific provisions of the CVPIA; and current and anticipated economic
241 circumstances of the region served by the Contractor.

242 (c) This Contract, insofar as it pertains to the furnishing of M&I Water to the
243 Contractor, shall be renewed for successive periods of up to 40 years each, which periods shall
244 be consistent with then-existing Reclamation-wide policy, under terms and conditions mutually
245 agreeable to the parties and consistent with Federal and State law. The Contractor shall be
246 afforded the opportunity to comment to the Contracting Officer on the proposed adoption and
247 application of any revised policy applicable to the delivery of M&I Water that would limit the
248 term of any subsequent renewal contract with the Contractor for the furnishing of M&I Water to
249 less than 40 years.

250 (d) The Contracting Officer shall make a determination ten years after the
251 date of execution of this Contract, and every five years thereafter during the term of this
252 Contract, of whether a conversion of the relevant portion of this Contract to a contract under
253 subsection 9(d) of the Reclamation Project Act of 1939 can be accomplished pursuant to the Act
254 of July 2, 1956 (70 Stat. 483). The Contracting Officer shall also make a determination ten years
255 after the date of execution of this Contract and every five years thereafter during the term of this

256 Contract of whether a conversion of the relevant portion of this Contract to a contract under
257 subsection 9(c)(1) of the Reclamation Project Act of 1939 can be accomplished.

258 Notwithstanding any provision of this Contract, the Contractor reserves and shall have all rights
259 and benefits under the Act of July 2, 1956 (70 Stat. 483). The Contracting Officer anticipates
260 that during the term of this Contract, all authorized Project construction expected to occur will
261 have occurred, and on that basis the Contracting Officer agrees upon such completion to allocate
262 all costs that are properly assignable to the Contractor, and agrees further that, at any time after
263 such allocation is made, and subject to satisfaction of the condition set out in this subdivision,
264 this Contract shall, at the request of the Contractor, be converted to a contract under subsection
265 9(d) or 9(c)(1), whichever is applicable, of the Reclamation Project Act of 1939, subject to
266 applicable Federal law and under stated terms and conditions mutually agreeable to the
267 Contractor and the Contracting Officer. A condition for such conversion to occur shall be a
268 determination by the Contracting Officer that, account being taken of the amount credited to
269 return by the Contractor as provided for under Federal Reclamation law, the remaining amount
270 of construction costs assignable for ultimate return by the Contractor can probably be repaid to
271 the United States within the term of a contract under subsection 9(d) or 9(c)(1), whichever is
272 applicable. If the remaining amount of costs that are properly assignable to the Contractor
273 cannot be determined during the term of this Contract, the Contracting Officer shall notify the
274 Contractor, and provide the reason(s) why such a determination could not be made. Further, the
275 Contracting Officer shall make such a determination as soon thereafter as possible so as to
276 permit, upon request of the Contractor and satisfaction of the condition set out above, conversion
277 to a contract under subsection 9(d) or 9(c)(1), whichever is applicable. In the event such
278 determination of costs has not been made at a time which allows conversion of this Contract
279 during the term of this Contract or the Contractor has not requested conversion of this Contract
280 within such term, the parties shall incorporate in any subsequent renewal contract as described in

281 subdivision (b) of this Article a provision that carries forth in substantially identical terms the
282 provisions of this subdivision.

283 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

284 3. (a) During each Year, consistent with all applicable State water rights,
285 permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of
286 this Contract, the Contracting Officer shall make available for delivery to the Contractor 15,300
287 acre-feet of Project Water for irrigation and M&I purposes. Water Delivered to the Contractor in
288 accordance with this subdivision shall be scheduled and paid for pursuant to the provisions of
289 Articles 4 and 7 of this Contract.

290 (b) Because the capacity of the Project to deliver Project Water has been
291 constrained in recent years and may be constrained in the future due to many factors including
292 hydrologic conditions and implementation of Federal and State laws, the likelihood of the
293 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this
294 Article in any given Year is uncertain. The Contracting Officer's modeling referenced in the
295 PEIS projected that the Contract Total set forth in this Contract will not be available to the
296 Contractor in many years. During the most recent five years, the Recent Historic Average of
297 water made available to the Contractor was 14,076 acre-feet of Irrigation and M&I Water.
298 Nothing in subdivision (b) of this Article shall affect the rights and obligations of the parties
299 under any provision of this Contract.

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

302 (d) The Contractor shall make reasonable and beneficial use of all water
303 furnished pursuant this Contract. Groundwater recharge programs (direct, indirect, or in lieu),
304 groundwater banking programs, surface water storage programs, and other similar programs
305 utilizing Project Water or other water furnished pursuant to this Contract conducted within the
306 Contractor's Service Area which are consistent with applicable State law and result in use

307 consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge
308 program(s) is (are) described in the Contractor's water conservation plan submitted pursuant to
309 Article 26 of this Contract; Provided, further, that such water conservation plan demonstrates
310 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average,
311 the quantity of Delivered Water is demonstrated to be reasonable for such uses and in
312 compliance with Federal Reclamation law. Groundwater recharge programs, groundwater
313 banking programs, surface water storage programs, and other similar programs utilizing Project
314 Water or other water furnished pursuant to this Contract conducted outside the Contractor's
315 Service Area may be permitted upon written approval of the Contracting Officer, which approval
316 will be based upon environmental documentation, Project Water rights, and Project operational
317 concerns. The Contracting Officer will address such concerns in regulations, policies, or
318 guidelines.

319 (e) The Contractor shall comply with requirements applicable to the
320 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
321 of this Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA),
322 as amended, that are within the Contractor's legal authority to implement. The Existing
323 Contract, which evidences in excess of 38 years of diversions for irrigation and/or M&I purposes
324 of the quantities of water provided in subdivision (a) of Article 3 of this Contract, will be
325 considered in developing an appropriate baseline for biological assessment(s) prepared pursuant
326 to the ESA, and any other needed environmental review. Nothing herein shall be construed to
327 prevent the Contractor from challenging or seeking judicial relief in a court of competent
328 jurisdiction with respect to any biological opinion or other environmental documentation referred
329 to in this Article.

330 (f) As soon as possible following each declaration of Water Made Available
331 under Article 4 of this Contract, the Contracting Officer will make a determination whether
332 Project Water, or other water available to the Project, can be made available to the Contractor in

333 addition to the Contract Total under Article 3 of this Contract during the Year without adversely
334 impacting other Project Contractors. At the request of the Contractor, the Contracting Officer
335 will consult with the Contractor prior to making such a determination. If the Contracting Officer
336 determines that Project Water, or other water available to the Project, can be made available to
337 the Contractor, the Contracting Officer will announce the availability of such water and shall so
338 notify the Contractor as soon as practical. The Contracting Officer will thereafter meet with the
339 Contractor and other Project Contractors capable of taking such water to determine the most
340 equitable and efficient allocation of such water. If the Contractor requests the delivery of any
341 quantity of such water, the Contracting Officer shall make such water available to the Contractor
342 in accordance with applicable statutes, regulations, guidelines, and policies.

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

350 (h) The Contractor's right pursuant to Federal Reclamation law and applicable
351 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract
352 during the term thereof and any subsequent renewal contracts, as described in Article 2 of this
353 Contract, during the terms thereof shall not be disturbed so long as the Contractor shall fulfill all
354 of its obligations under this Contract and any renewals thereof. Nothing in the preceding
355 sentence shall affect the Contracting Officer's ability to impose shortages under Article 11 or
356 subdivision (b) of Article 12 of this Contract or applicable provisions of any subsequent renewal
357 contracts.

358 (i) Project Water furnished to the Contractor pursuant to this Contract may be
359 delivered for purposes other than those described in subdivisions (m) and (o) of Article 1 of this
360 Contract upon written approval by the Contracting Officer in accordance with the terms and
361 conditions of such approval.

362 (j) The Contracting Officer shall make reasonable efforts to protect the water
363 rights necessary for the Project and to provide the water available under this Contract. The
364 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
365 extent permitted by law, in administrative proceedings related to the Project Water rights;
366 Provided, That the Contracting Officer retains the right to object to the substance of the
367 Contractor's position in such a proceeding; Provided further, That in such proceedings the
368 Contracting Officer shall recognize the Contractor has a legal right under the terms of this
369 Contract to use Project Water.

370 TIME FOR DELIVERY OF WATER

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

380 (b) On or before each March 1 and at such other times as necessary, the
381 Contractor shall submit to the Contracting Officer a written schedule, satisfactory to the
382 Contracting Officer, showing the monthly quantities of Project Water to be delivered by the
383 United States to the Contractor pursuant to this Contract for the Year commencing on such

384 March 1. The Contracting Officer shall use all reasonable means to deliver Project Water
385 according to the approved schedule for the Year commencing on such March 1.

386 (c) The Contractor shall not schedule Project Water in excess of the quantity
387 of Project Water the Contractor intends to put to reasonable and beneficial use within the
388 Contractor's Service Area or to sell, transfer, or exchange pursuant to Article 9 of this Contract
389 during any Year.

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

395 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

396 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
397 Contract shall be delivered to the Contractor at the downstream side of the bifurcation valve at
398 the Whiskeytown Dam outlet works and any additional point or points of delivery either on
399 Project facilities or another location or locations mutually agreed to in writing by the Contracting
400 Officer and the Contractor.

401 (b) The Contracting Officer shall make all reasonable efforts to deliver Project
402 Water to the Contractor at the full design head of the aforementioned bifurcation valve less any
403 reductions in capacity or head caused by devices or systems owned installed, or utilized by the
404 Contractor which are not part of the Project Works.

405 (c) The Contractor shall deliver Irrigation Water in accordance with any
406 applicable land classification provisions of Federal Reclamation law and the associated
407 regulations. The Contractor shall not deliver Project Water to land outside the Contractor's
408 Service Area unless approved in advance by the Contracting Officer.

409 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
410 measured and recorded with equipment originally furnished and installed by the United States,
411 and operated, maintained, and replaced as necessary by the Contractor at the point or points of
412 delivery established pursuant to subdivision (a) of this Article. Upon the request of either party
413 to this Contract, the Contracting Officer shall investigate the accuracy of such measurements and
414 shall take any necessary steps to adjust any errors appearing therein. For any period of time
415 when accurate measurements have not been made, the Contracting Officer shall consult with the
416 Contractor prior to making a final determination of the quantity delivered for that period of time.

417 (e) The Contracting Officer shall not be responsible for the control, carriage,
418 handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to this
419 Contract beyond the delivery points specified in subdivision (a) of this Article. The Contractor
420 shall indemnify the United States, its officers, employees, agents, and assigns on account of
421 damage or claim of damage of any nature whatsoever for which there is legal responsibility,
422 including property damage, personal injury, or death arising out of or connected with the control,
423 carriage, handling, use, disposal, or distribution of such Water Delivered beyond such delivery
424 points, except for any damage or claim arising out of (i) acts or omissions of the Contracting
425 Officer or any of its officers, employees, agents, or assigns with the intent of creating the
426 situation resulting in any damage or claim, (ii) willful misconduct of the Contracting Officer or
427 any of its officers, employees, agents, or assigns, (iii) negligence of the Contracting Officer or
428 any of its officers, employees, agents, or assigns or (iv) damage or claims resulting from a
429 malfunction of facilities owned and/or operated by the United States.

430 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

431 6. (a) The Contractor has established a measuring program satisfactory to the
432 Contracting Officer. The Contractor shall ensure that all surface water delivered for irrigation
433 purposes within the Contractor's Service Area is measured at each agricultural turnout and such
434 water delivered for M&I purposes is measured at each M&I service connection. The water

435 measuring devices or water measuring methods of comparable effectiveness must be acceptable
436 to the Contracting Officer. The Contractor shall be responsible for installing, operating, and
437 maintaining and repairing all such measuring devices and implementing all such water
438 measuring methods at no cost to the United States. The Contractor shall use the information
439 obtained from such water measuring devices or water measuring methods to ensure its proper
440 management of the water, to bill water users for water delivered by the Contractor; and, if
441 applicable, to record water delivered for M&I purposes by customer class as defined in the
442 Contractor's water conservation plan provided for in Article 26 of this Contract. Nothing herein
443 contained, however, shall preclude the Contractor from establishing and collecting any charges,
444 assessments, or other revenues authorized by California law. The Contractor shall include a
445 summary of all its annual surface water deliveries in the annual report described in subdivision
446 (c) of Article 26.

447 (b) To the extent the information has not otherwise been provided, upon
448 execution of this Contract, the Contractor shall provide to the Contracting Officer a written
449 report describing the measurement devices or water measuring methods being used or to be used
450 to implement subdivision (a) of this Article and identifying the agricultural turnouts and the M&I
451 service connections or alternative measurement programs approved by the Contracting Officer,
452 at which such measurement devices or water measuring methods are being used, and, if
453 applicable, identifying the locations at which such devices and/or methods are not yet being used
454 including a time schedule for implementation at such locations. The Contracting Officer shall
455 advise the Contractor in writing within 60 days as to the adequacy and necessary modifications,
456 if any, of the measuring devices or water measuring methods identified in the Contractor's report
457 and if the Contracting Officer does not respond in such time, they shall be deemed adequate. If
458 the Contracting Officer notifies the Contractor that the measuring devices or methods are
459 inadequate, the parties shall within 60 days following the Contracting Officer's response,
460 negotiate in good faith the earliest practicable date by which the Contractor shall modify said

461 measuring devices and/or measuring methods as required by the Contracting Officer to ensure
462 compliance with subdivision (a) of this Article.

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

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

469 (e) The Contractor shall inform the Contracting Officer on or before the 20th
470 calendar day of each month of the quantity of Irrigation and M&I Water taken during the
471 preceding month.

472 RATES AND METHOD OF PAYMENT FOR WATER

473 7. (a) The Contractor shall pay the United States as provided in this Article for
474 all Delivered Water at Rates, Charges, and the Tiered Pricing Component established in
475 accordance with (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and
476 the Secretary's then-existing ratesetting policy for M&I Water. Such ratesetting policies shall be
477 amended, modified, or superseded only through a public notice and comment procedure; (ii)
478 applicable Federal Reclamation law and associated rules and regulations, or policies; and (iii)
479 other applicable provisions of this Contract. Payments shall be made by cash transaction,
480 electronic funds transfer, or any other mechanism as may be agreed to in writing by the
481 Contractor and the Contracting Officer. The Rates, Charges, and Tiered Pricing Component
482 applicable to the Contractor upon execution of this Contract are set forth in Exhibit "B," as may
483 be revised annually.

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

486 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
487 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
488 period October 1, of the current Calendar Year, through September 30, of the following Calendar
489 Year, and the basis for such estimate. The Contractor shall be allowed not less than two months
490 to review and comment on such estimates. On or before September 15 of each Calendar Year,
491 the Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during
492 the period October 1 of the current Calendar Year, through September 30, of the following
493 Calendar Year, and such notification shall revise Exhibit "B."

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

501 (c) At the time the Contractor submits the initial schedule for the delivery of
502 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the
503 Contractor shall make an advance payment to the United States equal to the total amount payable
504 pursuant to the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water
505 scheduled to be delivered pursuant to this Contract during the first two calendar months of the
506 Year. Before the end of the first month and before the end of each calendar month thereafter, the
507 Contractor shall make an advance payment to the United States, at the Rate(s) set under
508 subdivision (a) of this Article, for the Water Scheduled to be delivered pursuant to this Contract
509 during the second month immediately following. Adjustments between advance payments for
510 Water Scheduled and payments at Rates due for Water Delivered shall be made before the end of
511 the following month; Provided, That any revised schedule submitted by the Contractor pursuant

512 to Article 4 of this Contract which increases the amount of Water Delivered pursuant to this
513 Contract during any month shall be accompanied with appropriate advance payment, at the Rates
514 then in effect, to assure that Project Water is not delivered to the Contractor in advance of such
515 payment. In any month in which the quantity of Water Delivered to the Contractor pursuant to
516 this Contract equals the quantity of Water Scheduled and paid for by the Contractor, no
517 additional Project Water shall be delivered to the Contractor unless and until an advance
518 payment at the Rates then in effect for such additional Project Water is made. Final adjustment
519 between the advance payments for the Water Scheduled and payments for the quantities of Water
520 Delivered during each Year pursuant to this Contract shall be made as soon as practicable, but no
521 later than April 30th of the following Year, or 60 days after the delivery of Project Water carried
522 over under subdivision (g) of Article 3 of this Contract if such water is not delivered by the last
523 day of February.

524 (d) The Contractor shall also make a payment in addition to the Rate(s) in
525 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
526 appropriate Tiered Pricing Component then in effect, before the end of the month following the
527 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered
528 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be
529 consistent with the quantities of Irrigation Water and M&I Water Delivered as shown in the
530 water delivery report for the subject month prepared by the Contracting Officer. The water
531 delivery report shall be deemed a bill for the payment of Charges and the applicable Tiered
532 Pricing Component for Water Delivered. Adjustment for overpayment or underpayment of
533 Charges shall be made through the adjustment of payments due to the United States for Charges
534 for the next month. Any amount to be paid for past due payment of Charges and the Tiered
535 Pricing Component shall be computed pursuant to Article 20 of this Contract.

536 (e) The Contractor shall pay for any Water Delivered under subdivision (a),
537 (f), or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to

538 applicable statutes, associated regulations, any applicable provisions of guidelines or ratesetting
539 policies; Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this
540 Contract shall be no more than the otherwise applicable Rate for Irrigation Water or M&I Water
541 under subdivision (a) of this Article.

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

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

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

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

563 (j) (1) Beginning at such time as deliveries of Project Water in a Year
564 exceed 80 percent of the Contract Total, then before the end of the month following the month of
565 delivery the Contractor shall make an additional payment to the United States equal to the
566 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water
567 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the
568 Contract Total, shall equal one-half of the difference between the Rate established under
569 subdivision (a) of this Article and the Irrigation Full Cost Water Rate or M&I Full Cost Water
570 Rate, whichever is applicable. The Tiered Pricing Component for the amount of Water
571 Delivered which exceeds 90 percent of the Contract Total shall equal the difference between (i)
572 the Rate established under subdivision (a) of this Article and (ii) the Irrigation Full Cost Water
573 Rate or M&I Full Cost Water Rate, whichever is applicable. For all Water Delivered pursuant to
574 subdivision (a) of Article 3 of this Contract which is in excess of 80 percent of the Contract
575 Total, this increment shall be deemed to be divided between Irrigation Water and M&I Water in
576 the same proportion as actual deliveries of each bear to the cumulative total Water Delivered.

577 (2) Subject to the Contracting Officer's written approval, the
578 Contractor may request and receive an exemption from such Tiered Pricing Component for
579 Project Water delivered to produce a crop which the Contracting Officer determines will provide
580 significant and quantifiable habitat values for waterfowl in fields where the water is used and the
581 crops are produced; Provided, That the exemption from the Tiered Pricing Component for
582 Irrigation Water shall apply only if such habitat values can be assured consistent with the
583 purposes of the CVPIA through binding agreements executed with or approved by the
584 Contracting Officer prior to use of such water.

585 (3) For purposes of determining the applicability of the Tiered Pricing
586 Component pursuant to this Article, Water Delivered shall include Project Water that the

587 Contractor transfers to others but shall not include Project Water transferred to the Contractor,
588 nor shall it include the additional water provided to the Contractor under the provisions of
589 subdivision (f) of Article 3 of this Contract.

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

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

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

608 (n) With respect to the Rates for M&I Water the Contractor asserts that it is
609 not legally obligated to pay any Project deficits claimed by the United States to have accrued as
610 of the date of this Contract or deficit-related interest charges thereon. By entering into this
611 Contract, the Contractor does not waive any legal rights or remedies that it may have with
612 respect to such disputed issues. Notwithstanding the execution of this Contract and payments

613 made hereunder, the Contractor may challenge in the appropriate administrative or judicial
614 forums: (1) the existence, computation, or imposition of any deficit charges accruing during the
615 term of the Existing Contract and any preceding interim renewal contracts, if applicable; (2)
616 interest accruing on any such deficits; (3) the inclusion of any such deficit charges or interest in
617 the Rates; (4) the application by the United States of payments made by the Contractor under its
618 Existing Contract and any preceding interim renewal contracts, if applicable; and (5) the
619 application of such payments in the Rates. The Contracting Officer agrees that the Contractor
620 shall be entitled to the benefit of any administrative or judicial ruling in favor of any Project
621 M&I contractor on any of these issues, and credits for payments heretofore made, Provided, That
622 the basis for such ruling is applicable to the Contractor.

623 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

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

627 SALES, TRANSFERS, OR EXCHANGES OF WATER

628 9. (a) The right to receive Project Water provided for in this Contract may be
629 sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of
630 California if such sale, transfer, or exchange is authorized by applicable Federal and State laws,
631 and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project
632 Water under this Contract may take place without the prior written approval of the Contracting
633 Officer, except as provided for in subdivision (b) of this Article, and no such sales, transfers, or
634 exchanges shall be approved absent all appropriate environmental documentation, including but
635 not limited to documents prepared pursuant to NEPA and ESA. Such environmental
636 documentation should include, as appropriate, an analysis of groundwater impacts and economic
637 and social effects, including environmental justice, of the proposed water transfers on both the
638 transferor and transferee.

639 (b) In order to facilitate efficient water management by means of water
640 transfers of the type historically carried out among Project Contractors located within the same
641 geographical area and to allow the Contractor to participate in an accelerated water transfer
642 program during the term of this Contract, the Contracting Officer shall prepare, as appropriate,
643 all necessary environmental documentation including, but not limited to, documents prepared
644 pursuant to NEPA and ESA, analyzing annual transfers within such geographical areas, and the
645 Contracting Officer shall determine whether such transfers comply with applicable law.
646 Following the completion of the environmental documentation, such transfers addressed in such
647 documentation shall be conducted with advance notice to the Contracting Officer, but shall not
648 require prior written approval by the Contracting Officer. Such environmental documentation
649 and the Contracting Officer's compliance determination shall be reviewed every five years and
650 updated, as necessary, prior to the expiration of the then-existing five-year period. All
651 subsequent environmental documentation shall include an alternative to evaluate not less than the
652 quantity of Project Water historically transferred within the same geographical area.

653 (c) For a water transfer to qualify under subdivision (b) of this Article, such
654 water transfer must: (i) be for irrigation purposes for lands irrigated within the previous three
655 years, for M&I use, groundwater recharge, water banking, similar groundwater activities, surface
656 water storage, or fish and wildlife resources; not lead to land conversion; and be delivered to
657 established cropland, wildlife refuges, groundwater basins or M&I use; (ii) occur within a single
658 Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water through existing
659 facilities with no new construction or modifications to facilities and be between existing Project
660 Contractors and/or the Contractor and the United States, Department of the Interior; and (v)
661 comply with all applicable Federal, State, and local or tribal laws and requirements imposed for
662 protection of the environment and Indian Trust Assets, as defined under Federal law.

663 (d) For the purpose of determining whether Section 3405(a)(1)(M) of the
664 CVPLA applies to the Contractor as a transferor or transferee of Project Water, the Contracting

665 Officer acknowledges that the Contractor is within a county, watershed, or other area of origin,
666 as those terms are utilized under California law, of water that constitutes the natural flow of the
667 Sacramento River and its tributaries above the confluence of the American and Sacramento
668 Rivers.

669 APPLICATION OF PAYMENTS AND ADJUSTMENTS

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

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

686 TEMPORARY REDUCTIONS--RETURN FLOWS

687 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the
688 requirements of Federal law; and (ii) the obligations of the United States under existing
689 contracts, or renewals thereof, providing for water deliveries from the Project, the Contracting

690 Officer shall make all reasonable efforts to optimize Project Water deliveries to the Contractor as
691 provided in this Contract.

692 (b) The Contracting Officer may temporarily discontinue or reduce the
693 quantity of Water Delivered to the Contractor as herein provided for the purposes of
694 investigation, inspection, maintenance, repair, or replacement of any of the Project facilities or
695 any part thereof necessary for the delivery of Project Water to the Contractor, but so far as
696 feasible the Contracting Officer will give the Contractor due notice in advance of such temporary
697 discontinuance or reduction, except in case of emergency, in which case no notice need be given;
698 Provided, That the United States shall use its best efforts to avoid any discontinuance or
699 reduction in such service. Upon resumption of service after such reduction or discontinuance,
700 and if requested by the Contractor, the United States will, if possible, deliver the quantity of
701 Project Water which would have been delivered hereunder in the absence of such discontinuance
702 or reduction.

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

709 CONSTRAINTS ON THE AVAILABILITY OF WATER

710 12. (a) In its operation of the Project, the Contracting Officer will use all
711 reasonable means to guard against a Condition of Shortage in the quantity of water to be made
712 available to the Contractor pursuant to this Contract. In the event the Contracting Officer

713 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the
714 Contractor of said determination as soon as practicable.

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

720 (c) In any Year in which there may occur a shortage for any of the reasons
721 specified in subdivision (b) above, the Contracting Officer shall apportion Project Water among
722 the Contractor and others entitled, under existing contracts and future contracts (to the extent
723 such future contracts are permitted under subsections (a) and (b) of Section 3404 of the CVPIA)
724 and renewals thereof, to receive Irrigation Water consistent with the contractual obligations of
725 the United States.

726 (d) Project Water furnished under this Contract will be allocated in
727 accordance with the then-existing Project M&I Water Shortage Policy. Such policy shall be
728 amended, modified, or superseded only through a public notice and comment procedure.

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

736 UNAVOIDABLE GROUNDWATER PERCOLATION

737 13. To the extent applicable, the Contractor shall not be deemed to have delivered
738 Irrigation Water to Excess Lands or Ineligible Lands within the meaning of this Contract if such
739 lands are irrigated with groundwater that reaches the underground strata as an unavoidable result
740 of the delivery of Irrigation Water by the Contractor to Eligible Lands.

741 RULES AND REGULATIONS

742 14. The parties agree that the delivery of Irrigation Water or use of Federal facilities
743 pursuant to this Contract is subject to Federal Reclamation law, including but not limited to the
744 Reclamation Reform Act of 1982 (43 U.S.C.390aa et seq.), as amended and supplemented, and
745 the rules and regulations promulgated by the Secretary of the Interior under Federal Reclamation
746 law.

747 WATER AND AIR POLLUTION CONTROL

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

752 QUALITY OF WATER

753 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant
754 to this Contract shall be operated and maintained to enable the United States to deliver Project
755 Water to the Contractor in accordance with the water quality standards specified in subsection
756 2(b) of the Act of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October
757 27, 1986 (100 Stat. 3050) or other existing Federal laws. The United States is under no
758 obligation to construct or furnish water treatment facilities to maintain or to improve the quality
759 of Water Delivered to the Contractor pursuant to this Contract. The United States does not
760 warrant the quality of Water Delivered to the Contractor pursuant to this Contract.

761 (b) The O&M of Project facilities shall be performed in such manner as is
762 practicable to maintain the quality of raw water made available through such facilities at the

763 highest level reasonably attainable as determined by the Contracting Officer. The Contractor
764 shall be responsible for compliance with all State and Federal water quality standards applicable
765 to surface and subsurface agricultural drainage discharges generated through the use of Federal
766 or Contractor facilities or Project Water provided by the Contractor within the Contractor's
767 Service Area.

768 WATER ACQUIRED BY THE CONTRACTOR
769 OTHER THAN FROM THE UNITED STATES

770 17. (a) Water or water rights now owned or hereafter acquired by the Contractor
771 other than from the United States and Irrigation Water furnished pursuant to the terms of this
772 Contract may be simultaneously transported through the same distribution facilities of the
773 Contractor subject to the following: (i) if the facilities utilized for commingling Irrigation Water
774 and non-Project water were constructed without funds made available pursuant to Federal
775 Reclamation law, the provisions of Federal Reclamation law will be applicable only to the
776 Landholders of lands which receive Irrigation Water; (ii) the eligibility of land to receive
777 Irrigation Water must be established through the certification requirements as specified in the
778 Acreage Limitation Rules and Regulations (43 CFR Part 426); (iii) the water requirements of
779 Eligible Lands within the Contractor's Service Area can be established and the quantity of
780 Irrigation Water to be utilized is less than or equal to the quantity necessary to irrigate such
781 Eligible Lands; and (iv) except for the Distribution System owned by the Contractor, if the
782 facilities utilized for commingling Irrigation Water and non-Project water are/were constructed
783 with funds made available pursuant to Federal Reclamation law, the non-Project water will be
784 subject to the acreage limitation provisions of Federal Reclamation law, unless the Contractor
785 pays to the United States the incremental fee described in 43 CFR 426.15. In determining the
786 incremental fee, the Contracting Officer will calculate annually the cost to the Federal
787 Government, including interest, on storing or delivering non-Project water, which for purposes
788 of this Contract shall be determined as follows: The quotient shall be the unpaid Distribution

789 System costs divided by the total irrigable acreage within the Contractor's Service Area. The
790 incremental fee per acre is the mathematical result of such quotient times the interest rate
791 determined using Section 202 (3) of the Act of October 12, 1982 (96 Stat. 1263). Such
792 incremental fee will be charged to each acre of excess or full cost land within the Contractor's
793 Service Area that receives non-Project water through Federally financed or constructed facilities.
794 The incremental fee calculation methodology will continue during the term of this Contract
795 absent the promulgation of a contrary Reclamation-wide rule, regulation, or policy adopted after
796 the Contractor has been afforded the opportunity to review and comment on the proposed rule,
797 regulation, or policy. If such rule, regulation, or policy is adopted it shall supersede this
798 provision.

799 (b) Water or water rights now owned or hereafter acquired by the Contractor,
800 other than from the United States, may be stored, conveyed, and/or diverted through Project
801 facilities, subject to the completion of appropriate environmental documentation, with the
802 approval of the Contracting Officer and the execution of any contract determined by the
803 Contracting Officer to be necessary, consistent with the following provisions:

804 (1) The Contractor may introduce non-Project water into Project
805 facilities and deliver said water to lands within the Contractor's Service Area, including
806 Ineligible Lands, subject to payment to the United States of an appropriate rate as determined by
807 the applicable Project ratesetting policy, the RRA, and the Project use power policy, if such
808 Project use power policy is applicable, each as amended, modified, or superseded from time to
809 time.

810 (2) Delivery of such non-Project water in and through Project facilities
811 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project
812 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water
813 available to other Project Contractors; (iii) interfere with the delivery of contractual water

814 entitlements to any other Project Contractors; or (iv) interfere with the physical maintenance of
815 the Project facilities.

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

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

826 (5) After Project purposes are met, as determined by the Contracting
827 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity
828 of the facilities declared to be available by the Contracting Officer for conveyance and
829 transportation of non-Project water prior to any such remaining capacity being made available to
830 non-Project contractors.

831 OPINIONS AND DETERMINATIONS

832 18. (a) Where the terms of this Contract provide for actions to be based upon the
833 opinion or determination of either party to this Contract, said terms shall not be construed as
834 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
835 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly
836 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious,
837 or unreasonable opinion or determination. Each opinion or determination by either party shall be
838 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is
839 intended to or shall affect or alter the standard of judicial review applicable under Federal law to

840 any opinion or determination implementing a specific provision of Federal law embodied in
841 statute or regulation.

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

847 COORDINATION AND COOPERATION

848 19. (a) In order to further their mutual goals and objectives, the Contracting
849 Officer and the Contractor shall communicate, coordinate, and cooperate with each other, and
850 with other affected Project Contractors, in order to improve the operation and management of the
851 Project. The communication, coordination, and cooperation regarding operations and
852 management shall include, but not be limited to, any action which will or may materially affect
853 the quantity or quality of Project Water supply, the allocation of Project Water supply, and
854 Project financial matters including, but not limited to, budget issues. The communication,
855 coordination, and cooperation provided for hereunder shall extend to all provisions of this
856 Contract. Each party shall retain exclusive decision making authority for all actions, opinions,
857 and determinations to be made by the respective party.

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

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

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

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

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

877 (3.1) The Secretary and the Contractor desire to work together to
878 maximize the reasonable beneficial use of water for their mutual benefit. As a consequence, the
879 Secretary and the Contractor will work in partnership and with others in the region of the
880 Redding Groundwater Basin, including other Contractors in the Shasta and Trinity Divisions of
881 the Project, to facilitate the better integration with the region of the Redding Groundwater Basin
882 of all water supplies including, but not limited to, the better management and integration of
883 surface water and groundwater, transfers and exchanges of water, the development and better
884 utilization of surface water storage, the effective utilization of waste, seepage and return flow
885 water, and other operational and management options that may be identified in the future.

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

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

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

896 CHARGES FOR DELINQUENT PAYMENTS

897 20. (a) The Contractor shall be subject to interest, administrative and penalty
898 charges on delinquent installments or payments. When a payment is not received by the due
899 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
900 the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an
901 administrative charge to cover additional costs of billing and processing the delinquent payment.
902 When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional
903 penalty charge of six (6%) percent per year for each day the payment is delinquent beyond the
904 due date. Further, the Contractor shall pay any fees incurred for debt collection services
905 associated with a delinquent payment.

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

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

914 EQUAL OPPORTUNITY

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

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

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

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

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

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

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

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

960 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

973 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

974 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
975 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
976 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
977 laws, as well as with their respective implementing regulations and guidelines imposed by the
978 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

993 PRIVACY ACT COMPLIANCE

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

999 (b) With respect to the application and administration of the criminal penalty
1000 provisions of the Act (5 U.S.C. 552a(i)), the Contractor and the Contractor's employees
1001 responsible for maintaining the certification and reporting records referenced in (a) above are
1002 considered to be employees of the Department of the Interior. See 5 U.S.C. 552a(m).

1003 (c) The Contracting Officer or a designated representative shall provide the
1004 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau
1005 of Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation--
1006 Interior, Reclamation-31) which govern the maintenance, safeguarding, and disclosure of
1007 information contained in the Landholder's certification and reporting records.

1008 (d) The Contracting Officer shall designate a full-time employee of the
1009 Bureau of Reclamation to be the System Manager who shall be responsible for making decisions
1010 on denials pursuant to 43 CFR 2.61 and 2.64 amendment requests pursuant to 43 CFR 2.72. The
1011 Contractor is authorized to grant requests by individuals for access to their own records.

1012 (e) The Contractor shall forward promptly to the System Manager each
1013 proposed denial of access under 43 CFR 2.64; and each request for amendment of records filed
1014 under 43 CFR 2.71; notify the requester accordingly of such referral; and provide the System
1015 Manager with information and records necessary to prepare an appropriate response to the
1016 requester. These requirements do not apply to individuals seeking access to their own
1017 certification and reporting forms filed with the Contractor pursuant to 43 CFR 426.18, unless the
1018 requester elects to cite the Privacy Act as a basis for the request.

1019 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

1020 25. In addition to all other payments to be made by the Contractor pursuant to this
1021 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and
1022 detailed statement submitted by the Contracting Officer to the Contractor for such specific items
1023 of direct cost incurred by the United States for work requested by the Contractor associated with
1024 this Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies
1025 and procedures. All such amounts referred to in this Article shall not exceed the amount agreed
1026 to in writing in advance by the Contractor. This Article shall not apply to costs for routine
1027 contract administration.

1028 WATER CONSERVATION

1029 26. (a) Prior to the delivery of water provided from or conveyed through
1030 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor
1031 shall be implementing an effective water conservation and efficiency program based on the
1032 Contractor's water conservation plan that has been determined by the Contracting Officer to meet
1033 the conservation and efficiency criteria for evaluating water conservation plans established under
1034 Federal law. The water conservation and efficiency program shall contain definite water

1035 conservation objectives, appropriate economically feasible water conservation measures, and
1036 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this
1037 Contract shall be contingent upon the Contractor's continued implementation of such water
1038 conservation program. In the event the Contractor's water conservation plan or any revised water
1039 conservation plan completed pursuant to subdivision (d) of Article 26 of this Contract have not
1040 yet been determined by the Contracting Officer to meet such criteria, due to circumstances which
1041 the Contracting Officer determines are beyond the control of the Contractor, water deliveries
1042 shall be made under this Contract so long as the Contractor diligently works with the Contracting
1043 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
1044 immediately begins implementing its water conservation and efficiency program in accordance
1045 with the time schedules therein.

1046 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
1047 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall
1048 implement the Best Management Practices identified by the time frames issued by the California
1049 Urban Water Conservation Council for such M&I Water unless any such practice is determined
1050 by the Contracting Officer to be inappropriate for the Contractor.

1051 (c) The Contractor shall submit to the Contracting Officer a report on the
1052 status of its implementation of the water conservation plan on the reporting dates specified in the
1053 then existing conservation and efficiency criteria established under Federal law.

1054 (d) At five-year intervals, the Contractor shall revise its water conservation
1055 plan to reflect the then-current conservation and efficiency criteria for evaluating water
1056 conservation plans established under Federal law and submit such revised water management
1057 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then
1058 determine if the water conservation plan meets Reclamation's then-current conservation and
1059 efficiency criteria for evaluating water conservation plans established under Federal law.

1060 (e) If the Contractor is engaged in direct groundwater recharge, such activity
1061 shall be described in the Contractor's water conservation plan.

1062 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1063 27. Except as specifically provided in Article 17 of this Contract, the provisions of
1064 this Contract shall not be applicable to or affect non-Project water or water rights now owned or
1065 hereafter acquired by the Contractor or any user of such water within the Contractor's Service
1066 Area. Any such water shall not be considered Project Water under this Contract. In addition,
1067 this Contract shall not be construed as limiting or curtailing any rights which the Contractor or
1068 any water user within the Contractor's Service Area acquires or has available under any other
1069 contract pursuant to Federal Reclamation law.

1070 28. Omitted.

1071 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1072 29. The expenditure or advance of any money or the performance of any obligation of
1073 the United States under this Contract shall be contingent upon appropriation or allotment of
1074 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any
1075 obligations under this Contract. No liability shall accrue to the United States in case funds are
1076 not appropriated or allotted.

1077 BOOKS, RECORDS, AND REPORTS

1078 30. (a) The Contractor shall establish and maintain accounts and other books and
1079 records pertaining to administration of the terms and conditions of this Contract, including: the
1080 Contractor's financial transactions, water supply data, and Project land and right-of-way
1081 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
1082 data; and other matters that the Contracting Officer may require. Reports thereon shall be
1083 furnished to the Contracting Officer in such form and on such date or dates as the Contracting
1084 Officer may require. Subject to applicable Federal laws and regulations, each party to this
1085 Contract shall have the right during office hours to examine and make copies of the other party's
1086 books and records relating to matters covered by this Contract.

1087 (b) Notwithstanding the provisions of subdivision (a) of this Article, no
1088 books, records, or other information shall be requested from the Contractor by the Contracting
1089 Officer unless such books, records, or information are reasonably related to the administration or

1090 performance of this Contract. Any such request shall allow the Contractor a reasonable period of
1091 time within which to provide the requested books, records, or information.

1092 (c) Omitted.

1093 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1094 31. (a) The provisions of this Contract shall apply to and bind the successors and
1095 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1096 therein shall be valid until approved in writing by the Contracting Officer.

1097 (b) The assignment of any right or interest in this Contract by either party
1098 shall not interfere with the rights or obligations of the other party to this Contract absent the
1099 written concurrence of said other party.

1100 (c) The Contracting Officer shall not unreasonably condition or withhold his
1101 approval of any proposed assignment.

1102 SEVERABILITY

1103 32. In the event that a person or entity who is neither (i) a party to a Project contract,
1104 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii)
1105 an association or other form of organization whose primary function is to represent parties to
1106 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or
1107 enforceability of a provision included in this Contract and said person, entity, association, or
1108 organization obtains a final court decision holding that such provision is legally invalid or
1109 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s),
1110 the parties to this Contract shall use their best efforts to (i) within 30 days of the date of such
1111 final court decision identify by mutual agreement the provisions in this Contract which must be
1112 revised, and (ii) within three months thereafter promptly agree on the appropriate revision(s).
1113 The time periods specified above may be extended by mutual agreement of the parties. Pending
1114 the completion of the actions designated above, to the extent it can do so without violating any
1115 applicable provisions of law, the United States shall continue to make the quantities of Project

1116 Water specified in this Contract available to the Contractor pursuant to the provisions of this
1117 Contract which were not found to be legally invalid or unenforceable in the final court decision.

1118 RESOLUTION OF DISPUTES

1119 33. Should any dispute arise concerning any provisions of this Contract, or the
1120 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to
1121 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting
1122 Officer referring any matter to Department of Justice, the party shall provide to the other party
1123 30 days' written notice of the intent to take such action; Provided, That such notice shall not be
1124 required where a delay in commencing an action would prejudice the interests of the party that
1125 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer
1126 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,
1127 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the
1128 United States may have.

1129 OFFICIALS NOT TO BENEFIT

1130 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1131 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1132 manner as other water users or landowners.

1133 CHANGES IN CONTRACTOR'S SERVICE AREA

1134 35. (a) While this Contract is in effect, no change may be made in the
1135 Contractor's Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger,
1136 or otherwise, except upon the Contracting Officer's written consent.

1137 (b) Within 30 days of receipt of a request for such a change, the Contracting
1138 Officer will notify the Contractor of any additional information required by the Contracting
1139 Officer for processing said request, and both parties will meet to establish a mutually agreeable
1140 schedule for timely completion of the process. Such process will analyze whether the proposed
1141 change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract;
1142 (ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or
1143 to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii)

1144 have an impact on any Project Water rights applications, permits, or licenses. In addition, the
1145 Contracting Officer shall comply with the NEPA and the ESA. The Contractor will be
1146 responsible for all costs incurred by the Contracting Officer in this process, and such costs will
1147 be paid in accordance with Article 25 of this Contract.

1148 FEDERAL LAWS

1149 36. By entering into this Contract, the Contractor does not waive its rights to contest
1150 the validity or application in connection with the performance of the terms and conditions of this
1151 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with
1152 the terms and conditions of this Contract unless and until relief from application of such Federal
1153 law or regulation to the implementing provision of the Contract is granted by a court of
1154 competent jurisdiction.

1155 NOTICES

1156 37. Any notice, demand, or request authorized or required by this Contract shall be
1157 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
1158 delivered to the Area Manager, Bureau of Reclamation, Northern California Area Office,
1159 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the
1160 United States, when mailed, postage prepaid, or delivered to the Board of Directors of the Clear
1161 Creek Community Services District, 5880 Oak Street, Anderson, California 96007. The
1162 designation of the addressee or the address may be changed by notice given in the same manner
1163 as provided in this Article for other notices.

1164 CONFIRMATION OF CONTRACT

1165 38. The Contractor, after the execution of this Contract, shall promptly seek to secure
1166 a decree of a court of competent jurisdiction of the State of California, confirming the execution
1167 of this Contract. The Contractor shall furnish the United States a certified copy of the final
1168 decree, the validation proceedings, and all pertinent supporting records of the court approving
1169 and confirming this Contract, and decreeing and adjudging it to be lawful, valid, and binding on
1170 the Contractor.

1171 AMENDATORY CONTRACT

1172 39. The parties hereto acknowledge and agree that Part A (i.e., Articles 2 through 10)
1173 of Contract No. 14-06-200-489-A is replaced by this Contract. The respective duties, covenants,
1174 and obligations of the parties in Contract No. 14-06-200-489-A which are not replaced by this

1175 Contract shall be unaffected as if Part A had not been replaced. By mutual agreement of the
1176 parties the remainder of Contract No. 14-06-200-489-A, exclusive of Part A thereof, may be
1177 amended by negotiation and execution of an amendatory contract, if any.

1178 IN WITNESS WHEREOF, the parties have executed this Contract as of the day and year
1179 first above written.

1180

THE UNITED STATES OF AMERICA

1181

1182

1183

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

By: _____

Michael D. [Signature]

Regional Director, Mid-Pacific Region
Bureau of Reclamation

1184

1185

CLEAR CREEK COMMUNITY
SERVICES DISTRICT

1186

1187

By: _____

Samuel A. Russell

President of the Board of Directors

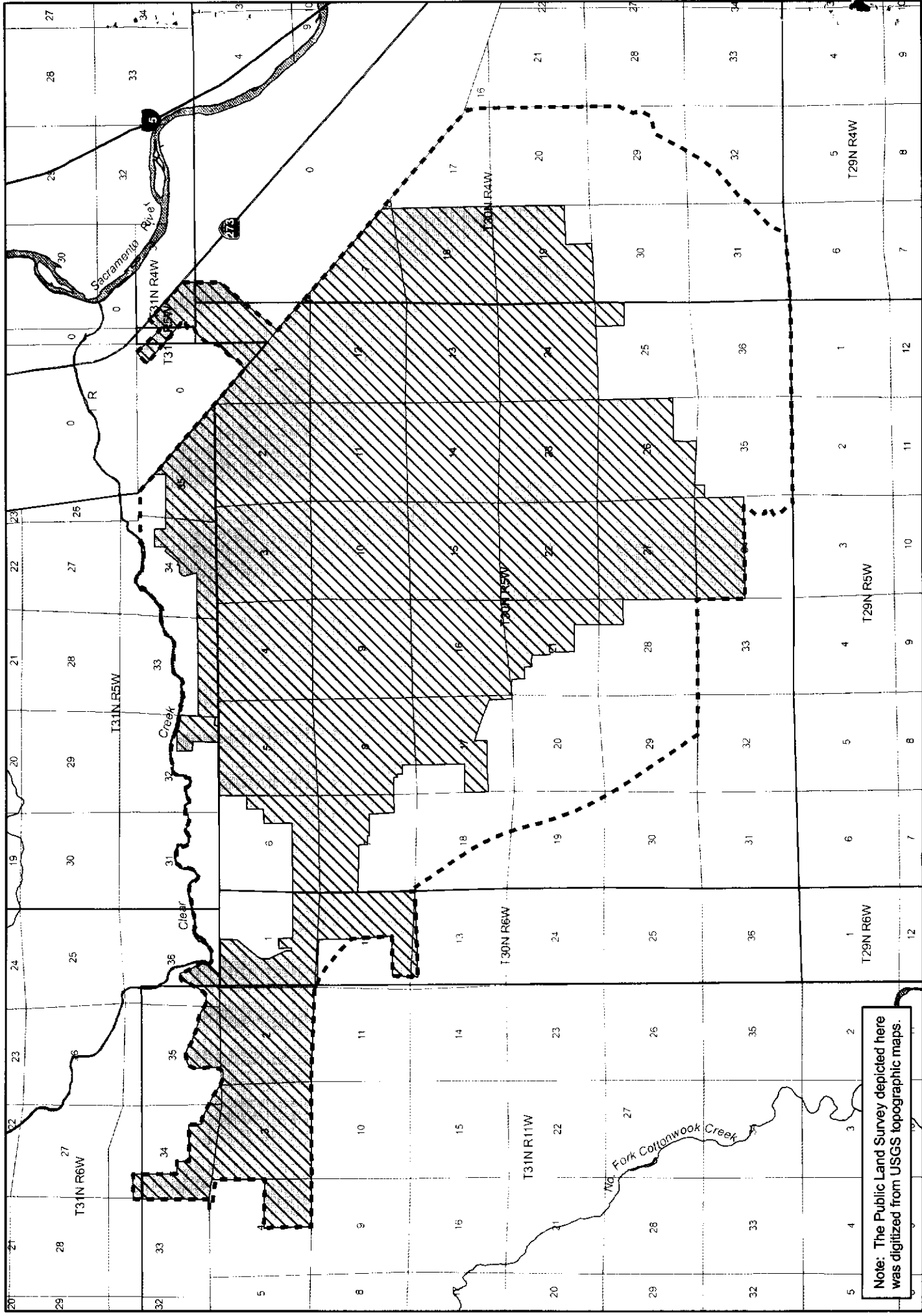
1188 Attest:

1189

1190

[Signature]
Secretary of the Board of Directors

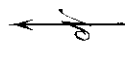
1191 (H:/public/Willows Final LTRC's/2005-01-31 Clear Creek Final LTRC Draft Contract.doc)



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



416-208-2959



Clear Creek Community Service District

Exhibit A

Contract No. 14-06-200-489A-LTR1

- Contractor's Service Area
- District Boundary
- Sphere of Influence

Date: October 13, 2004
 File Name: N:\districts\contracts\clear_creek_ltr.mxd

EXHIBIT B

CLEAR CREEK COMMUNITY SERVICES DISTRICT
2005 Water Rates and Charges per Acre-Foot

	<u>Cost of Service</u>		<u>Calculated</u>
	<u>Irrigation</u>	<u>M&I</u>	<u>Payment Capacity 1/</u>
			<u>Irrigation</u>
<u>COST OF SERVICE RATES:</u>			
Capital Rates	\$ 9.45	\$11.83	\$ 0.00
O&M Rates:			
Water Marketing	6.61	3.89	6.61
Storage	5.93	6.67	5.93
Deficit Rates:			
Interest Bearing	0.00	7.61	0.00
CFO/PFR Adjustment Rate 2/	<u>1.88</u>	<u>2.15</u>	<u>1.88</u>
TOTAL	<u>\$23.87</u>	<u>\$32.15</u>	<u>\$14.42</u>

IRRIGATION FULL-COST RATES:

Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.

\$32.75 \$32.75

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

\$40.41 \$40.41

M&I FULL COST RATE:

\$40.56

TIERED PRICING COMPONENTS:

Tiered Pricing Component >80% <=90% of Contract

Total [Full Cost Rate – COS Rate / 2] \$ 4.44 \$ 4.21 \$ 9.17

Tiered Pricing Component >90% of Contract

Total [Full Cost Rate – COS Rate] \$ 8.88 \$ 8.41 \$18.33

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

Restoration Payments (3407(d)(2)(A)) \$ 7.93 \$15.87 \$ 0.00

1/ Established pursuant to the results of the Payment Capacity Analysis for the Clear Creek CSD and Bella Vista WD as announced by letter dated October 2, 1996.

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.

EXHIBIT C

GUIDELINES FOR DETERMINING IF PROJECT WATER
IS PUT TO USE AS IRRIGATION WATER

A. Objective:

1. Achieve the proper use of Project Water irrespective of landholding size.
2. Obtain reimbursement to the Reclamation Fund for Project Water at the appropriate Rates.

B. Focus:

1. Usually, the Rates for Irrigation Water are significantly less than the Rates for M&I Water. Contractors that have both irrigation and M&I as purposes of use in their contracts have to determine the appropriate Rates to charge their customers for Project Water. That determination becomes more difficult for smaller landholdings because activities on a rural residence may appear to be similar to activities on a farm or ranch.
2. To qualify as Irrigation Water, Project Water must be used primarily in the production of crops or livestock for sale or barter beyond the quantity needed for personal use.

C. Criteria to consider:

1. Existence of a business or development plan; and
2. Crop or livestock sales or barter; and/or
3. Improvements to land, including but not limited to buildings (barns, storage facilities, workshop, livestock shed), irrigation system, leveling, corrals, fencing, fruit or nut trees, vines, etc.); and
4. Related enterprises involving the landholder. For example, Project Water diverted to irrigate pasture for horses used in a cattle operation would be at the Rates for Irrigation Water in contrast to Project Water diverted to irrigate pasture for horses used only for personal enjoyment which would be at the Rates for M&I Water.

D. Decision:

1. The Contractor shall be responsible for ascertaining whether Project Water delivered by it is put to use as Irrigation Water or M&I Water. In the past, Reclamation's focus has been on landholdings operated in units of less than two acres. More recently, that focus has been on landholdings operated in units of less than five acres.
2. The guidelines recognize that the Contractor surveyed all landholdings between two and five acres during the term of its first interim renewal contract to determine if those landholders were paying the appropriate Rates for Project Water. If the purpose of use has not changed since that survey was completed, those landholders will not be required to submit a new application to the Contractor to receive Project Water at the Rates for Irrigation Water. If the landholder but not the purpose of use has changed after the survey was completed but prior to execution of this Contract, those landholders will not be required to submit a new application requesting Project Water at the Rates for Irrigation Water. The Contractor will require a

new application requesting Project Water at the Rates for Irrigation Water when there is a change in ownership of any of those landholdings after the date of execution of this Contract.

E. Review:

A decision made by the Contractor may be reviewed by Reclamation. If Reclamation does not agree with the Contractor's decision, Reclamation shall provide notification, in writing, to the Contractor explaining specifically why Reclamation believes the decision made by the Contractor to deliver Irrigation Water to the landholding was not done so in accordance with these guidelines. Within 30 days of receipt of such notification, Reclamation and the Contractor shall meet and confer to determine what corrective actions should be taken to resolve the disagreement in accordance with these guidelines. If Reclamation and the Contractor cannot resolve the disagreement within 90 days of that notification, Reclamation shall, thereafter, provide its final determination, in writing to the Contractor. The Contractor retains the right to appeal up to and including the Commissioner of Reclamation any final decision they are in disagreement with.

F. Documentation:

These guidelines presume a landholding is only eligible to receive Project Water at the Rates for M&I Water unless documentation is provided to the Contractor to show it qualifies for Irrigation Water or an application by a landholder requesting new service for Irrigation Water is approved by the Contractor. The Contractor shall retain such documentation for a period of six years after the initial determination is made that Project Water is being used for irrigation purposes or after a landholder no longer is using Project Water for irrigation purposes, whichever is longer.

CLEAR CREEK COMMUNITY SERVICES DISTRICT

ORDINANCE 2005-06

AN ORDINANCE BY THE BOARD OF DIRECTORS OF THE CLEAR CREEK COMMUNITY SERVICES DISTRICT (DISTRICT) APPROVING LONG TERM RENEWAL CONTRACT #14-06-200-489-A-LTR1 BETWEEN THE UNITED STATES AND CLEAR CREEK COMMUNITY SERVICES DISTRICT PROVIDING FOR PROJECT WATER SERVICE FROM TRINITY RIVER DIVISION.

WHEREAS, Clear Creek Community Services District has continued operating under interim renewal contracts since contract #14-06-200-489-A expired on December 31, 1994; and,

WHEREAS, the District has requested the long-term renewal of the existing contract, pursuant to the terms of the existing contract, Federal Reclamation law, and the laws of the State of California, for water service from the Central Valley Project; and,

WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of existing contract following completion of PEIS pursuant to NEPA; and,

WHEREAS, the United States has completed the PEIS and all other appropriate environmental review necessary to provide for long-term renewal; and

WHEREAS, Long Term Renewal Contract #14-06-200-489-A-LTR1 will provide for continuing agricultural water service to the District for a term of 25 years, expiring February 28, 2030, renewable under terms and conditions that are mutually agreeable to the District and the United States; and,

WHEREAS, Long Term Renewal Contract #14-06-200-489-A-LTR1, insofar as it pertains to furnishing M&I water to the District shall be renewed for successive periods of up to 40 years each; and,

NOW, THEREFORE, BE IT ORDAINED by the Board of Directors of the Clear Creek Community Services that they hereby approve Long Term Renewal Contract #14-06-200-489-A-LTR1 as to form and hereby authorize the Chairman of the Board of Directors and the Secretary to the Board of Directors to execute the contract on behalf of the District.


PASSED AND ADOPTED by the Board of Directors of Clear Creek Community Services District this 23rd day of February, 2005 by the following vote:

Motion: Director Logan

Second: Director Shannon

Ayes: 4 Noes: 0 Absent: Trenerry Abstain: 0


Lawrence A. Russell, Chairman of the Board


ATTEST
Char Workman-Flowers, General Manager,
Secretary to the Board of Directors of the
Clear Creek Community Services District