

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
EL DORADO IRRIGATION DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM THE AMERICAN RIVER DIVISION

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Exhibit A - Map of Contractor's Service Area

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

5 LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
6 AND
7 EL DORADO IRRIGATION DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE
9 FROM AMERICAN RIVER DIVISION

10 THIS CONTRACT, made this 28 day of February, 2006, in
11 pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
12 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),
13 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,
14 July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263),
15 October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992
16 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, between
17 THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, and
18 EL DORADO IRRIGATION DISTRICT, hereinafter referred to as the Contractor, a public
19 agency of the State of California, duly organized, existing, and acting pursuant to the laws
20 thereof;

21 WITNESSETH, That:

22 EXPLANATORY RECITALS

23 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
24 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for

25 flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection
26 and restoration, generation and distribution of electric energy, salinity control, navigation and
27 other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River,
28 and the San Joaquin River and their tributaries; and

29 [2nd] WHEREAS, the United States constructed Folsom Dam and Reservoir,
30 hereinafter collectively referred to as the American River Division facilities, which will be used
31 in part for the furnishing of water to the Contractor pursuant to the terms of this Contract; and

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

34 [4th] WHEREAS, the Contractor and the United States entered into Contract
35 No. 14-06-200-1357A, as amended, which established terms for the delivery to the Contractor of
36 Project Water from the American River Division from January 1, 1965, through December 31,
37 2004, to the El Dorado Hills area (hereinafter referred to as the El Dorado Hills contract); and

38 [4.1] WHEREAS, the County of El Dorado and the United States entered into Contract
39 No. 14-06-200-7312A, dated July 25, 1958, which established terms for the delivery to the
40 Contractor of Project Water from the American River Division through October 31, 1999, to the
41 Lake Hills Estate area (hereinafter referred to as the Lake Hills Estates contract); and

42 [4.2] WHEREAS, the County of El Dorado officially assigned the Lake Hills Estates
43 contract to the Contractor on December 18, 1973, with the approval of the United States; and

44 [5th] WHEREAS, the Contractor and the United States have pursuant to subsection
45 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into
46 interim renewal contracts identified as Contract Nos. 14-06-200-7312A-IR1, 14-06-200-7312A-
47 IR2, 14-06-200-7312A-IR3, 14-06-200-7312A-IR4, 14-06-200-7312A-IR5, 14-06-200-7312A-
48 IR6, and 14-06-200-7312A-IR7, the current of which is hereinafter referred to as the Existing
49 Contract, which provided for the continued water service to the Contractor from March 1, 2004,
50 through February 29, 2006; and

51 [5.1] WHEREAS, Article 3(h) of Contract No. 14-06-200-7312A-IR2 states that the
52 El Dorado Hills and Lake Hills Estates contracts will be fully integrated into one long-term
53 renewal contract; and

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

59 [6.1] WHEREAS, the Contracting Officer and the Contractor are entering into this
60 contract pursuant to Subsection 3404(c)(3) of the CVPIA; and

61 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
62 environmental review necessary to provide for long-term renewal of the El Dorado Hills and
63 Lake Hills Estates contracts; and

64 [8th] WHEREAS, the Contractor has requested the long-term renewal of the El Dorado
65 Hills and Lake Hills Estates contracts, pursuant to the terms of these contracts, Federal
66 Reclamation law, and the laws of the State of California, for water service from the Project; and

67 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all
68 of its obligations under the El Dorado Hills and Lake Hills Estates contracts; and

69 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the
70 Contracting Officer that the Contractor has utilized the Project Water supplies available to it for
71 reasonable and beneficial use and/or has demonstrated projected future demand for water use
72 such that the Contractor has the capability and expects to utilize fully for reasonable and
73 beneficial use the quantity of Project Water to be made available to it pursuant to this Contract;
74 and

75 [11th] WHEREAS, water obtained from the Project has been relied upon by urban and
76 agricultural areas within California for more than 50 years, and is considered by the Contractor
77 as an essential portion of its water supply; and

78 [12th] WHEREAS, the economies of regions within the Project, including the
79 Contractor's, depend upon the continued availability of water, including water service from the
80 Project; and

81 [13th] WHEREAS, the Secretary of the Interior (Interior) intends through coordination,
82 cooperation, and partnerships to pursue measures to improve water supply, water quality, and
83 reliability of the Project for all Project purposes; and

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

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

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

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

96 DEFINITIONS

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

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

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

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

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

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

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

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

118 (h-i) Omitted;

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

127 subsections 202(3)(B) and (3)(C) of the Reclamation Reform Act of 1982 (RRA). The Full Cost
128 Rate includes actual operation, maintenance, and replacement costs consistent with Section 426.2
129 of the Rules and Regulations for the RRA;

130 (k-1) Omitted;

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

134 (n) Omitted;

135 (o) "Municipal and Industrial Water" or "M&I Water" shall mean Project
136 Water, other than Irrigation Water, made available to the Contractor. M&I Water shall include
137 water used for human use and purposes such as the watering of landscaping or pasture for
138 animals (e.g., horses) which are kept for personal enjoyment or water delivered to land holdings
139 operated in units of less than five acres unless the Contractor establishes to the satisfaction of the
140 Contracting Officer that the use of water delivered to any such landholding is a use described in
141 subdivision (m) of this Article;

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

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

147 (r) Omitted;

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

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

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

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

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

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

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

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

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

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

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

178

TERM OF CONTRACT

179 2. (a) This Contract shall be effective March 1, 2005, through February 28,
180 2045, and supersedes the Existing Contract. In the event the Contractor wishes to renew this
181 Contract beyond February 28, 2045, the Contractor shall submit a request for renewal in writing
182 to the Contracting Officer no later than two years prior to the date this Contract expires.

183 (b) Omitted.

184 (c) This Contract shall be renewed for successive periods of 40 years each
185 which periods shall be consistent with then-existing Reclamation-wide policy, under terms and
186 conditions mutually agreeable to the parties and consistent with Federal and State law. The
187 Contractor shall be afforded the opportunity to comment to the Contracting Officer on the
188 proposed adoption and application of any revised policy applicable to the delivery of Project
189 M&I Water that would limit the term of any subsequent renewal contract with the Contractor for
190 the furnishing of M&I Water to less than 40 years.

191 (d) The Contracting Officer shall make a determination ten years after the
192 date of execution of this Contract, and every five years thereafter during the term of this
193 Contract, of whether a conversion to a contract under subsection 9(c)(1) of Section 9 of the
194 Reclamation Project Act of 1939 can be accomplished. The Contracting Officer anticipates that
195 during the term of this Contract, all authorized Project construction expected to occur will have
196 occurred, and on that basis the Contracting Officer agrees upon such completion to allocate all
197 costs that are properly assignable to the Contractor, and agrees further that, at any time after such
198 allocation is made, and subject to satisfaction of the condition set out in this subdivision, this
199 Contract shall, at the request of the Contractor, be converted to a contract under said subsection
200 (c)(1) of Section 9, subject to applicable Federal law and under stated terms and conditions
201 mutually agreeable to the Contractor and the Contracting Officer. A condition for such
202 conversion to occur shall be a determination by the Contracting Officer that, account being taken
203 of the amount credited to return by the Contractor as provided for under Federal Reclamation

204 law, the remaining amount of construction costs assignable for ultimate return by the Contractor
205 can probably be repaid to the United States within the term of a contract under said subsection
206 (c)(1) of Section 9. If the remaining amount of costs that are properly assignable to the
207 Contractor cannot be determined during the term of this Contract, the Contracting Officer shall
208 notify the Contractor, and provide the reason(s) why such a determination could not be made.
209 Further, the Contracting Officer shall make such a determination as soon thereafter as possible so
210 as to permit, upon request of the Contractor and satisfaction of the condition set out above,
211 conversion to a contract under said subsection (c)(1) of Section 9. In the event such
212 determination of costs has not been made at a time which allows conversion of this Contract
213 during the term of this Contract or the Contractor has not requested conversion of this Contract
214 within such term, the parties shall incorporate in any subsequent renewal contract as described in
215 subdivision (c) of this Article a provision that carries forth in substantially identical terms the
216 provisions of this subdivision.

217 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

218 3. (a) During each Year, consistent with all applicable State water rights,
219 permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of
220 this Contract, the Contracting Officer shall make available for delivery to the Contractor
221 7,550 acre-feet of Project Water for M&I purposes. Water Delivered to the Contractor in
222 accordance with this subdivision shall be scheduled and paid for pursuant to the provisions of
223 Articles 4 and 7 of this Contract.

224 (b) Because the capacity of the Project to deliver Project Water has been
225 constrained in recent years and may be constrained in the future due to many factors including
226 hydrologic conditions and implementation of Federal and State laws, the likelihood of the
227 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this
228 Article in any given Year is uncertain. The Contracting Officer's modeling referenced in the
229 PEIS projected that the Contract Total set forth in this Contract will not be available to the

230 Contractor in many years. During the most recent five years, the Recent Historic Average of
231 water made available to the Contractor's Service Area was 6,716 acre-feet. Nothing in
232 subdivision (b) of this Article shall affect the rights and obligations of the parties under any
233 provision of this Contract.

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

236 (d) The Contractor shall make reasonable and beneficial use of all water
237 furnished pursuant to this Contract. Ground-water recharge programs (direct, indirect, or in
238 lieu), ground-water banking programs, surface water storage programs, and other similar
239 programs utilizing Project Water or other water furnished pursuant to this Contract conducted
240 within the Contractor's Service Area which are consistent with applicable State law and result in
241 use consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge
242 program(s) is (are) described in the Contractor's water conservation plan submitted pursuant to
243 Article 26 of this Contract; Provided, further, That such water conservation plan demonstrates
244 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average,
245 the quantity of Delivered Water is demonstrated to be reasonable for such uses and in
246 compliance with Federal Reclamation Law. Groundwater recharge programs, ground-water
247 banking programs, surface water storage programs, and other similar programs utilizing Project
248 Water or other water furnished pursuant to this Contract conducted outside the Contractor's
249 Service Area may be permitted upon written approval of the Contracting Officer, which approval
250 will be based upon environmental documentation, Project Water rights, and Project operational
251 concerns. The Contracting Officer will address such concerns in regulations, policies, or
252 guidelines.

253 (e) The Contractor shall comply with requirements applicable to the
254 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
255 of this Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA),

256 as amended, that are within the Contractor's legal authority to implement. The Existing
257 Contracts, which evidence in excess of 40 years of diversions for M&I purposes of the quantities
258 of water provided in subdivision (a) of Article 3 of this Contract, will be considered in
259 developing an appropriate baseline for biological assessment prepared pursuant to the ESA, and
260 any other needed environmental review. Nothing herein shall be construed to prevent the
261 Contractor from challenging or seeking judicial relief in a court of competent jurisdiction with
262 respect to any biological opinion or other environmental documentation referred to in this
263 Article.

264 (f) Following the declaration of Water Made Available under Article 4 of this
265 Contract, the Contracting Officer will make a determination whether Project Water, or other
266 water available to the Project, can be made available to the Contractor in addition to the Contract
267 Total under Article 3 of this Contract during the Year without adversely impacting other Project
268 Contractors. At the request of the Contractor, the Contracting Officer will consult with the
269 Contractor prior to making such a determination. If the Contracting Officer determines that
270 Project Water, or other water available to the Project, can be made available to the Contractor,
271 the Contracting Officer will announce the availability of such water and shall so notify the
272 Contractor as soon as practical. The Contracting Officer will thereafter meet with the Contractor
273 and other Project Contractors capable of taking such water to determine the most equitable and
274 efficient allocation of such water. If the Contractor requests the delivery of any quantity of such
275 water, the Contracting Officer shall make such water available to the Contractor in accordance
276 with applicable statutes, regulations, guidelines, and policies.

277 (g) The Contractor may request permission to reschedule for use during the
278 subsequent Year some or all of the Water Made Available to the Contractor during the current
279 Year referred to as "carryover." The Contractor may request permission to use during the
280 current Year a quantity of Project Water which may be made available by the United States to
281 the Contractor during the subsequent Year referred to as "preuse." The Contracting Officer's

282 written approval may permit such uses in accordance with applicable statutes, regulations,
283 guidelines, and policies.

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

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

296 (j) The Contracting Officer shall make reasonable efforts to protect the water
297 rights necessary for the Project and to provide the water available under this Contract. The
298 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
299 extent permitted by law, in administrative proceedings related to the Project Water rights;
300 Provided, That the Contracting Officer retains the right to object to the substance of the
301 Contractor's position in such a proceeding; Provided further, That in such proceedings the
302 Contracting Officer shall recognize the Contractor has a legal right under the terms of this
303 Contract to use Project Water.

304 TIME FOR DELIVERY OF WATER

305 (4) (a) On or about February 20 of each Calendar Year, the Contracting Officer
306 shall announce the Contracting Officer's expected declaration of the Water Made Available.
307 Such declaration will be expressed in terms of both Water Made Available and the Recent

308 Historic Average and will be updated monthly, and more frequently if necessary, based on then-
309 current operational and hydrologic conditions and a new declaration with changes, if any, to the
310 Water Made Available will be made. The Contracting Officer shall provide forecasts of Project
311 operations and the basis of the estimate, with relevant supporting information, upon the written
312 request of the Contractor. Concurrently with the declaration of the Water Made Available, the
313 Contracting Officer shall provide the Contractor with the updated Recent Historic Average.

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

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

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

329 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

330 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
331 Contract shall be delivered to the Contractor at the Contractor's point of diversion in Folsom
332 Lake and any additional point or points of delivery either on Project facilities or another location
333 or locations mutually agreed to in writing by the Contracting Officer and the Contractor.

334 (b) Omitted.

335 (c) The Contractor shall not deliver Project Water to land outside the
336 Contractor's Service Area unless approved in advance by the Contracting Officer.

337 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
338 measured and recorded with equipment furnished, installed, operated, and maintained by the
339 United States, or other appropriate entity as designated by the Contracting Officer at the point or
340 points of delivery established pursuant to subdivision (a) of this Article. Upon the request of
341 either party to this Contract, the Contracting Officer shall investigate, or cause to be investigated,
342 the accuracy of such measurements and shall take any necessary steps to adjust any errors
343 appearing therein. For any period of time when accurate measurements have not been made, the
344 Contracting Officer shall consult with the Contractor prior to making a final determination of the
345 quantity delivered for that period of time.

346 (e) The Contracting Officer shall not be responsible for the control, carriage,
347 handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to this
348 Contract beyond the delivery points specified in subdivision (a) of this Article. The Contractor
349 shall indemnify the United States, its officers, employees, agents, and assigns on account of
350 damage or claim of damage of any nature whatsoever for which there is legal responsibility,
351 including property damage, personal injury, or death arising out of or connected with the control,
352 carriage, handling, use, disposal, or distribution of such Water Delivered beyond such delivery
353 points, except for any damage or claim arising out of (i) acts or omissions of the Contracting
354 Officer or any of its officers, employees, agents, or assigns with the intent of creating the
355 situation resulting in any damage or claim; (ii) willful misconduct of the Contracting Officer or
356 any of its officers, employees, agents, or assigns; (iii) negligence of the Contracting Officer or
357 any of its officers, employees, agents, or assigns; or (iv) damage or claims resulting from a
358 malfunction of facilities owned and/or operated by the United States.

359 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

360 6. (a) The Contractor has established a measuring program satisfactory to the
361 Contracting Officer. The Contractor shall ensure that all surface water delivered for M&I
362 purposes is measured at each M&I service connection. The water measuring devices or water
363 measuring methods of comparable effectiveness must be acceptable to the Contracting Officer.
364 The Contractor shall be responsible for installing, operating, and maintaining and repairing all
365 such measuring devices and implementing all such water measuring methods at no cost to the
366 United States. The Contractor shall use the information obtained from such water measuring
367 devices or water measuring methods to ensure its proper management of the water, to bill water
368 users for water delivered by the Contractor; and, if applicable, to record water delivered for M&I
369 purposes by customer class as defined in the Contractor's water conservation plan provided for
370 in Article 26 of this Contract. Nothing herein contained, however, shall preclude the Contractor
371 from establishing and collecting any charges, assessments, or other revenues authorized by
372 California law. The Contractor shall include a summary of all its annual surface water deliveries
373 in the annual report described in subdivision (c) of Article 26.

374 (b) To the extent the information has not otherwise been provided, upon
375 execution of this Contract, the Contractor shall provide to the Contracting Officer a written
376 report describing the measurement devices or water measuring methods being used or to be used
377 to implement subdivision (a) of this Article and identifying the M&I service connections or
378 alternative measurement programs approved by the Contracting Officer, at which such
379 measurement devices or water measuring methods are being used, and, if applicable, identifying
380 the locations at which such devices and/or methods are not yet being used including a time
381 schedule for implementation at such locations. The Contracting Officer shall advise the
382 Contractor in writing within 60 days as to the adequacy of, and necessary modifications, if any,
383 of the measuring devices or water measuring methods identified in the Contractor's report and if
384 the Contracting Officer does not respond in such time, they shall be deemed adequate. If the

385 Contracting Officer notifies the Contractor that the measuring devices or methods are
386 inadequate, the parties shall within 60 days following the Contracting Officer's response,
387 negotiate in good faith the earliest practicable date by which the Contractor shall modify said
388 measuring devices and/or measuring methods as required by the Contracting Officer to ensure
389 compliance with subdivision (a) of this Article.

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

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

396 (e) The Contractor shall inform the Contracting Officer on or before the
397 20th calendar day of each month of the quantity of M&I Water taken during the preceding month.

398 RATES AND METHOD OF PAYMENT FOR WATER

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

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

411 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
412 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
413 period October 1, of the current Calendar Year, through September 30, of the following Calendar
414 Year, and the basis for such estimate. The Contractor shall be allowed not less than two months
415 to review and comment on such estimates. On or before September 15 of each Calendar Year,
416 the Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during
417 the period October 1 of the current Calendar Year, through September 30, of the following
418 Calendar Year, and such notification shall revise Exhibit "B."

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

426 (c) At the time the Contractor submits the initial schedule for the delivery of
427 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the
428 Contractor shall make an advance payment to the United States equal to the total amount payable
429 pursuant to the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water
430 scheduled to be delivered pursuant to this Contract during the first two calendar months of the
431 Year. Before the end of the first month and before the end of each calendar month thereafter, the
432 Contractor shall make an advance payment to the United States, at the Rate(s) set under
433 subdivision (a) of this Article, for the Water Scheduled to be delivered pursuant to this Contract
434 during the second month immediately following. Adjustments between advance payments for
435 Water Scheduled and payments at Rates due for Water Delivered shall be made before the end of
436 the following month; Provided, That any revised schedule submitted by the Contractor pursuant

437 to Article 4 of this Contract which increases the amount of Water Delivered pursuant to this
438 Contract during any month shall be accompanied with appropriate advance payment, at the Rates
439 then in effect, to assure that Project Water is not delivered to the Contractor in advance of such
440 payment. In any month in which the quantity of Water Delivered to the Contractor pursuant to
441 this Contract equals the quantity of Water Scheduled and paid for by the Contractor, no
442 additional Project Water shall be delivered to the Contractor unless and until an advance
443 payment at the Rates then in effect for such additional Project Water is made. Final adjustment
444 between the advance payments for the Water Scheduled and payments for the quantities of Water
445 Delivered during each Year pursuant to this Contract shall be made as soon as practicable but no
446 later than April 30th of the following Year, or 60 days after the delivery of Project Water carried
447 over under subdivision (f) of Article 3 of this Contract if such water is not delivered by the last
448 day of February.

449 (d) The Contractor shall also make a payment in addition to the Rate(s) in
450 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
451 appropriate Tiered Pricing Component then in effect, before the end of the month following the
452 month of delivery. The payments shall be consistent with the quantities of M&I Water Delivered
453 as shown in the water delivery report for the subject month prepared by the Operating Non-
454 Federal Entity or, if there is no Operating Non-Federal Entity, by the Contracting Officer. The
455 water delivery report shall be deemed a bill for the payment of Charges and the applicable Tiered
456 Pricing Component for Water Delivered. Adjustment for overpayment or underpayment of
457 Charges shall be made through the adjustment of payments due to the United States for Charges
458 for the next month. Any amount to be paid for past due payment of Charges and the Tiered
459 Pricing Component shall be computed pursuant to Article 20 of this Contract.

460 (e) The Contractor shall pay for any Water Delivered under subdivision (a),
461 (f), or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to
462 applicable statutes, associated regulations, any applicable provisions of guidelines or ratesetting

463 policies; Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this
464 Contract shall be no more than the otherwise applicable Rate for M&I Water under subdivision
465 (a) of this Article.

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

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

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

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

487 (j) (1) Beginning at such time as deliveries of Project Water in a Year
488 exceed 80 percent of the Contract Total, then before the end of the month following the month of

489 delivery the Contractor shall make an additional payment to the United States equal to the
490 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water
491 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the
492 Contract Total, shall equal one-half of the difference between the Rate established under
493 subdivision (a) of this Article and the Irrigation Full Cost Water Rate or M&I Full Cost Water
494 Rate, whichever is applicable. The Tiered Pricing Component for the amount of Water
495 Delivered which exceeds 90 percent of the Contract Total shall equal the difference between
496 (i) the Rate established under subdivision (a) of this Article and (ii) the M&I Full Cost Water
497 Rate.

498 (2) Omitted.

499 (3) For purposes of determining the applicability of the Tiered Pricing
500 Components pursuant to this Article, Water Delivered shall include Project Water that the
501 Contractor transfers to others but shall not include Project Water transferred to the Contractor
502 nor shall it include the additional water provided to the Contractor under the provisions of
503 subdivision (f) of Article 3 of this Contract.

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

512 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the
513 CVPIA, the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates
514 adjusted upward or downward to reflect the changed costs, if any, incurred by the Contracting

515 Officer in the delivery of the transferred Project Water to the transferee's point of delivery in
516 accordance with the then-applicable Project ratesetting policy. If the Contractor is receiving
517 lower Rates and Charges because of inability to pay and is transferring Project Water to another
518 entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and Charges
519 for transferred Project Water shall be the Contractor's Rates and Charges and will not be
520 adjusted to reflect the Contractor's inability to pay.

521 (m) Omitted.

522 (n) With respect to the Rates for M&I water, the Contractor asserts that it is
523 not legally obligated to pay any Project deficits claimed by the United States to have accrued as
524 of the date of this Contract or deficit-related interest charges thereon. By entering into this
525 Contract, the Contractor does not waive any legal rights or remedies that it may have with
526 respect to such disputed issues. Notwithstanding the execution of this Contract, and payments
527 made hereunder, the Contractor may challenge in the appropriate administrative or judicial
528 forums: (1) the existence, computation, or imposition of any deficit charges accruing during the
529 term of the Existing Contracts and any preceding interim renewal contracts, if applicable;
530 (2) interest accruing on any such deficits; (3) the inclusion of any such deficit charges or interest
531 in the Rates; (4) the application by the United States of payments made by the Contractor under
532 its Existing Contracts and any preceding interim renewal contract, if applicable; and (5) the
533 application of such payments in the Rates. The Contracting Officer agrees that the Contractor
534 shall be entitled to the benefit of any administrative or judicial ruling in favor of any other
535 Project M&I contractor on any of these issues, and credits for payments heretofore made,
536 Provided, That the basis for such ruling is applicable to the Contractor.

537 8. Omitted.

538 SALES, TRANSFERS, OR EXCHANGES OF WATER

539 9. (a) The right to receive Project Water provided for in this Contract may be
540 sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of

541 California if such sale, transfer, or exchange is authorized by applicable Federal and State laws,
542 and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project
543 Water under this Contract may take place without the prior written approval of the Contracting
544 Officer, except as provided for in subdivision (b) of this Article, and no such sales, transfers, or
545 exchanges shall be approved absent all appropriate environmental documentation, including but
546 not limited to documents prepared pursuant to the NEPA and ESA. Such environmental
547 documentation should include, as appropriate, an analysis of ground-water impacts and
548 economic and social effects, including environmental justice, of the proposed water transfers on
549 both the transferor and transferee.

550 (b) In order to facilitate efficient water management by means of water
551 transfers of the type historically carried out among Project Contractors located within the same
552 geographical area and to allow the Contractor to participate in an accelerated water transfer
553 program during the term of this Contract, the Contracting Officer shall prepare, as appropriate,
554 all necessary environmental documentation including, but not limited to, documents prepared
555 pursuant to the NEPA and ESA analyzing annual transfers within such geographical areas, and
556 the Contracting Officer shall determine whether such transfers comply with applicable law.
557 Following the completion of the environmental documentation, such transfers addressed in such
558 documentation shall be conducted with advance notice to the Contracting Officer, but shall not
559 require prior written approval by the Contracting Officer. Such environmental documentation
560 and the Contracting Officer's compliance determination shall be reviewed every five years and
561 updated, as necessary, prior to the expiration of the then-existing five-year period. All
562 subsequent environmental documentation shall include an alternative to evaluate not less than the
563 quantity of Project Water historically transferred within the same geographical area.

564 (c) For a water transfer to qualify under subdivision (b) of this Article, such
565 water transfer must: (i) be for irrigation purposes for lands irrigated within the previous three
566 years, for M&I use, ground-water recharge, water banking, or fish and wildlife resources; not

567 lead to land conversion; and be delivered to established cropland, wildlife refuges, ground-water
568 basins or M&I use; (ii) occur within a single Year; (iii) occur between a willing seller and a
569 willing buyer; (iv) convey water through existing facilities with no new construction or
570 modifications to facilities and be between existing Project Contractors and/or the Contractor and
571 the United States, Department of the Interior; and (v) comply with all applicable Federal, State,
572 and local or tribal laws and requirements imposed for protection of the environment and Indian
573 Trust Assets, as defined under Federal law.

574 APPLICATION OF PAYMENTS AND ADJUSTMENTS

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

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

592 TEMPORARY REDUCTIONS--RETURN FLOWS

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

598 (b) The Contracting Officer may temporarily discontinue or reduce the
599 quantity of Water Delivered to the Contractor as herein provided for the purposes of
600 investigation, inspection, maintenance, repair, or replacement of any of the Project facilities or
601 any part thereof necessary for the delivery of Project Water to the Contractor, but so far as
602 feasible the Contracting Officer will give the Contractor due notice in advance of such temporary
603 discontinuance or reduction, except in case of emergency, in which case no notice need be given;
604 Provided, That the United States shall use its best efforts to avoid any discontinuance or
605 reduction in such service. Upon resumption of service after such reduction or discontinuance,
606 and if requested by the Contractor, the United States will, if possible, deliver the quantity of
607 Project Water which would have been delivered hereunder in the absence of such discontinuance
608 or reduction.

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

615 CONSTRAINTS ON THE AVAILABILITY OF WATER

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

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

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

626 (c) Omitted.

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

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

637 13. Omitted.

638 RULES AND REGULATIONS

639 14. The parties agree that the delivery of M&I Water or use of Federal facilities
640 pursuant to this Contract is subject to the applicable provisions of Federal Reclamation law and
641 the applicable rules and regulations promulgated by the Secretary of the Interior under such law.

642

WATER AND AIR POLLUTION CONTROL

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

647

QUALITY OF WATER

648 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant
649 to this Contract shall be operated and maintained to enable the United States to deliver Project
650 Water to the Contractor in accordance with the water quality standards specified in subsection
651 2(b) of the Act of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of
652 October 27, 1986 (100 Stat. 3050), or other existing Federal laws. The United States is under no
653 obligation to construct or furnish water treatment facilities to maintain or to improve the quality
654 of Water Delivered to the Contractor pursuant to this Contract. The United States does not
655 warrant the quality of Water Delivered to the Contractor pursuant to this Contract.

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

663

WATER ACQUIRED BY THE CONTRACTOR
OTHER THAN FROM THE UNITED STATES

664

665 17. (a) Omitted.

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

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

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

676 (2) Delivery of such non-Project water in and through Project facilities
677 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project
678 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water
679 available to other Project Contractors; (iii) interfere with the delivery of contractual water
680 entitlements to any other Project water service contractors; or (iv) interfere with the physical
681 maintenance of the Project facilities.

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

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

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

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

697 OPINIONS AND DETERMINATIONS

698 18. (a) Where the terms of this Contract provide for actions to be based upon the
699 opinion or determination of either party to this Contract, said terms shall not be construed as
700 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
701 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly
702 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious,
703 or unreasonable opinion or determination. Each opinion or determination by either party shall be
704 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is
705 intended to or shall affect or alter the standard of judicial review applicable under Federal law to
706 any opinion or determination implementing a specific provision of Federal law embodied in
707 statute or regulation.

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

713 COORDINATION AND COOPERATION

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

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

724 (b) Within 120 days following the effective date of this Contract, the
725 Contractor, other affected Project Contractors, and the Contracting Officer shall arrange to meet
726 with interested Project Contractors to develop a mutually agreeable, written Project-wide
727 process, which may be amended as necessary separate and apart from this Contract. The goal of
728 this process shall be to provide, to the extent practicable, the means of mutual communication
729 and interaction regarding significant decisions concerning Project O&M on a real-time basis.

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

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

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

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

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

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

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

752 CHARGES FOR DELINQUENT PAYMENTS

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

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

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

770 EQUAL OPPORTUNITY

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

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

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

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

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

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

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

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

816 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

817 22. (a) The obligation of the Contractor to pay the United States as provided in
818 this Contract is a general obligation of the Contractor notwithstanding the manner in which the

819 obligation may be distributed among the Contractor's water users and notwithstanding the default
820 of individual water users in their obligations to the Contractor.

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

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

829 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

830 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
831 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
832 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
833 laws, as well as with their respective implementing regulations and guidelines imposed by the
834 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

849 24. Omitted.

850 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

851 25. In addition to all other payments to be made by the Contractor pursuant to this
852 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and
853 detailed statement submitted by the Contracting Officer to the Contractor for such specific items

854 of direct cost incurred by the United States for work requested by the Contractor associated with
855 this Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies
856 and procedures. All such amounts referred to in this Article shall not exceed the amount agreed
857 to in writing in advance by the Contractor. This Article shall not apply to costs for routine
858 contract administration.

859 WATER CONSERVATION

860 26. (a) Prior to the delivery of water provided from or conveyed through
861 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor
862 shall be implementing an effective water conservation and efficiency program based on the
863 Contractor's water conservation plan that has been determined by the Contracting Officer to meet
864 the conservation and efficiency criteria for evaluating water conservation plans established under
865 Federal law. The water conservation and efficiency program shall contain definite water
866 conservation objectives, appropriate economically feasible water conservation measures, and
867 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this
868 Contract shall be contingent upon the Contractor's continued implementation of such water
869 conservation program. In the event the Contractor's water conservation plan or any revised water
870 conservation plan completed pursuant to subdivision (d) of Article 26 of this Contract have not
871 yet been determined by the Contracting Officer to meet such criteria, due to circumstances which
872 the Contracting Officer determines are beyond the control of the Contractor, water deliveries
873 shall be made under this Contract so long as the Contractor diligently works with the Contracting
874 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
875 immediately begins implementing its water conservation and efficiency program in accordance
876 with the time schedules therein.

877 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
878 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall
879 implement the Best Management Practices identified by the time frames issued by the California

880 Urban Water Conservation Council for such M&I Water unless any such practice is determined
881 by the Contracting Officer to be inappropriate for the Contractor.

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

885 (d) At five-year intervals, the Contractor shall revise its water conservation
886 plan to reflect the then-current conservation and efficiency criteria for evaluating water
887 conservation plans established under Federal law and submit such revised water management
888 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then
889 determine if the water conservation plan meets Bureau of Reclamation's then-current
890 conservation and efficiency criteria for evaluating water conservation plans established under
891 Federal law.

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

894 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

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

902 28. Omitted.

903 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

904 29. The expenditure or advance of any money or the performance of any obligation of
905 the United States under this Contract shall be contingent upon appropriation or allotment of

906 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any
907 obligations under this Contract. No liability shall accrue to the United States in case funds are
908 not appropriated or allotted.

909 BOOKS, RECORDS, AND REPORTS

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

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

924 (c) Omitted.

925 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

934 SEVERABILITY

935 32. In the event that a person or entity who is neither (i) a party to a Project contract,
936 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor

937 (iii) an association or other form of organization whose primary function is to represent parties to
938 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or
939 enforceability of a provision included in this Contract and said person, entity, association, or
940 organization obtains a final court decision holding that such provision is legally invalid or
941 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s),
942 the parties to this Contract shall use their best efforts to (i) within 30 days of the date of such
943 final court decision identify by mutual agreement the provisions in this Contract which must be
944 revised, and (ii) within three months thereafter promptly agree on the appropriate revision(s).
945 The time periods specified above may be extended by mutual agreement of the parties. Pending
946 the completion of the actions designated above, to the extent it can do so without violating any
947 applicable provisions of law, the United States shall continue to make the quantities of Project
948 Water specified in this Contract available to the Contractor pursuant to the provisions of this
949 Contract which were not found to be legally invalid or unenforceable in the final court decision.

950 RESOLUTION OF DISPUTES

951 33. Should any dispute arise concerning any provisions of this Contract, or the
952 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to
953 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting
954 Officer referring any matter to Department of Justice, the party shall provide to the other party
955 30 days' written notice of the intent to take such action; Provided, That such notice shall not be
956 required where a delay in commencing an action would prejudice the interests of the party that
957 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer
958 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,
959 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the
960 United States may have.

961

OFFICIALS NOT TO BENEFIT

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

965

CHANGES IN CONTRACTOR'S SERVICE AREA

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

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

980

FEDERAL LAWS

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

987

NOTICES

988 37. Any notice, demand, or request authorized or required by this Contract shall be
989 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
990 delivered to the Area Manager, Bureau of Reclamation, 7794 Folsom Dam Road, Folsom,
991 California 95630-1799, and on behalf of the United States, when mailed, postage prepaid, or
992 delivered to the Board of Directors of the El Dorado Irrigation District, 2890 Mosquito Road,
993 Placerville, California 95667. The designation of the addressee or the address may be changed
994 by notice given in the same manner as provided in this Article for other notices.

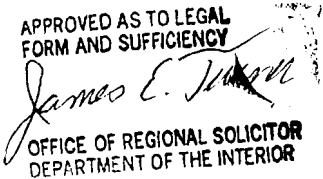
995

CONFIRMATION OF CONTRACT

996 38. The Contractor, after the execution of this Contract, shall furnish to the
997 Contracting Officer evidence that pursuant to the laws of the State of California, the Contractor
998 is a legally constituted entity and the Contract is lawful, valid, and binding on the Contractor.
999 This Contract shall not be binding on the United States until such evidence has been provided to
1000 the Contracting Officer's satisfaction.

1001 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of
1002 the day and year first above written.

1003 THE UNITED STATES OF AMERICA



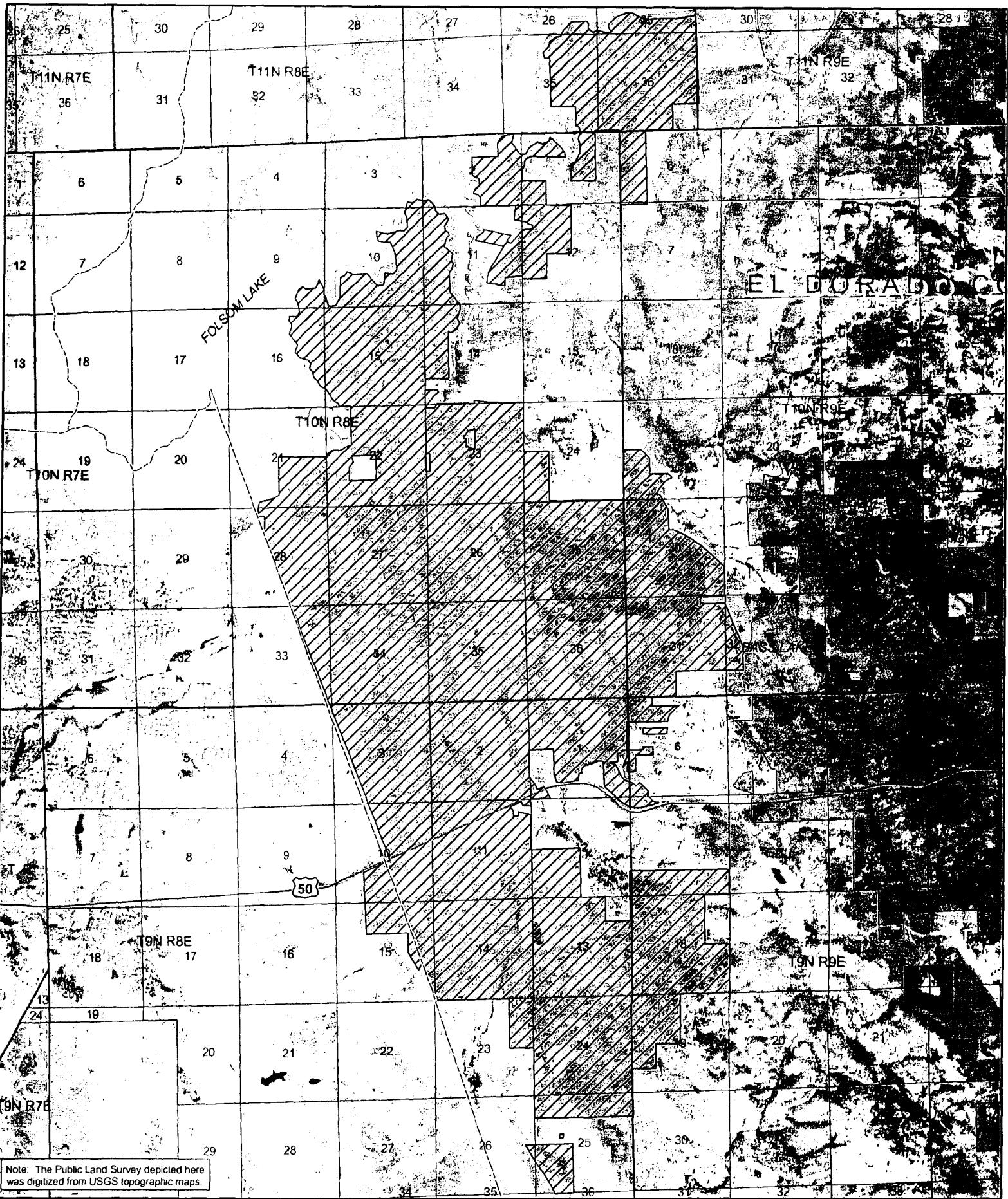
1004 By: [Signature]
1005 Regional Director, Mid-Pacific Region
1006 Bureau of Reclamation

1007 EL DORADO IRRIGATION DISTRICT

1008 By: [Signature]
1009 General Manager
El Dorado Irrigation District



1010 Attest:

1011 By: [Signature]
1012 Secretary
1013 El Dorado Irrigation District



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

El Dorado I.D. - Folsom Service Area
Contract No. 14-06-200-1357A-LTR-1
Exhibit A

-  Contractor's CVP Service Area
-  District Boundary

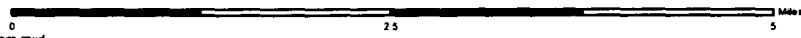


EXHIBIT B
2006 Water Rates and Charges
EL DORADO IRRIGATION DISTRICT

	2006 Rates Per Acre-Foot M&I
Cost-Of-Service (COS) Rate (1 st Tier – ≤ 80% of Contract Total)	\$15.00
2 nd Tier [>80% <90% of Contract Total] (M&I Full Cost Rate + COS Rate/2)	\$15.00
3 rd Tier [>90% of Contract Total] (M&I Full Cost Rate)	\$15.00
M&I Full Cost Rate ¹	\$15.00
Surcharges Under P.L. 102-575 to Restoration Fund ² Restoration Payments [3407(d)(2)(A)]	\$16.49

Note: Additional detail of rate components is available on the Internet at www.nip.usbr.gov/cvpwaterrates/

¹ Interest rates used in the calculation of the M&I Full Cost Rate shall comply with the Interest Rate methodology contained in Section 202(3)(B) and (C) of the Reclamation Reform Act of October 12, 1982 (96 Stat. 1263), as amended.

² The surcharges are payments in addition to the water rates and are determined pursuant to Title XXXIV of P.L. 102-575. Restoration Fund surcharged under P.L. 102-575 are on a fiscal year basis (10/01-9/30).