

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
MOUNTAIN GATE COMMUNITY SERVICES DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM THE SHASTA 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 MOUNTAIN GATE COMMUNITY SERVICES DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE
9 FROM THE SHASTA DIVISION

10 THIS CONTRACT, made this 25th day of February, 20 05,
11 in pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
12 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),
13 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,
14 July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263),
15 October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992
16 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, between
17 THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, and
18 MOUNTAIN GATE COMMUNITY SERVICES DISTRICT, hereinafter referred to as the
19 Contractor, a public agency of the State of California, duly organized, existing, and acting
20 pursuant to the laws thereof;

21 WITNESSETH, That:

EXPLANATORY RECITALS

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

[2nd] WHEREAS, the United States constructed the Shasta Dam and Reservoir which will be used in the furnishing of water to the Contractor pursuant to the terms of this Contract; and

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

[4th] WHEREAS, the Contractor and the United States entered into Contract No. 14-06-200-6998, as amended by letter of Agreement dated November 21, 1975, which established terms for the delivery to the Contractor of Project Water from the Shasta Division from March 12, 1958, through July 31, 2003; and

[5th] WHEREAS, the Contractor and the United States have pursuant to subsection 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into interim renewal contract(s) identified as Contract No(s). 14-06-200-6998-IR1 and 14-06-200-6998-IR2, the current of which is hereinafter referred to as the "Existing Contract," which provided for the continued water service to the Contractor from March 1, 2004, through February 28, 2006; and

[5.1] WHEREAS, the Shasta County Water Agency and the United States entered into Contract No. 14-06-200-3367A, as amended, which established terms for the delivery to the Shasta County Water Agency of up to 5,000 acre-feet per year of Project Water from the Project facilities from June 30, 1967, through December 31, 2004; and

48 [5.2] WHEREAS, the Shasta County Water Agency and Mountain Gate Community
49 Services District entered into a partial assignment on _____, identified as Contract
50 No. 14-06-200-3367Z, to permanently assign to Mountain Gate Community Services District
51 1,000 acre-feet of the Project Water made available to the Shasta County Water Agency pursuant
52 to Contract No. 14-06-200-3367A; and

53 [5.3] WHEREAS, the Contractor desires to merge the Existing Contract and Contract
54 No. 14-06-200-3367Z into a single contract identified as Contract No.14-06-200-6998-LTR1 and
55 the United States is willing to consent to such merger; and

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

63 [8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing
64 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws
65 of the State of California, for water service from the Project; and

66 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all
67 of its obligations under the Existing Contract; and

68 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the
69 Contracting Officer that the Contractor has utilized the Project Water supplies available to it for
70 reasonable and beneficial use and/or has demonstrated projected future demand for water use
71 such that the Contractor has the capability and expects to utilize fully for reasonable and
72 beneficial use the quantity of Project Water to be made available to it pursuant to this Contract;
73 and

74 [11th] WHEREAS, water obtained from the Project has been relied upon by urban and
75 agricultural areas within California for more than 50 years, and is considered by the Contractor
76 as an essential portion of its water supply; and

77 [12th] WHEREAS, the economies of regions within the Project, including the
78 Contractor's, depend upon the continued availability of water, including water service from the
79 Project; and

80 [12.1] WHEREAS, Contractor has made and will continue to make substantial capital
81 investments in diversion and treatment facilities, and requires a consistent, predictable quality of
82 raw water in order to meet Safe Drinking Water Act requirements for its municipal customers,
83 and to provide a consistent and predictable quality of water for its industrial customers; and

84 [13th] WHEREAS, the Secretary intends through coordination, cooperation, and
85 partnerships to pursue measures to improve water supply, water quality, and reliability of the
86 Project for all Project purposes; and

87 [13.1] WHEREAS, the Contractor is located in the region of the Redding Groundwater
88 Basin, and it is the desire of both the United States and the Contractor to facilitate the
89 cooperative efforts of local water service agencies to develop the Redding Groundwater Basin
90 for conjunctive management and use with Project Water supplies, to maximize the reasonable
91 beneficial use of water for the water service agencies and their customers in the region; and

92 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
93 provide for reliable Project Water supplies; to control costs of those supplies; to achieve
94 repayment of the Project as required by law; to guard reasonably against Project Water
95 shortages; to achieve a reasonable balance among competing demands for use of Project Water;
96 and to comply with all applicable environmental statutes, all consistent with the legal obligations
97 of the United States relative to the Project; and

98 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
99 relationship in order to achieve their mutual goals; and

100 [16th] WHEREAS, the United States and the Contractor are willing to enter into this
101 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

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

104 DEFINITIONS

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

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

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

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

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

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

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

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

- 126 (h) Omitted;
- 127 (i) Omitted;
- 128 (j) "Full Cost Rate" shall mean an annual rate as determined by the
- 129 Contracting Officer that shall amortize the expenditures for construction properly allocable to the
- 130 Project irrigation or M&I functions, as appropriate, of facilities in service including all O&M
- 131 deficits funded, less payments, over such periods as may be required under Federal Reclamation
- 132 law, or applicable contract provisions. Interest will accrue on both the construction expenditures
- 133 and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the
- 134 date incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated
- 135 in accordance with subsections 202(3)(B) and (3)(C) of the Reclamation Reform Act of
- 136 October 12, 1982 (96 Stat. 1263), as amended, hereinafter referred to as RRA. The Full Cost
- 137 Rate includes actual operation, maintenance, and replacement costs consistent with Section 426.2
- 138 of the Rules and Regulations for the RRA;
- 139 (k) Omitted;
- 140 (l) Omitted;
- 141 (m) Omitted;
- 142 (n) Omitted;
- 143 (o) "Municipal and Industrial (M&I) Water" shall mean Project Water made
- 144 available to the Contractor for purposes other than the commercial production of agricultural
- 145 crops or livestock;
- 146 (p) "M&I Full Cost Water Rate" shall mean the Full Cost Rate applicable to
- 147 the delivery of M&I Water;
- 148 (q) "Operation and Maintenance" or "O&M" shall mean normal and
- 149 reasonable care, control, operation, repair, replacement (other than capital replacement), and
- 150 maintenance of Project facilities;
- 151 (r) Omitted;

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

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

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

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

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

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

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

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

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

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

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

182 TERM OF CONTRACT

183 2. (a) This Contract shall be effective March 1, 2005, through February 28,
184 2045, and supersedes the Existing Contract. In the event the Contractor wishes to renew this
185 Contract beyond February 28, 2045, the Contractor shall submit a request for renewal in writing
186 to the Contracting Officer no later than two years prior to the date this Contract expires.

187 (b) Omitted.

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

195 (d) The Contracting Officer shall make a determination ten years after the
196 date of execution of this Contract, and every five years thereafter during the term of this
197 Contract, of whether a conversion to a contract under subsection (c)(1) of Section 9 of the
198 Reclamation Project Act of 1939 can be accomplished. The Contracting Officer anticipates that
199 during the term of this Contract, all authorized Project construction expected to occur will have
200 occurred, and on that basis the Contracting Officer agrees upon such completion to allocate all
201 costs that are properly assignable to the Contractor, and agrees further that, at any time after such

202 allocation is made, and subject to satisfaction of the condition set out in this subdivision, this
203 Contract shall, at the request of the Contractor, be converted to a contract under said subsection
204 9(c)(1), of the Reclamation Project Act of 1939, subject to applicable Federal law and under
205 stated terms and conditions mutually agreeable to the Contractor and the Contracting Officer. A
206 condition for such conversion to occur shall be a determination by the Contracting Officer that,
207 account being taken of the amount credited to return by the Contractor as provided for under
208 Federal Reclamation law, the remaining amount of construction costs assignable for ultimate
209 return by the Contractor can probably be repaid to the United States within the term of a contract
210 under said subsection 9(c)(1). If the remaining amount of costs that are properly assignable to
211 the Contractor cannot be determined during the term of this Contract, the Contracting Officer
212 shall notify the Contractor, and provide the reason(s) why such a determination could not be
213 made. Further, the Contracting Officer shall make such a determination as soon thereafter as
214 possible so as to permit, upon request of the Contractor and satisfaction of the condition set out
215 above, conversion to a contract under said subsection 9(c)(1). In the event such determination of
216 costs has not been made at a time which allows conversion of this Contract during the term of
217 this Contract or the Contractor has not requested conversion of this Contract within such term,
218 the parties shall incorporate in any subsequent renewal contract as described in subdivision (c) of
219 this Article a provision that carries forth in substantially identical terms the provisions of this
220 subdivision.

221 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

222 3. (a) During each Year, consistent with all applicable State water rights,
223 permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of
224 this Contract, the Contracting Officer shall make available for delivery to the Contractor 1,350
225 acre-feet of Project Water for M&I purposes; Provided, That the United States shall not be

226 responsible for the maintenance of water levels in Shasta Reservoir to permit the Contractor to
227 withdraw water from said reservoir. Water Delivered to the Contractor in accordance with this
228 subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7 of this
229 Contract.

230 (b) Because the capacity of the Project to deliver Project Water has been
231 constrained in recent years and may be constrained in the future due to many factors including
232 hydrologic conditions and implementation of Federal and State laws, the likelihood of the
233 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this
234 Article in any given Year is uncertain. The Contracting Officer's modeling referenced in the
235 PEIS projected that the Contract Total set forth in this Contract will not be available to the
236 Contractor in many years. During the most recent five years, the Recent Historic Average of
237 water made available to the Contractor was 1,242 acre-feet. Nothing in subdivision (b) of this
238 Article shall affect the rights and obligations of the parties under any provision of this Contract.

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

241 (d) The Contractor shall make reasonable and beneficial use of all water
242 furnished pursuant to this Contract. Groundwater recharge programs (direct, indirect, or in lieu),
243 groundwater banking programs, surface water storage programs, and other similar programs
244 utilizing Project Water or other water furnished pursuant to this Contract conducted within the
245 Contractor's Service Area which are consistent with applicable State law and result in use
246 consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge
247 program(s) is (are) described in the Contractor's water conservation plan submitted pursuant to
248 Article 26 of this Contract; Provided, further, That such water conservation plan demonstrates
249 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average,
250 the quantity of Delivered Water is demonstrated to be reasonable for such uses and in
251 compliance with Federal Reclamation law. Groundwater recharge programs, groundwater

252 banking programs, surface water storage programs, and other similar programs utilizing Project
253 Water or other water furnished pursuant to this Contract conducted outside the Contractor's
254 Service Area may be permitted upon written approval of the Contracting Officer, which approval
255 will be based upon environmental documentation, Project Water rights, and Project operational
256 concerns. The Contracting Officer will address such concerns in regulations, policies, or
257 guidelines.

258 (e) The Contractor shall comply with requirements applicable to the
259 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
260 of this Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA),
261 as amended, that are within the Contractor's legal authority to implement. The Existing
262 Contract, which evidences in excess of 45 years of diversions for M&I purposes of the quantities
263 of water provided in subdivision (a) of Article 3 of this Contract, will be considered in
264 developing an appropriate baseline for biological assessment(s) prepared pursuant to the ESA,
265 and any other needed environmental review. Nothing herein shall be construed to prevent the
266 Contractor from challenging or seeking judicial relief in a court of competent jurisdiction with
267 respect to any biological opinion or other environmental documentation referred to in this
268 Article.

269 (f) As soon as possible following each declaration of Water Made Available
270 under Article 4 of this Contract, the Contracting Officer will make a determination whether
271 Project Water, or other water available to the Project, can be made available to the Contractor in
272 addition to the Contract Total under Article 3 of this Contract during the Year without adversely
273 impacting other Project Contractors. At the request of the Contractor, the Contracting Officer
274 will consult with the Contractor prior to making such a determination. If the Contracting Officer
275 determines that Project Water, or other water available to the Project, can be made available to
276 the Contractor, the Contracting Officer will announce the availability of such water and shall so
277 notify the Contractor as soon as practical. The Contracting Officer will thereafter meet with the

278 Contractor and other Project Contractors capable of taking such water to determine the most
279 equitable and efficient allocation of such water. If the Contractor requests the delivery of any
280 quantity of such water, the Contracting Officer shall make such water available to the Contractor
281 in accordance with applicable statutes, regulations, guidelines, and policies.

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

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

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

300 (j) The Contracting Officer shall make reasonable efforts to protect the water
301 rights necessary for the Project and to provide the water available under this Contract. The
302 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
303 extent permitted by law, in administrative proceedings related to the Project Water rights;

304 Provided, That the Contracting Officer retains the right to object to the substance of the
305 Contractor's position in such a proceeding; Provided further, That in such proceedings the
306 Contracting Officer shall recognize the Contractor has a legal right under the terms of this
307 Contract to use Project Water.

308 TIME FOR DELIVERY OF WATER

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

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

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

328 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
329 Contract, the United States shall deliver Project Water to the Contractor in accordance with the

330 initial schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any
331 written revision(s), satisfactory to the Contracting Officer, thereto submitted within a reasonable
332 time prior to the date(s) on which the requested change(s) is/are to be implemented.

333 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

334 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
335 Contract shall be delivered to the Contractor at Shasta Reservoir and any additional point or
336 points of delivery either on Project facilities or another location or locations mutually agreed to
337 in writing by the Contracting Officer and the Contractor.

338 (b) Omitted.

339 (c) Omitted.

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

348 (e) (1) All pumps, pipelines, storage tanks, distribution lines, and other
349 facilities required to take, convey, and distribute water to the water users within the Contractor's
350 Service Area shall be constructed or installed by the Contractor at its sole expense. Operation
351 and maintenance of the facilities and the expense thereof also shall be the sole responsibility of
352 the Contractor. Said facilities may be installed, operated and maintained on or across property of
353 the United States in the Shasta Reservoir area, subject to such restrictions and regulations as to
354 location, method of installation, and operation and maintenance as may be promulgated by the
355 Contracting Officer.

356 (e) (2) The Contracting Officer shall not be responsible for the control,
357 carriage, handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to
358 this Contract beyond the delivery points specified in subdivision (a) of this Article. The
359 Contractor shall indemnify the United States, its officers, employees, agents, and assigns on
360 account of damage or claim of damage of any nature whatsoever for which there is legal
361 responsibility, including property damage, personal injury, or death arising out of or connected
362 with the control, carriage, handling, use, disposal, or distribution of such Water Delivered
363 beyond such delivery points, except for any damage or claim arising out of (i) acts or omissions
364 of the Contracting Officer or any of its officers, employees, agents, or assigns, with the intent of
365 creating the situation resulting in any damage or claim, (ii) willful misconduct of the Contracting
366 Officer or any of its officers, employees, agents, or assigns, (iii) negligence of the Contracting
367 Officer or any of its officers, employees, agents, or assigns, or (iv) damage or claims resulting
368 from a malfunction of facilities owned and/or operated by the United States.

369 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

370 6. (a) The Contractor has established a measuring program satisfactory to the
371 Contracting Officer. The Contractor shall ensure that all surface water delivered for M&I
372 purposes is measured at each M&I service connection. The water measuring devices or water
373 measuring methods of comparable effectiveness must be acceptable to the Contracting Officer.
374 The Contractor shall be responsible for installing, operating, and maintaining and repairing all
375 such measuring devices and implementing all such water measuring methods at no cost to the
376 United States. The Contractor shall use the information obtained from such water measuring
377 devices or water measuring methods to ensure its proper management of the water, to bill water
378 users for water delivered by the Contractor; and, if applicable, to record water delivered for M&I
379 purposes by customer class as defined in the Contractor's water conservation plan provided for
380 in Article 26 of this Contract. Nothing herein contained, however, shall preclude the Contractor
381 from establishing and collecting any charges, assessments, or other revenues authorized by

382 California law. The Contractor shall include a summary of all its annual surface water deliveries
383 in the annual report described in subdivision (c) of Article 26.

384 (b) To the extent the information has not otherwise been provided, upon
385 execution of this Contract, the Contractor shall provide to the Contracting Officer a written
386 report describing the measurement devices or water measuring methods being used or to be used
387 to implement subdivision (a) of this Article and identifying the M&I service connections or
388 alternative measurement programs approved by the Contracting Officer, at which such
389 measurement devices or water measuring methods are being used, and, if applicable, identifying
390 the locations at which such devices and/or methods are not yet being used including a time
391 schedule for implementation at such locations. The Contracting Officer shall advise the
392 Contractor in writing within 60 days as to the adequacy and necessary modifications, if any, of
393 the measuring devices or water measuring methods identified in the Contractor's report and if the
394 Contracting Officer does not respond in such time, they shall be deemed adequate. If the
395 Contracting Officer notifies the Contractor that the measuring devices or methods are
396 inadequate, the parties shall within 60 days following the Contracting Officer's response,
397 negotiate in good faith the earliest practicable date by which the Contractor shall modify said
398 measuring devices and/or measuring methods as required by the Contracting Officer to ensure
399 compliance with subdivision (a) of this Article.

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

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

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

408 RATES AND METHOD OF PAYMENT FOR WATER

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

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

421 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
422 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
423 period October 1, of the current Calendar Year, through September 30, of the following Calendar
424 Year, and the basis for such estimate. The Contractor shall be allowed not less than two months
425 to review and comment on such estimates. On or before September 15 of each Calendar Year,
426 the Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during
427 the period October 1 of the current Calendar Year, through September 30, of the following
428 Calendar Year, and such notification shall revise Exhibit "B."

429 (2) Prior to October 1 of each Calendar Year, the Contracting Officer
430 shall make available to the Contractor an estimate of the Rates and Tiered Pricing Component
431 for Project Water for the following Year and the computations and cost allocations upon which
432 those Rates are based. The Contractor shall be allowed not less than two months to review and
433 comment on such computations and cost allocations. By December 31 of each Calendar Year,

434 the Contracting Officer shall provide the Contractor with the final Rates and Tiered Pricing
435 Component to be in effect for the upcoming Year, and such notification shall revise Exhibit "B."

436 (c) At the time the Contractor submits the initial schedule for the delivery of
437 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the
438 Contractor shall make an advance payment to the United States equal to the total amount payable
439 pursuant to the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water
440 scheduled to be delivered pursuant to this Contract during the first two calendar months of the
441 Year. Before the end of the first month and before the end of each calendar month thereafter, the
442 Contractor shall make an advance payment to the United States, at the Rate(s) set under
443 subdivision (a) of this Article, for the Water Scheduled to be delivered pursuant to this Contract
444 during the second month immediately following. Adjustments between advance payments for
445 Water Scheduled and payments at Rates due for Water Delivered shall be made before the end of
446 the following month; Provided, That any revised schedule submitted by the Contractor pursuant
447 to Article 4 of this Contract which increases the amount of Water Delivered pursuant to this
448 Contract during any month shall be accompanied with appropriate advance payment, at the Rates
449 then in effect, to assure that Project Water is not delivered to the Contractor in advance of such
450 payment. In any month in which the quantity of Water Delivered to the Contractor pursuant to
451 this Contract equals the quantity of Water Scheduled and paid for by the Contractor, no
452 additional Project Water shall be delivered to the Contractor unless and until an advance
453 payment at the Rates then in effect for such additional Project Water is made. Final adjustment
454 between the advance payments for the Water Scheduled and payments for the quantities of Water
455 Delivered during each Year pursuant to this Contract shall be made as soon as practicable, but no
456 later than April 30th of the following Year, or 60 days after the delivery of Project Water carried
457 over under subdivision (g) of Article 3 of this Contract if such water is not delivered by the last
458 day of February.

459 (d) The Contractor shall also make a payment in addition to the Rate(s) in
460 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
461 appropriate Tiered Pricing Component then in effect, before the end of the month following the
462 month of delivery. The payments shall be consistent with the quantities of M&I Water Delivered
463 as shown in the water delivery report for the subject month prepared by the Contracting Officer.
464 The water delivery report shall be deemed a bill for the payment of Charges and the applicable
465 Tiered Pricing Component for Water Delivered. Adjustment for overpayment or underpayment
466 of Charges shall be made through the adjustment of payments due to the United States for
467 Charges for the next month. Any amount to be paid for past due payment of Charges and the
468 Tiered Pricing Component shall be computed pursuant to Article 20 of this Contract.

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

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

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

481 (h) The Contracting Officer shall keep its accounts pertaining to the
482 administration of the financial terms and conditions of its long-term contracts, in accordance
483 with applicable Federal standards, so as to reflect the application of Project costs and revenues.
484 The Contracting Officer shall, each Year upon request of the Contractor, provide to the

485 Contractor a detailed accounting of all Project and Contractor expense allocations, the
486 disposition of all Project and Contractor revenues, and a summary of all water delivery
487 information. The Contracting Officer and the Contractor shall enter into good faith negotiations
488 to resolve any discrepancies or disputes relating to accountings, reports, or information.

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

496 (j) (1) Beginning at such time as deliveries of Project Water in a Year
497 exceed 80 percent of the Contract Total, then before the end of the month following the month of
498 delivery the Contractor shall make an additional payment to the United States equal to the
499 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water
500 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the
501 Contract Total, shall equal one-half of the difference between the Rate established under
502 subdivision (a) of this Article and the M&I Full Cost Water Rate. The Tiered Pricing
503 Component for the amount of Water Delivered which exceeds 90 percent of the Contract Total
504 shall equal the difference between (i) the Rate established under subdivision (a) of this Article
505 and (ii) the M&I Full Cost Water Rate.

506 (2) Omitted.

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

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

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

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

528 (m) Omitted.

529 (n) With respect to the Rates for M&I Water, the Contractor asserts that it is
530 not legally obligated to pay any Project deficits claimed by the United States to have accrued as
531 of the date of this Contract or deficit-related interest charges thereon. By entering into this
532 Contract, the Contractor does not waive any legal rights or remedies that it may have with
533 respect to such disputed issues. Notwithstanding the execution of this Contract, and payments
534 made hereunder, the Contractor may challenge in the appropriate administrative or judicial

535 forums: (1) the existence, computation, or imposition of any deficit charges accruing during the
536 term of the Existing Contract and any preceding interim renewal contracts, if applicable; (2)
537 interest accruing on any such deficits; (3) the inclusion of any such deficit charges or interest in
538 the Rates; (4) the application by the United States of payments made by the Contractor under its
539 Existing Contract and any preceding interim renewal contract, if applicable; and (5) the
540 application of such payments in the Rates. The Contracting Officer agrees that the Contractor
541 shall be entitled to the benefit of any administrative or judicial ruling in favor of any Project
542 M&I contractor on any of these issues, and credits for payments heretofore made, Provided, That
543 the basis for such ruling is applicable to the Contractor.

544 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

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

548 SALES, TRANSFERS, OR EXCHANGES OF WATER

549 9. (a) The right to receive Project Water provided for in this Contract may be
550 sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of
551 California if such sale, transfer, or exchange is authorized by applicable Federal and State laws,
552 and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project
553 Water under this Contract may take place without the prior written approval of the Contracting
554 Officer, except as provided for in subdivision (b) of this Article, and no such sales, transfers, or
555 exchanges shall be approved absent all appropriate environmental documentation, including but
556 not limited to documents prepared pursuant to NEPA and ESA. Such environmental
557 documentation should include, as appropriate, an analysis of ground-water impacts and
558 economic and social effects, including environmental justice, of the proposed water transfers on
559 both the transferor and transferee.

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

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

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

591 APPLICATION OF PAYMENTS AND ADJUSTMENTS

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

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

608 TEMPORARY REDUCTIONS--RETURN FLOWS

609 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the
610 requirements of Federal law; and (ii) the obligations of the United States under existing

611 contracts, or renewals thereof, providing for water deliveries from the Project, the Contracting
612 Officer shall make all reasonable efforts to optimize Project Water deliveries to the Contractor as
613 provided in this Contract.

614 (b) The Contracting Officer may temporarily discontinue or reduce the
615 quantity of Water Delivered to the Contractor as herein provided for the purposes of
616 investigation, inspection, maintenance, repair, or replacement of any of the Project facilities or
617 any part thereof necessary for the delivery of Project Water to the Contractor, but so far as
618 feasible the Contracting Officer will give the Contractor due notice in advance of such temporary
619 discontinuance or reduction, except in case of emergency, in which case no notice need be given;
620 Provided, That the United States shall use its best efforts to avoid any discontinuance or
621 reduction in such service. Upon resumption of service after such reduction or discontinuance,
622 and if requested by the Contractor, the United States will, if possible, deliver the quantity of
623 Project Water which would have been delivered hereunder in the absence of such discontinuance
624 or reduction.

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

631 CONSTRAINTS ON THE AVAILABILITY OF WATER

632 12. (a) In its operation of the Project, the Contracting Officer will use all
633 reasonable means to guard against a Condition of Shortage in the quantity of water to be made
634 available to the Contractor pursuant to this Contract. In the event the Contracting Officer
635 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the
636 Contractor of said determination as soon as practicable.

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

642 (c) Omitted.

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

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

653 13. Omitted.

654 RULES AND REGULATIONS

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

659 WATER AND AIR POLLUTION CONTROL

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

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QUALITY OF WATER

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WATER ACQUIRED BY THE CONTRACTOR
OTHER THAN FROM THE UNITED STATES

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

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

17. (a) Omitted.

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

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

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

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

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

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

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OPINIONS AND DETERMINATIONS

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

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

COORDINATION AND COOPERATION

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

739 Contract. Each party shall retain exclusive decision making authority for all actions, opinions,
740 and determinations to be made by the respective party.

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

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

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

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

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

760 (3.1) The Secretary and the Contractor desire to work together to
761 maximize the reasonable beneficial use of water for their mutual benefit. As a consequence, the
762 Secretary and the Contractor will work in partnership and with others in the region of the
763 Redding Groundwater Basin, including other Contractors in the Shasta and Trinity Divisions of
764 the Project, to facilitate the better integration with the region of the Redding Groundwater Basin

765 of all water supplies including, but not limited to, the better management and integration of
766 surface water and groundwater, transfers and exchanges of water, the development and better
767 utilization of surface water storage, the effective utilization of waste, seepage and return flow
768 water, and other operational and management options that may be identified in the future.

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

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

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

779 CHARGES FOR DELINQUENT PAYMENTS

780 20. (a) The Contractor shall be subject to interest, administrative and penalty
781 charges on delinquent installments or payments. When a payment is not received by the due
782 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
783 the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an
784 administrative charge to cover additional costs of billing and processing the delinquent payment.
785 When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional
786 penalty charge of six (6%) percent per year for each day the payment is delinquent beyond the
787 due date. Further, the Contractor shall pay any fees incurred for debt collection services
788 associated with a delinquent payment.

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

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

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EQUAL OPPORTUNITY

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

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

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

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

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

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

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

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

843 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

856 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

857 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
858 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
859 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
860 laws, as well as with their respective implementing regulations and guidelines imposed by the
861 U.S. Department of the Interior and/or Bureau of Reclamation.

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

868 (c) The Contractor makes this agreement in consideration of and for the
869 purpose of obtaining any and all Federal grants, loans, contracts, property discounts, or other
870 Federal financial assistance extended after the date hereof to the Contractor by the Bureau of
871 Reclamation, including installment payments after such date on account of arrangements for

872 Federal financial assistance which were approved before such date. The Contractor recognizes
873 and agrees that such Federal assistance will be extended in reliance on the representations and
874 agreements made in this Article, and that the United States reserves the right to seek judicial
875 enforcement thereof.

876 24. Omitted.

877 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

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

886 WATER CONSERVATION

887 26. (a) Prior to the delivery of water provided from or conveyed through
888 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor
889 shall be implementing an effective water conservation and efficiency program based on the
890 Contractor's water conservation plan that has been determined by the Contracting Officer to meet
891 the conservation and efficiency criteria for evaluating water conservation plans established under
892 Federal law. The water conservation and efficiency program shall contain definite water
893 conservation objectives, appropriate economically feasible water conservation measures, and
894 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this
895 Contract shall be contingent upon the Contractor's continued implementation of such water
896 conservation program. In the event the Contractor's water conservation plan or any revised water
897 conservation plan completed pursuant to subdivision (d) of Article 26 of this Contract have not
898 yet been determined by the Contracting Officer to meet such criteria, due to circumstances which
899 the Contracting Officer determines are beyond the control of the Contractor, water deliveries

900 shall be made under this Contract so long as the Contractor diligently works with the Contracting
901 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
902 immediately begins implementing its water conservation and efficiency program in accordance
903 with the time schedules therein.

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

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

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

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

EXISTING OR ACQUIRED WATER OR WATER RIGHTS

920 27. Except as specifically provided in Article 17 of this Contract, the provisions of
921 this Contract shall not be applicable to or affect non-Project water or water rights now owned or
922 hereafter acquired by the Contractor or any user of such water within the Contractor's Service
923 Area. Any such water shall not be considered Project Water under this Contract. In addition,
924 this Contract shall not be construed as limiting or curtailing any rights which the Contractor or

925 any water user within the Contractor's Service Area acquires or has available under any other
926 contract pursuant to Federal Reclamation law.

927 28. Omitted.

928 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

929 29. The expenditure or advance of any money or the performance of any obligation of
930 the United States under this Contract shall be contingent upon appropriation or allotment of
931 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any
932 obligations under this Contract. No liability shall accrue to the United States in case funds are
933 not appropriated or allotted.

934 BOOKS, RECORDS, AND REPORTS

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

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

949 (c) Omitted.

951 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

960 SEVERABILITY

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

976 RESOLUTION OF DISPUTES

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

981 30 days' written notice of the intent to take such action; Provided, That such notice shall not be
982 required where a delay in commencing an action would prejudice the interests of the party that
983 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer
984 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,
985 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the
986 United States may have.

987 OFFICIALS NOT TO BENEFIT

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

991 CHANGES IN CONTRACTOR'S SERVICE AREA

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

995 (b) Within 30 days of receipt of a request for such a change, the Contracting
996 Officer will notify the Contractor of any additional information required by the Contracting
997 Officer for processing said request, and both parties will meet to establish a mutually agreeable
998 schedule for timely completion of the process. Such process will analyze whether the proposed
999 change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract;
1000 (ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or
1001 to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii)
1002 have an impact on any Project Water rights applications, permits, or licenses. In addition, the
1003 Contracting Officer shall comply with the NEPA and the ESA. The Contractor will be
1004 responsible for all costs incurred by the Contracting Officer in this process, and such costs will
1005 be paid in accordance with Article 25 of this Contract.

1006 FEDERAL LAWS

1007 36. By entering into this Contract, the Contractor does not waive its rights to contest
1008 the validity or application in connection with the performance of the terms and conditions of this

1009 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with
1010 the terms and conditions of this Contract unless and until relief from application of such Federal
1011 law or regulation to the implementing provision of the Contract is granted by a court of
1012 competent jurisdiction.

1013 NOTICES

1014 37. Any notice, demand, or request authorized or required by this Contract shall be
1015 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
1016 delivered to the Area Manager, Bureau of Reclamation, Northern California Area Office,
1017 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the
1018 United States, when mailed, postage prepaid, or delivered to the Board of Directors of the
1019 Mountain Gate Community Services District, 14508 Wonderland Boulevard, Redding, California
1020 96003. The designation of the addressee or the address may be changed by notice given in the
1021 same manner as provided in this Article for other notices.

1022 CONFIRMATION OF CONTRACT

1023 38. The Contractor, after the execution of this Contract, shall furnish to the
1024 Contracting Officer evidence that pursuant to the laws of the State of California, the Contractor
1025 is a legally constituted entity and the Contract is lawful, valid, and binding on the Contractor.
1026 This Contract shall not be binding on the United States until such evidence has been provided to
1027 the Contracting Officer's satisfaction.

1028 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of
1029 the day and year first above written.

1030 THE UNITED STATES OF AMERICA

1031 APPROVED AS TO LEGAL
1032 FORM AND SUFFICIENCY
1033 *James E. [Signature]*
OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

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

1034 (SEAL)

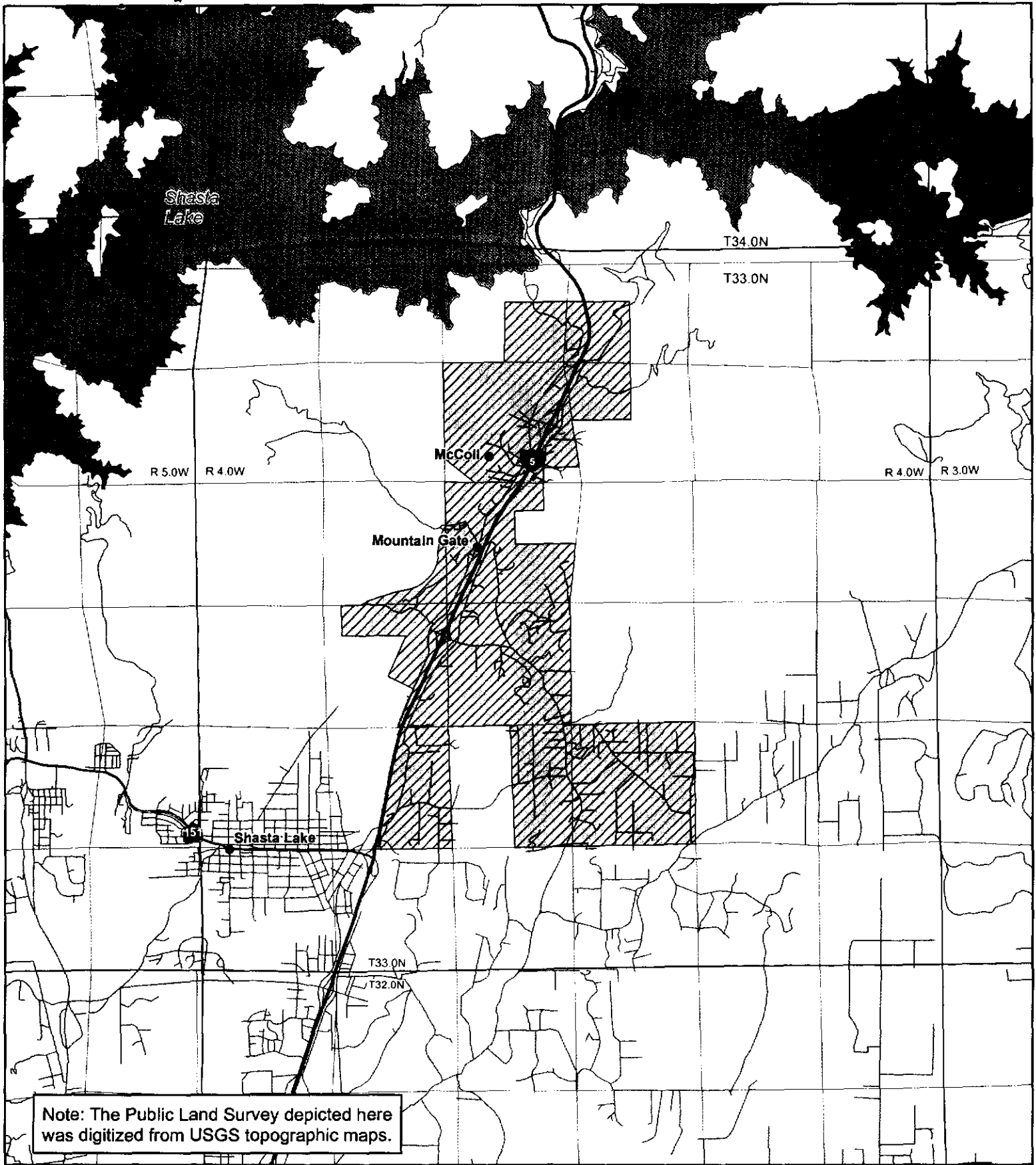
1035 MOUNTAIN GATE
1036 COMMUNITY SERVICES DISTRICT

1037 By: *[Signature]*
1038 President of the Board of Directors

1039 Attest:

1040 By: *[Signature]*
1041 Secretary of the Board of Directors

1042 (H:\public\Willows Final LTRC's\2005-01-31 Mtn Gte LTRC Final Draft Contract.doc)



Mountain Gate Community Services District

Contract No. 14-06-200-6998-LTR1

Exhibit A



-  District Boundary
-  Contractor's Service Area



EXHIBIT B

MOUNTAIN GATE COMMUNITY SERVICES DISTRICT
2005 Water Rates and Charges per Acre-Foot

<u>COST OF SERVICE RATES:</u>	<u>M&I</u>
Capital Rate:	(\$ 1.42)
Minimum Rate Adjustment	3.03
O&M Rates:	
Water Marketing	3.89
Storage	6.67
Deficit Rate:	0.49
CFO/PRF Adjustment Rate 1/	<u>2.34</u>
TOTAL	<u>\$15.00</u>

FULL COST RATE: \$15.00

TIERED PRICING COMPONENTS:

Tiered Pricing Component >80% <=90% of Contract Total [Full Cost Rate – COS Rate / 2]	<u>\$ 0.00</u>
Tiered Pricing Component >90% of Contract Total [Full Cost Rate – COS Rate]	<u>\$ 0.00</u>

CHARGES UNDER P.L. 102-575 TO THE
RESTORATION FUND 2/

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

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

2/ Restoration fund charges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund charges are on a fiscal year basis (10/1 - 9/30).

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

Mountain Gate Community Services District



WATER SERVICE

14508 WONDERLAND BOULEVARD
REDDING, CALIFORNIA 96003
TELEPHONE 275-3002



FIRE PROTECTION

RESOLUTION NO. 2005-02

RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOUNTAIN GATE COMMUNITY SERVICES DISTRICT APPROVING THE FORM AND CONTENT OF THE LONG-TERM RENEWAL CONTRACT FOR WATER SERVICE WITH THE UNITED STATES DEPARTMENT OF THE INTERIOR, BUREAU OF RECLAMATION.

WHEREAS, Mountain Gate Community Services District entered into Contract No. 14-06-200-6998-LTR1 with the United States of America, Department of the Interior, Bureau of Reclamation, for construction of a water delivery and distribution system and water service from the Central Valley Project;

WHEREAS, the water service portion of the above-referenced contract expires on February 28, 2045.

WHEREAS, Mountain Gate Community Services District and the United States, Department of the Interior, Bureau of Reclamation, have agreed to the form and content of the Long-Term Renewal Contract referenced above; and

WHEREAS, execution of the long-term renewal contract reasonable and necessary in order to insure uninterrupted water service through the distribution facilities.

NOW THEREFORE, IT IS HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE MOUNTAIN GATE COMMUNITY SERVICES DISTRICT, AS FOLLOWS:

1. That the Chairman of the Board / President is hereby authorized to execute the long-term renewal contract with the United States, in the form attached hereto as Exhibit "A".
2. The Secretary of the Board is authorized to attest to the execution thereof, and is further authorized to provide a certified copy of this resolution to the United States, upon request.

PASSED AND ADOPTED at a Special Board Meeting of the Mountain Gate Community Services District Board of Directors held on this 22th day of February, 2005 by the following vote:

AYES: Gunter, Nelson, Lee, Sherman

NOES: None

ABSENT: None

By: _____

Chairman of the Board

ATTEST:

Janice Heck
Janice Heck, Secretary

SEAL

MOUNTAIN GATE COMMUNITY SERVICES DISTRICT

State of California)
)
County of Shasta) ss.

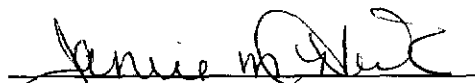
I, Janice M. Heck, Secretary of the Mountain Gate Community Services District, do hereby certify that the foregoing resolution was duly adopted by the Board of Directors of said District at a special meeting of said Board of Directors by the following vote:

Ayes: Gunter, Nelson, Lee, Sherman

Noes: none

Absent: none


Abstain: none



Janice M. Heck
Secretary of the Board of Directors

State of California)
)
County of Shasta) ss.

I, Janice M. Heck, Secretary of the Mountain Gate Community Services District, do hereby certify that the foregoing is a full and correct copy of Resolution Number 2005-02 of said Board of Directors, and that the same has not been amended or repealed.



Janice M. Heck
Secretary of the Board of Directors