

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
TRANQUILLITY PUBLIC UTILITY DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM DELTA DIVISION

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Exhibit A - Map of Contractor's Service Area

Exhibit B - Rates and Charges

1 UNITED STATES
2 DEPARTMENT OF THE INTERIOR
3 BUREAU OF RECLAMATION
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4 LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
5 AND
6 TRANQUILLITY PUBLIC UTILITY DISTRICT
7 PROVIDING FOR PROJECT WATER SERVICE
8 FROM DELTA DIVISION

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

19 WITNESSETH, That:

20 EXPLANATORY RECITALS

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

27 [2nd] WHEREAS, the United States constructed the Delta-Mendota Canal and related
28 facilities, which will be used in part for the furnishing of water to the Contractor pursuant to the terms
29 of this Contract; and

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

32 [4th] WHEREAS, Melvin D. Hughes and Mardella Hughes and the United States entered into
33 Contract No. 14-06-200-3537A, dated October 11, 1967, which established terms for the delivery of
34 70 acre-feet of supplemental water, hereinafter referred to as Project Water, from October 11, 1967,
35 through December 23, 2003, and 93 acre-feet of Schedule 2 water as a permanent adjustment and
36 settlement of Melvin and Mardella Hughes' asserted claims of rights to water in Fresno Slough,
37 tributary to the San Joaquin River, in fulfillment of such rights; and

38 [5th] WHEREAS, Melvin D. Hughes and Mardella Hughes are now deceased and the
39 property under Contract No. 14-06-200-3537A now belongs to Tranquillity Public Utility District, as
40 described in recorded deeds dated August 6, 1980, and November 12, 1987; and

41 [5.1] WHEREAS, pursuant to "Assumption of Contract and Consent Thereof" dated
42 October 10, 2003, the Contractor assumed all right, title, and interest in and to the 93 acre-feet of
43 Schedule 2 water and 70 acre-feet of Project Water available under Contract No. 14-06-200-3537A;
44 and

45 [5.2] WHEREAS, Schedule 2 water is not the subject of this Contract and will continue to
46 be delivered and administered under the terms and conditions of Contract No. 14-06-200-3537A; and

47 [5.3] WHEREAS, Contract No. 14-06-200-3537A also established the terms for the
48 delivery of 70 acre-feet of supplemental water, hereinafter referred to as Project Water, to the
49 Contractor from Delta Division facilities from October 11, 1967, through December 23, 2003; and

50 [5.4] WHEREAS, the Contractor and the United States have pursuant to subsection
51 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into interim
52 renewal contract(s) identified as Contract No(s). 14-06-200-3537-A-IR1 and 14-06-200-3537-A-IR2, the
53 current of which is hereinafter referred to as the Existing Contract, which provided for the delivery of
54 Project Water to the Contractor from March 1, 2004, through February 28, 2006; and

55 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the
56 Existing Contract following completion of appropriate environmental documentation, including a
57 programmatic environmental impact statement (PEIS) pursuant to the National Environmental Policy

58 Act (NEPA) analyzing the direct and indirect impacts and benefits of implementing the CVPIA and
59 the potential renewal of all existing contracts for Project Water; and

60 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
61 environmental review necessary to provide for long-term renewal of the terms and conditions for
62 Project Water service under the Existing Contract; and

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

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

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

73 [11th] WHEREAS, water obtained from the Project has been relied upon by urban and
74 agricultural areas within California for more than 50 years, and is considered by the Contractor as an
75 essential portion of its water supply; and

76 [12th] WHEREAS, the economies of regions within the Project, including the Contractor's,
77 depend upon the continued availability of water, including water service from the Project; and

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

81 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
82 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment of
83 the Project as required by law; to guard reasonably against Project Water shortages; to achieve a
84 reasonable balance among competing demands for use of Project Water; and to comply with all
85 applicable environmental statutes, all consistent with the legal obligations of the United States
86 relative to the Project; and

87 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
88 relationship in order to achieve their mutual goals; and

89 [15.1] WHEREAS, the Contractor has utilized or may utilize transfers, contract assignments,
90 rescheduling and conveyance of Project Water and non-Project water under this Contract as tools to
91 minimize the impacts of Conditions of Shortage and to maximize the beneficial use of water; and

92 [15.2] WHEREAS, the parties desire and intend that this Contract not provide a disincentive
93 to the Contractor in continuing to carry out the beneficial activities set out in the Explanatory Recital
94 immediately above; and

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

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

99 DEFINITIONS

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

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

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

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

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

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

114 (f) "Contractor's Service Area" shall mean the area to which the Contractor is
115 permitted to provide Project Water under this Contract as described in Exhibit "A" attached hereto,

116 which may be modified from time to time in accordance with Article 35 of this Contract without
117 amendment of this Contract;

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

120 (g.1) "Delta Division Facilities" shall mean those existing and future Project
121 facilities in and south of the Sacramento-San Joaquin Rivers Delta, including, but not limited to, the
122 Tracy Pumping Plant, the O'Neill Forebay, the O'Neill Pumping/Generating Plant, and the San Luis
123 Reservoir, used to divert, store and convey water to those Project Contractors entitled to receive water
124 conveyed through the Delta-Mendota Canal.

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

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

131 (j) "Full Cost Rate" shall mean an annual rate, as determined by the Contracting
132 Officer that shall amortize the expenditures for construction properly allocable to the Project
133 irrigation or M&I functions, as appropriate, of facilities in service including all O&M deficits funded,
134 less payments, over such periods as may be required under Federal Reclamation law, or applicable
135 contract provisions. Interest will accrue on both the construction expenditures and funded O&M

136 deficits from October 12, 1982, on costs outstanding at that date, or from the date incurred in the case
137 of costs arising subsequent to October 12, 1982, and shall be calculated in accordance with
138 subsections 202(3)(B) and (3)(C) of the RRA. The Full Cost Rate includes actual operation,
139 maintenance, and replacement costs consistent with Section 426.2 of the Rules and Regulations for
140 the RRA;

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

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

145 (m) "Irrigation Water" shall mean Project Water that is used primarily in the
146 production of agricultural crops or livestock, including domestic use incidental thereto, and watering
147 of livestock;

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

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

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

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

161 (r) "Operating Non-Federal Entity" shall mean the entity(ies), its (their) successors
162 or assigns, which has (have) the obligation to operate and maintain all or a portion of the Delta
163 Division Facilities pursuant to a written agreement(s) with the United States. When this Contract was
164 entered into, the Operating Non-Federal Entity(ies) was (were) the San Luis & Delta-Mendota Water
165 Authority;

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

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

170 (u) "Project Water" shall mean all water that is developed, diverted, stored, or
171 delivered by the Secretary in accordance with the statutes authorizing the Project and in accordance
172 with the terms and conditions of water rights acquired pursuant to California law; however, Schedule
173 2 Water shall not be considered Project Water for purposes of this Contract;

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

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

180 (w.1) "Schedule 2 Water" shall mean that water as so defined under Contract
181 No. 14-06-200-3537A with the United States, which will continue to be delivered and administered
182 under said contract;

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

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

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

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

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

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

198 TERM OF CONTRACT

199 2. (a) This Contract shall be effective March 1, 2005, through February 28, 2030,
200 and supersedes Contract No. 14-06-200-3537A-IR2. In the event the Contractor wishes to renew this
201 Contract beyond February 28, 2030, the Contractor shall submit a request for renewal in writing to
202 the Contracting Officer no later than two years prior to the date this Contract expires. The renewal of
203 this Contract insofar as it pertains to the furnishing of Irrigation Water to the Contractor shall be
204 governed by subdivision (b) of this Article, and the renewal of this Contract insofar as it pertains to
205 the furnishing of M&I Water to the Contractor shall be governed by subdivision (c) of this Article.

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

211 (2) The conditions which must be met for this Contract to be renewed are:
212 (i) the Contractor has prepared a water conservation plan that has been determined by the Contracting

213 Officer in accordance with Article 26 of this Contract to meet the conservation and efficiency criteria
214 for evaluating such plans established under Federal law; (ii) the Contractor is implementing an
215 effective water conservation and efficiency program based on the Contractor's water conservation
216 plan as required by Article 26 of this Contract; (iii) the Contractor is operating and maintaining all
217 water measuring devices and implementing all water measurement methods as approved by the
218 Contracting Officer pursuant to Article 6 of this Contract; (iv) the Contractor has reasonably and
219 beneficially used the Project Water supplies made available to it and, based on projected demands, is
220 reasonably anticipated and expects to fully utilize for reasonable and beneficial use the quantity of
221 Project Water to be made available to it pursuant to such renewal; (v) the Contractor is complying
222 with all terms and conditions of this Contract; and (vi) the Contractor has the physical and legal
223 ability to deliver Project Water.

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

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

241 (d) The Contracting Officer shall make a determination ten years after the date of
242 execution of this Contract, and every five years thereafter during the term of this Contract, of whether
243 a conversion of the relevant portion of this Contract to a contract under subsection 9(d) of the
244 Reclamation Project Act of 1939 can be accomplished pursuant to the Act of July 2, 1956 (70 Stat
245 483). The Contracting Officer shall also make a determination ten years after the date of execution of
246 this Contract and every five years thereafter during the term of this Contract of whether a conversion
247 of the relevant portion of this Contract to a contract under subsection 9(c)(1) of the Reclamation
248 Project Act of 1939 can be accomplished. Notwithstanding any provision of this Contract, the
249 Contractor reserves and shall have all rights and benefits under the Act of July 2, 1956 (70 Stat. 483).
250 The Contracting Officer anticipates that during the term of this Contract, all authorized Project
251 construction expected to occur will have occurred, and on that basis the Contracting Officer agrees
252 upon such completion to allocate all costs that are properly assignable to the Contractor, and agrees

253 further that, at any time after such allocation is made, and subject to satisfaction of the condition set
254 out in this subdivision, this Contract shall, at the request of the Contractor, be converted to a contract
255 under subsection 9(d) or 9(c)(1), whichever is applicable, of the Reclamation Project Act of 1939,
256 subject to applicable Federal law and under stated terms and conditions mutually agreeable to the
257 Contractor and the Contracting Officer. A condition for such conversion to occur shall be a
258 determination by the Contracting Officer that, account being taken of the amount credited to return by
259 the Contractor as provided for under Federal Reclamation law, the remaining amount of construction
260 costs assignable for ultimate return by the Contractor can probably be repaid to the United States
261 within the term of a contract under subsection 9(d) or 9(c)(1), whichever is applicable. If the
262 remaining amount of costs that are properly assignable to the Contractor cannot be determined during
263 the term of this Contract, the Contracting Officer shall notify the Contractor, and provide the
264 reason(s) why such a determination could not be made. Further, the Contracting Officer shall make
265 such a determination as soon thereafter as possible so as to permit, upon request of the Contractor and
266 satisfaction of the condition set out above, conversion to a contract under subsection 9(d) or 9(c)(1),
267 whichever is applicable. In the event such determination of costs has not been made at a time which
268 allows conversion of this Contract during the term of this Contract or the Contractor has not
269 requested conversion of this Contract within such term, the parties shall incorporate in any
270 subsequent renewal contract as described in subdivision (b) of this Article a provision that carries
271 forth in substantially identical terms the provisions of this subdivision.

272 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

273 3. (a) During each Year, consistent with all applicable State water rights, permits,
274 and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of this
275 Contract, the Contracting Officer shall make available for delivery to the Contractor 70 acre-feet of
276 Project Water for irrigation and M&I purposes. Water Delivered to the Contractor in accordance with
277 this subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7 of this
278 Contract. Schedule 2 water shall continue to be delivered to the Contractor at no cost pursuant to
279 Contract No. 14-06-200-3537A, dated October 11, 1967, and shall not be subject to the provisions of
280 this Contract, and said Contract No. 14-06-200-3537A shall be in full force and effect insofar as it
281 pertains to the furnishing of Schedule 2 water.

282 (b) Because the capacity of the Project to deliver Project Water has been
283 constrained in recent years and may be constrained in the future due to many factors including
284 hydrologic conditions and implementation of Federal and State laws, the likelihood of the Contractor
285 actually receiving the amount of Project Water set out in subdivision (a) of this Article in any given
286 Year is uncertain. The Contracting Officer's modeling referenced in the PEIS projected that the
287 Contract Total set forth in this Contract will not be available to the Contractor in many years. During
288 the most recent five years, the Recent Historic Average of Water Made Available to the Contractor
289 was 47 acre-feet. Nothing in subdivision (b) of this Article shall affect the rights and obligations of
290 the parties under any provision of this Contract.

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

293 (c.1) In the event any Project Contractor (other than a Cross Valley Contractor) that
294 receives Project Water through the Delta Division Facilities obtains a contractual agreement that the
295 Contracting Officer shall make Project Water available at a point or points of delivery in or north of
296 the Delta, at the request of the Contractor and upon completion of any required environmental
297 documentation, this Contract shall be amended to provide for deliveries in or north of the Delta on
298 mutually agreeable terms. Such amendments to the Contract shall be limited solely to those changes
299 made necessary by the addition of such alternate points of delivery in or north of the Delta; Provided,
300 That the Contracting Officer's use of the Harvey O. Banks Pumping Plant to deliver Project Water
301 does not trigger this right of amendment.

302 (d) The Contractor shall make reasonable and beneficial use of all water furnished
303 pursuant to this Contract. Groundwater recharge programs (direct, indirect, or in lieu), groundwater
304 banking programs, surface water storage programs, and other similar programs utilizing Project
305 Water or other water furnished pursuant to this Contract conducted within the Contractor's Service
306 Area which are consistent with applicable State law and result in use consistent with Federal
307 Reclamation law will be allowed; Provided, That any direct recharge program(s) is (are) described in
308 the Contractor's water conservation plan submitted pursuant to Article 26 of this Contract; Provided
309 further, That such water conservation plan demonstrates sufficient lawful uses exist in the
310 Contractor's Service Area so that using a long-term average, the quantity of Delivered Water is

311 demonstrated to be reasonable for such uses and in compliance with Federal Reclamation law.
312 Groundwater recharge programs, groundwater banking programs, surface water storage programs,
313 and other similar programs utilizing Project Water or other water furnished pursuant to this Contract
314 conducted outside the Contractor's Service Area may be permitted upon written approval of the
315 Contracting Officer, which approval will be based upon environmental documentation, Project Water
316 rights, and Project operational concerns. The Contracting Officer will address such concerns in
317 regulations, policies, or guidelines.

318 (e) The Contractor shall comply with requirements applicable to the Contractor in
319 biological opinion(s) prepared as a result of a consultation regarding the execution of this Contract
320 undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA), as amended, that are
321 within the Contractor's legal authority to implement. The Contract No(s). 14-06-200-3537A, 14-06-
322 200-3537-A-IR1, and 14-06-200-3537-A-IR2, which evidence in excess of 37 years of diversions for
323 irrigation and/or M&I purposes of the quantities of water provided in subdivision (a) of Article 3 of
324 this Contract, will be considered in developing an appropriate baseline for biological assessment(s)
325 prepared pursuant to the ESA, and any other needed environmental review. Nothing herein shall be
326 construed to prevent the Contractor from challenging or seeking judicial relief in a court of competent
327 jurisdiction with respect to any biological opinion or other environmental documentation referred to
328 in this Article.

329 (f) Following the declaration of Water Made Available under Article 4 of this
330 Contract, the Contracting Officer will make a determination whether Project Water, or other water

331 available to the Project, can be made available to the Contractor in addition to the Contract Total
332 under this Article during the Year without adversely impacting other Project Contractors. At the
333 request of the Contractor, the Contracting Officer will consult with the Contractor prior to making
334 such a determination. If the Contracting Officer determines that Project Water, or other water
335 available to the Project, can be made available to the Contractor, the Contracting Officer will
336 announce the availability of such water and shall so notify the Contractor as soon as practical. The
337 Contracting Officer will thereafter meet with the Contractor and other Project Contractors capable of
338 taking such water to determine the most equitable and efficient allocation of such water. If the
339 Contractor requests the delivery of any quantity of such water, the Contracting Officer shall make
340 such water available to the Contractor in accordance with applicable statutes, regulations, guidelines,
341 and policies. Subject to existing long-term contractual commitments, water rights and operational
342 constraints, long-term Project Contractors shall have a first right to acquire such water, including
343 Project Water made available pursuant to Section 215 of the RRA.

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

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

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

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

368

TIME FOR DELIVERY OF WATER

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

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

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

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

392 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

393 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
394 Contract shall be delivered to the Contractor from the Mendota Pool and any additional point or
395 points of delivery either on Project facilities or another location or locations mutually agreed to in
396 writing by the Contracting Officer and the Contractor.

397 (b) The Contracting Officer, either directly or indirectly through its written
398 agreement(s) with the Operating Non-Federal Entity(ies), shall make all reasonable efforts to
399 maintain sufficient flows and levels of water in Project facilities to deliver Project Water to the
400 Contractor at the point or points of delivery established pursuant to subdivision (a) of this Article.

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

405 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
406 measured and recorded with equipment furnished, installed, operated, and maintained by the

407 Contracting Officer either directly or indirectly through its written agreement(s) with the Operating
408 Non-Federal Entity(ies), unless undertaken by the Contractor with the consent of the Contracting
409 Officer, at the point or points of delivery established pursuant to subdivision (a) of this Article. Upon
410 the request of either party to this Contract, the Contracting Officer shall investigate, or cause to be
411 investigated by the appropriate Operating Non-Federal Entity(ies), the accuracy of such
412 measurements and shall take any necessary steps to adjust any errors appearing therein. For any
413 period of time when accurate measurements have not been made, the Contracting Officer shall
414 consult with the Contractor and the appropriate Operating Non-Federal Entity(ies), if any, prior to
415 making a final determination of the quantity delivered for that period of time.

416 (e) Absent a separate contrary written agreement with the Contractor, neither the
417 Contracting Officer nor any Operating Non-Federal Entity(ies) shall be responsible for the control,
418 carriage, handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to this
419 Contract beyond the point or points of delivery established pursuant to subdivision (a) of this Article.
420 The Contractor shall indemnify the United States, its officers, employees, agents, and assigns on
421 account of damage or claim of damage of any nature whatsoever for which there is legal
422 responsibility, including property damage, personal injury, or death arising out of or connected with
423 the control, carriage, handling, use, disposal, or distribution of such Water Delivered beyond such
424 point or points of delivery except for any damage or claim arising out of: (i) acts or omissions of the
425 Contracting Officer or any of its officers, employees, agents, and assigns, including the Operating
426 Non-Federal Entity(ies), with the intent of creating the situation resulting in any damage or claim;

427 (ii) willful misconduct of the Contracting Officer or any of its officers, employees, agents, and
428 assigns, including the Operating Non-Federal Entity(ies); (iii) negligence of the Contracting Officer
429 or any of its officers, employees, agents, and assigns including the Operating Non-Federal Entity(ies);
430 or (iv) a malfunction of facilities owned and/or operated by the United States or the Operating
431 Non-Federal Entity(ies).

432 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

433 6. (a) The Contractor has established a measuring program satisfactory to the
434 Contracting Officer. The Contractor shall ensure that all surface water delivered for irrigation
435 purposes within the Contractor's Service Area is measured at each agricultural turnout and such water
436 delivered for M&I purposes is measured at each M&I service connection. The water measuring
437 devices or water measuring methods of comparable effectiveness must be acceptable to the
438 Contracting Officer. The Contractor shall be responsible for installing, operating, and maintaining
439 and repairing all such measuring devices and implementing all such water measuring methods at no
440 cost to the United States. The Contractor shall use the information obtained from such water
441 measuring devices or water measuring methods to ensure its proper management of the water, to bill
442 water users for water delivered by the Contractor; and, if applicable, to record water delivered for
443 M&I purposes by customer class as defined in the Contractor's water conservation plan provided for
444 in Article 26 of this Contract. Nothing herein contained, however, shall preclude the Contractor from
445 establishing and collecting any charges, assessments, or other revenues authorized by California law.

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

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

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

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

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

472 RATES AND METHOD OF PAYMENT FOR WATER

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

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

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

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

500 (c) At the time the Contractor submits the initial schedule for the delivery of
501 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractor
502 shall make an advance payment to the United States equal to the total amount payable pursuant to the
503 applicable Rate(s) set under subdivision (a) of this Article, for the Project Water scheduled to be
504 delivered pursuant to this Contract during the first two calendar months of the Year. Before the end

505 of the first month and before the end of each calendar month thereafter, the Contractor shall make an
506 advance payment to the United States, at the Rate(s) set under subdivision (a) of this Article, for the
507 Water Scheduled to be delivered pursuant to this Contract during the second month immediately
508 following. Adjustments between advance payments for Water Scheduled and payments at Rates due
509 for Water Delivered shall be made before the end of the following month; Provided, That any revised
510 schedule submitted by the Contractor pursuant to Article 4 of this Contract which increases the
511 amount of Water Delivered pursuant to this Contract during any month shall be accompanied with
512 appropriate advance payment, at the Rates then in effect, to assure that Project Water is not delivered
513 to the Contractor in advance of such payment. In any month in which the quantity of Water Delivered
514 to the Contractor pursuant to this Contract equals the quantity of Water Scheduled and paid for by the
515 Contractor, no additional Project Water shall be delivered to the Contractor unless and until an
516 advance payment at the Rates then in effect for such additional Project Water is made. Final
517 adjustment between the advance payments for the Water Scheduled and payments for the quantities
518 of Water Delivered during each Year pursuant to this Contract shall be made as soon as practicable
519 but no later than April 30th of the following Year, or 60 days after the delivery of Project Water
520 rescheduled under subdivision (g) of Article 3 of this Contract if such water is not delivered by the
521 last day of February.

522 (d) The Contractor shall also make a payment in addition to the Rate(s) in
523 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
524 appropriate Tiered Pricing Component then in effect, before the end of the month following the

525 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered
526 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be consistent
527 with the quantities of Irrigation Water and M&I Water Delivered as shown in the water delivery
528 report for the subject month prepared by the Operating Non-Federal Entity(ies) or, if there is no
529 Operating Non-Federal Entity, by the Contracting Officer. The water delivery report shall be deemed
530 a bill for the payment of Charges and the applicable Tiered Pricing Component for Water Delivered.
531 Adjustment for overpayment or underpayment of Charges shall be made through the adjustment of
532 payments due to the United States for Charges for the next month. Any amount to be paid for past
533 due payment of Charges and the Tiered Pricing Component shall be computed pursuant to Article 20
534 of this Contract.

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

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

543 (g) All revenues received by the United States from the Contractor relating to the
544 delivery of Project Water or the delivery of non-Project water through Project facilities shall be

545 allocated and applied in accordance with Federal Reclamation law and the associated rules or
546 regulations, and the then current Project ratesetting policies for M&I Water or Irrigation Water.

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

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

562 (j) (1) Beginning at such time as deliveries of Project Water in a Year exceed
563 80 percent of the Contract Total, then before the end of the month following the month of delivery the
564 Contractor shall make an additional payment to the United States equal to the applicable Tiered

565 Pricing Component. The Tiered Pricing Component for the amount of Water Delivered in excess of
566 80 percent of the Contract Total, but less than or equal to 90 percent of the Contract Total, shall equal
567 one-half of the difference between the Rate established under subdivision (a) of this Article and the
568 Irrigation Full Cost Water Rate or M&I Full Cost Water Rate, whichever is applicable. The Tiered
569 Pricing Component for the amount of Water Delivered which exceeds 90 percent of the Contract
570 Total shall equal the difference between (i) the Rate established under subdivision (a) of this Article
571 and (ii) the Irrigation Full Cost Water Rate or M&I Full Cost Water Rate, whichever is applicable.
572 For all Water Delivered pursuant to subdivision (a) of Article 3 of this Contract which is in excess of
573 80 percent of the Contract Total, this increment shall be deemed to be divided between Irrigation
574 Water and M&I Water in the same proportion as actual deliveries of each bear to the cumulative total
575 Water Delivered.

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

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

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

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

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

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

607 (n) Omitted.

608 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

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

612 SALES, TRANSFERS, OR EXCHANGES OF WATER

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

623 (b) In order to facilitate efficient water management by means of water transfers of
624 the type historically carried out among Project Contractors located within the same geographical area

625 and to allow the Contractor to participate in an accelerated water transfer program during the term of
626 this Contract, the Contracting Officer shall prepare, as appropriate, all necessary environmental
627 documentation, including but not limited to documents prepared pursuant to NEPA and ESA,
628 analyzing annual transfers within such geographical areas and the Contracting Officer shall determine
629 whether such transfers comply with applicable law. Following the completion of the environmental
630 documentation, such transfers addressed in such documentation shall be conducted with advance
631 notice to the Contracting Officer, but shall not require prior written approval by the Contracting
632 Officer. Such environmental documentation and the Contracting Officer's compliance determination
633 shall be reviewed every five years and updated, as necessary, prior to the expiration of the then
634 existing five-year period. All subsequent environmental documentation shall include an alternative to
635 evaluate not less than the quantity of Project Water historically transferred within the same
636 geographical area.

637 (c) For a water transfer to qualify under subdivision (b) of this Article, such water
638 transfer must: (i) be for irrigation purposes for lands irrigated within the previous three years, for
639 M&I use, groundwater recharge, groundwater banking, or similar groundwater activities, surface
640 water storage, or fish and wildlife resources; not lead to land conversion; and be delivered to
641 established cropland, wildlife refuges, groundwater basins or M&I use; (ii) occur within a single
642 Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water through existing
643 facilities with no new construction or modifications to facilities and be between existing Project
644 Contractors and/or the Contractor and the United States, Department of the Interior; and (v) comply

645 with all applicable Federal, State, and local or tribal laws and requirements imposed for protection of
646 the environment and Indian Trust Assets, as defined under Federal law.

647 APPLICATION OF PAYMENTS AND ADJUSTMENTS

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

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

664 TEMPORARY REDUCTIONS--RETURN FLOWS

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

670 (b) The Contracting Officer or Operating Non-Federal Entity(ies) may temporarily
671 discontinue or reduce the quantity of Water Delivered to the Contractor as herein provided for the
672 purposes of investigation, inspection, maintenance, repair, or replacement of any of the Project
673 facilities or any part thereof necessary for the delivery of Project Water to the Contractor, but so far as
674 feasible the Contracting Officer or Operating Non-Federal Entity(ies) will give the Contractor due
675 notice in advance of such temporary discontinuance or reduction, except in case of emergency, in
676 which case no notice need be given; Provided, That the United States shall use its best efforts to avoid
677 any discontinuance or reduction in such service. Upon resumption of service after such reduction or
678 discontinuance, and if requested by the Contractor, the United States will, if possible, deliver the
679 quantity of Project Water which would have been delivered hereunder in the absence of such
680 discontinuance or reduction.

681 (c) The United States reserves the right to all seepage and return flow water
682 derived from Water Delivered to the Contractor hereunder which escapes or is discharged beyond the
683 Contractor's Service Area; Provided, That this shall not be construed as claiming for the United States

684 any right to seepage or return flow being put to reasonable and beneficial use pursuant to this
685 Contract within the Contractor's Service Area by the Contractor or those claiming by, through, or
686 under the Contractor.

687 CONSTRAINTS ON THE AVAILABILITY OF WATER

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

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

698 (c) In any Year in which there may occur a Condition of Shortage for any of the reasons
699 specified in subdivision (b) of this Article, and subject to subdivision (d) of this Article, the
700 Contracting Officer will first allocate the available Project Water consistent with the draft CVP M&I
701 Water Shortage Policy on the effective date of this Contract as finally adopted after environmental
702 review for determining the amount of Project Water available for delivery to the Project Contractors.
703 Subject to the foregoing allocation, in any year in which there may occur a Condition of Shortage, the

704 Contracting Officer shall then apportion Project Water among the Contractor and others entitled to
705 Project Water from Delta Division Facilities under long-term water service or repayment contracts (or
706 renewals thereof or binding commitments therefor) in force on February 28, 2005, as follows:

707 (1) The Contracting Officer shall make an initial and subsequent
708 determination as necessary of the total quantity of Project Water estimated to be scheduled or actually
709 scheduled under subdivision (b) of Article 4 of this Contract and under all other long-term water
710 service or repayment contracts then in force for the delivery of Project Water by the United States
711 from Delta Division Facilities during the relevant Year, the quantity so determined being hereinafter
712 referred to as the scheduled total;

713 (2) A determination shall be made of the total quantity of Project Water
714 that is available for meeting the scheduled total, the quantity so determined being hereinafter referred
715 to as the available supply;

716 (3) The total quantity of Project Water estimated to be scheduled or
717 actually scheduled by the Contractor during the relevant Year, under subdivision (b) of Article 4
718 hereof, shall be divided by the scheduled total, the quotient thus obtained being hereinafter referred to
719 as the Contractor's proportionate share; and

720 (4) The available supply shall be multiplied by the Contractor's
721 proportionate share and the result shall be the quantity of Project Water made available by the United
722 States to the Contractor for the relevant Year in accordance with the schedule developed by the
723 Contracting Officer under subdivision (c)(1) of this Article, but in no event shall such amount exceed

724 the Contract Total. In the event the Contracting Officer subsequently determines that the Contracting
725 Officer can increase or needs to decrease the available supply for delivery from Delta Division
726 Facilities to long-term water service and repayment Contractors during the relevant Year, such
727 additions or reductions to the available supply shall be apportioned consistent with subparagraphs (1)
728 through (4), inclusive.

729 (d) By entering into this Contract, the Contractor does not waive any legal rights or
730 remedies it may have to file or participate in any administrative or judicial proceeding contesting (i)
731 the sufficiency of the Central Valley Project M&I Water Shortage Policy; (ii) the substance of such a
732 policy; (iii) the applicability of such a policy; or (iv) the manner in which such policy is implemented
733 in order to allocate Project Water between municipal and industrial and irrigation purposes; Provided,
734 That the Contractor has commenced any such judicial challenge or any administrative procedures
735 necessary to institute any judicial challenge within six months of the policy becoming final. By
736 agreeing to the foregoing, the Contracting Officer does not waive any legal defenses or remedies that
737 it may have to assert in such a proceeding. Nothing contained herein shall be interpreted to validate
738 or invalidate the Central Valley Project M&I Water Shortage Policy.

739 UNAVOIDABLE GROUNDWATER PERCOLATION

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

744

RULES AND REGULATIONS

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

749

WATER AND AIR POLLUTION CONTROL

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

753

QUALITY OF WATER

754 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant to
755 this Contract shall be operated and maintained to enable the United States to deliver Project Water to
756 the Contractor in accordance with the water quality standards specified in subsection 2(b) of the Act
757 of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October 27, 1986 (100 Stat.
758 3050) or other existing Federal laws. The United States is under no obligation to construct or furnish
759 water treatment facilities to maintain or to improve the quality of Water Delivered to the Contractor
760 pursuant to this Contract. The United States does not warrant the quality of Water Delivered to the
761 Contractor pursuant to this Contract. None of the foregoing affects or modifies the obligations of the
762 United States under Contract No. 14-06-200-3537A, dated October 11, 1967, with respect to
763 Schedule 2 water, including but not limited to, Article 10 of said contract.

764 (b) The O&M of Project facilities shall be performed in such manner as is
765 practicable to maintain the quality of raw water made available through such facilities at the highest
766 level reasonably attainable as determined by the Contracting Officer. The Contractor shall be

767 responsible for compliance with all State and Federal water quality standards applicable to surface
768 and subsurface agricultural drainage discharges generated through the use of Federal or Contractor
769 facilities or Project Water provided by the Contractor within the Contractor's Service Area.

770 WATER ACQUIRED BY THE CONTRACTOR OTHER THAN
771 FROM THE UNITED STATES

772 17. (a) Water or water rights now owned or hereafter acquired by the Contractor other
773 than from the United States and Irrigation Water furnished pursuant to the terms of this Contract may
774 be simultaneously transported through the same distribution facilities of the Contractor subject to the
775 following: (i) if the facilities utilized for commingling Irrigation Water and non-Project water were
776 constructed without funds made available pursuant to Federal Reclamation law, the provisions of
777 Federal Reclamation law will be applicable only to the Landholders of lands which receive Irrigation
778 Water; (ii) the eligibility of land to receive Irrigation Water must be established through the
779 certification requirements as specified in the Acreage Limitation Rules and Regulations (43 CFR Part
780 426); (iii) the water requirements of Eligible Lands within the Contractor's Service Area can be
781 established and the quantity of Irrigation Water to be utilized is less than or equal to the quantity
782 necessary to irrigate such Eligible Lands. The Contractor and the Contracting Officer concur that, as
783 of the effective date of this Contract, the Contractor has a distribution system that was constructed
784 without the use of Federally financed funds.

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

788 Contracting Officer and the execution of any contract determined by the Contracting Officer to be
789 necessary, consistent with the following provisions:

790 (1) The Contractor may introduce non-Project water into Project facilities
791 and deliver said water to lands within the Contractor's Service Area, including Ineligible Lands,
792 subject to payment to the United States and/or to any applicable Operating Non-Federal Entity of an
793 appropriate rate as determined by the applicable Project ratesetting policy, the RRA, and the Project
794 use power policy, if such Project use power policy is applicable, each as amended, modified or
795 superseded from time to time.

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

801 (3) Neither the United States nor the Operating Non-Federal Entity(ies)
802 shall be responsible for control, care or distribution of the non-Project water before it is introduced
803 into or after it is delivered from the Project facilities. The Contractor hereby releases and agrees to
804 defend and indemnify the United States and the Operating Non-Federal Entity(ies), and their
805 respective officers, agents, and employees, from any claim for damage to persons or property, direct
806 or indirect, resulting from the act(s) of the Contractor, its officers, employees, agents, or assigns, in

807 (i) extracting or diverting non-Project water from any source, or (ii) diverting such non-Project water
808 into Project facilities.

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

812 (5) After Project purposes are met, as determined by the Contracting
813 Officer, the United States and Project Contractors entitled to Project Water from Delta Division
814 Facilities shall share priority to utilize the remaining capacity of the facilities declared to be available
815 by the Contracting Officer for conveyance and transportation of non-Project water prior to any such
816 remaining capacity being made available to non-Project contractors. Other Project Contractors shall
817 have a second priority to any remaining capacity of facilities declared to be available by the
818 Contracting Officer for conveyance and transportation of non-Project water prior to any such
819 remaining capacity being made available to non-Project contractors.

820 OPINIONS AND DETERMINATIONS

821 18. (a) Where the terms of this Contract provide for actions to be based upon the
822 opinion or determination of either party to this Contract, said terms shall not be construed as
823 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
824 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly reserve
825 the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or
826 unreasonable opinion or determination. Each opinion or determination by either party shall be

827 provided in a timely manner. Nothing in this subdivision (a) of this Article is intended to or shall
828 affect or alter the standard of judicial review applicable under Federal law to any opinion or
829 determination implementing a specific provision of Federal law embodied in statute or regulation.

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

835 COORDINATION AND COOPERATION

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

845 (b) Within 120 days following the effective date of this Contract, the Contractor,
846 other affected Project Contractors, and the Contracting Officer shall arrange to meet with interested

847 Project Contractors to develop a mutually agreeable, written Project-wide process, which may be
848 amended as necessary separate and apart from this Contract. The goal of this process shall be to
849 provide, to the extent practicable, the means of mutual communication and interaction regarding
850 significant decisions concerning Project operation and management on a real-time basis.

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

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

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

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

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

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

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

872 CHARGES FOR DELINQUENT PAYMENTS

873 20. (a) The Contractor shall be subject to interest, administrative and penalty charges
874 on delinquent installments or payments. When a payment is not received by the due date, the
875 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.
876 When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative
877 charge to cover additional costs of billing and processing the delinquent payment. When a payment is
878 delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six (6%)
879 percent per year for each day the payment is delinquent beyond the due date. Further, the Contractor
880 shall pay any fees incurred for debt collection services associated with a delinquent payment.

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

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

889 EQUAL OPPORTUNITY

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

891 (a) The Contractor will not discriminate against any employee or applicant for
892 employment because of race, color, religion, sex, or national origin. The Contractor will take
893 affirmative action to ensure that applicants are employed, and that employees are treated during
894 employment, without regard to their race, color, religion, sex, or national origin. Such action shall

895 include, but not be limited to, the following: Employment, upgrading, demotion, or transfer;
896 recruitment or recruitment advertising; layoff or termination, rates of payment or other forms of
897 compensation; and selection for training, including apprenticeship. The Contractor agrees to post in
898 conspicuous places, available to employees and applicants for employment, notices to be provided by
899 the Contracting Officer setting forth the provisions of this nondiscrimination clause.

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

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

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

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

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

924 (g) The Contractor will include the provisions of paragraphs (a) through (g) in
925 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
926 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
927 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action

928 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a
929 means of enforcing such provisions, including sanctions for noncompliance: Provided, however,
930 That in the event the Contractor becomes involved in, or is threatened with, litigation with a
931 subcontractor or vendor as a result of such direction, the Contractor may request the United States to
932 enter into such litigation to protect the interests of the United States.

933 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

946 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

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

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

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

965 PRIVACY ACT COMPLIANCE

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

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

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

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

984 (e) The Contractor shall forward promptly to the System Manager each proposed
985 denial of access under 43 CFR 2.64; and each request for amendment of records filed under 43 CFR
986 2.71; notify the requester accordingly of such referral; and provide the System Manager with
987 information and records necessary to prepare an appropriate response to the requester. These
988 requirements do not apply to individuals seeking access to their own certification and reporting forms
989 filed with the Contractor pursuant to 43 CFR 426.18, unless the requester elects to cite the Privacy
990 Act as a basis for the request.

991 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

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

1000 WATER CONSERVATION

1001 26. (a) Prior to the delivery of water provided from or conveyed through Federally
1002 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be
1003 implementing an effective water conservation and efficiency program based on the Contractor's water
1004 conservation plan that has been determined by the Contracting Officer to meet the conservation and
1005 efficiency criteria for evaluating water conservation plans established under Federal law. The water
1006 conservation and efficiency program shall contain definite water conservation objectives, appropriate
1007 economically feasible water conservation measures, and time schedules for meeting those objectives.
1008 Continued Project Water delivery pursuant to this Contract shall be contingent upon the Contractor's
1009 continued implementation of such water conservation program. In the event the Contractor's water
1010 conservation plan or any revised water conservation plan completed pursuant to subdivision (d) of

1011 Article 26 of this Contract have not yet been determined by the Contracting Officer to meet such
1012 criteria, due to circumstances which the Contracting Officer determines are beyond the control of the
1013 Contractor, water deliveries shall be made under this Contract so long as the Contractor diligently
1014 works with the Contracting Officer to obtain such determination at the earliest practicable date, and
1015 thereafter the Contractor immediately begins implementing its water conservation and efficiency
1016 program in accordance with the time schedules therein.

1017 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
1018 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall implement the
1019 Best Management Practices identified by the time frames issued by the California Urban Water
1020 Conservation Council for such M&I Water unless any such practice is determined by the Contracting
1021 Officer to be inappropriate for the Contractor.

1022 (c) The Contractor shall submit to the Contracting Officer a report on the status of
1023 its implementation of the water conservation plan on the reporting dates specified in the then-existing
1024 conservation and efficiency criteria established under Federal law.

1025 (d) At five-year intervals, the Contractor shall revise its water conservation plan to
1026 reflect the then-current conservation and efficiency criteria for evaluating water conservation plans
1027 established under Federal law and submit such revised water management plan to the Contracting
1028 Officer for review and evaluation. The Contracting Officer will then determine if the water
1029 conservation plan meets Reclamation's then-current conservation and efficiency criteria for
1030 evaluating water conservation plans established under Federal law.

1031 (e) If the Contractor is engaged in direct groundwater recharge, such activity shall
1032 be described in the Contractor's water conservation plan.

1033 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1034 27. Except as specifically provided in Article 17 of this Contract, the provisions of this
1035 Contract shall not be applicable to or affect non-Project water or water rights now owned or hereafter
1036 acquired by the Contractor or any user of such water within the Contractor's Service Area. Any such
1037 water shall not be considered Project Water under this Contract. In addition, this Contract shall not
1038 be construed as limiting or curtailing any rights which the Contractor or any water user within the
1039 Contractor's Service Area acquires or has available under any other contract pursuant to Federal
1040 Reclamation law.

1041 OPERATION AND MAINTENANCE BY
1042 SAN LUIS & DELTA-MENDOTA WATER AUTHORITY

1043 28. (a) The O&M of a portion of the Project facilities which serve the Contractor, and
1044 responsibility for funding a portion of the costs of such O&M, have been transferred to the San Luis
1045 & Delta-Mendota Water Authority, an Operating Non-Federal Entity by separate agreement (8-07-20-
1046 X0354) between the United States and the Operating Non-Federal Entity San Luis & Delta-Mendota
1047 Water Authority. That separate agreement shall not interfere with or affect the rights or obligations of
1048 the Contractor or the United States hereunder.

1049 (b) The Contracting Officer has previously notified the Contractor in writing that
1050 the Operation and Maintenance of a portion of the Project facilities which serve the Contractor has
1051 been transferred to the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority,

1052 and therefore, the Contractor shall pay directly to the Operating Non-Federal Entity San Luis &
1053 Delta-Mendota Water Authority, or to any successor approved by the Contracting Officer under the
1054 terms and conditions of the separate agreement between the United States and the Operating Non-
1055 Federal Entity San Luis & Delta-Mendota Water Authority described in subdivision (a) of this
1056 Article, all rates, charges, or assessments of any kind, including any assessment for reserve funds,
1057 which the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority or such
1058 successor determines, sets, or establishes for the O&M of the portion of the Project facilities operated
1059 and maintained by the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority or
1060 such successor. Such direct payments to the Operating Non-Federal Entity San Luis & Delta-
1061 Mendota Water Authority or such successor shall not relieve the Contractor of its obligation to pay
1062 directly to the United States the Contractor's share of the Project Rates, Charges, and Tiered Pricing
1063 Component except to the extent the Operating Non-Federal Entity San Luis & Delta-Mendota Water
1064 Authority collects payments on behalf of the United States in accordance with the separate agreement
1065 identified in subdivision (a) of this Article.

1066 (c) For so long as the O&M of any portion of the Project facilities serving the
1067 Contractor is performed by the Operating Non-Federal Entity San Luis & Delta-Mendota Water
1068 Authority, or any successor thereto, the Contracting Officer shall adjust those components of the
1069 Rates for Water Delivered under this Contract representing the cost associated with the activity being
1070 performed by the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority or its
1071 successor.

1072 (d) In the event the O&M of the Project facilities operated and maintained by the
1073 Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority is re-assumed by the
1074 United States during the term of this Contract, the Contracting Officer shall so notify the Contractor,
1075 in writing, and present to the Contractor a revised Exhibit "B" which shall include the portion of the
1076 Rates to be paid by the Contractor for Project Water under this Contract representing the O&M costs
1077 of the portion of such Project facilities which have been re-assumed. The Contractor shall, thereafter,
1078 in the absence of written notification from the Contracting Officer to the contrary, pay the Rates,
1079 Charges, and Tiered Pricing Component specified in the revised Exhibit "B" directly to the United
1080 States in compliance with Article 7 of this Contract.

1081 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1082 29. The expenditure or advance of any money or the performance of any obligation of the
1083 United States under this Contract shall be contingent upon appropriation or allotment of funds.
1084 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations
1085 under this Contract. No liability shall accrue to the United States in case funds are not appropriated
1086 or allotted.

1087 BOOKS, RECORDS, AND REPORTS

1088 30. (a) The Contractor shall establish and maintain accounts and other books and
1089 records pertaining to administration of the terms and conditions of this Contract, including: the
1090 Contractor's financial transactions, water supply data, and Project land and right-of-way agreements;
1091 the water users' land-use (crop census), land ownership, land-leasing and water use data; and other
1092 matters that the Contracting Officer may require. Reports thereon shall be furnished to the
1093 Contracting Officer in such form and on such date or dates as the Contracting Officer may require.
1094 Subject to applicable Federal laws and regulations, each party to this Contract shall have the right
1095 during office hours to examine and make copies of the other party's books and records relating to
1096 matters covered by this Contract.

1097 (b) Notwithstanding the provisions of subdivision (a) of this Article, no books,
1098 records, or other information shall be requested from the Contractor by the Contracting Officer unless
1099 such books, records, or information are reasonably related to the administration or performance of
1100 this Contract. Any such request shall allow the Contractor a reasonable period of time within which
1101 to provide the requested books, records, or information.

1102 (c) At such time as the Contractor provides information to the Contracting Officer
1103 pursuant to subdivision (a) of this Article, a copy of such information shall be provided to the
1104 Operating Non-Federal Entity.

1105 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1106 31. (a) The provisions of this Contract shall apply to and bind the successors and
1107 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1108 therein shall be valid until approved in writing by the Contracting Officer.

1109 (b) The assignment of any right or interest in this Contract by either party shall not
1110 interfere with the rights or obligations of the other party to this Contract absent the written
1111 concurrence of said other party.

1112 (c) The Contracting Officer shall not unreasonably condition or withhold approval
1113 of any proposed assignment.

1114 SEVERABILITY

1115 32. In the event that a person or entity who is neither (i) a party to a Project contract, nor
1116 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an
1117 association or other form of organization whose primary function is to represent parties to Project

1118 contracts, brings an action in a court of competent jurisdiction challenging the legality or
1119 enforceability of a provision included in this Contract and said person, entity, association, or
1120 organization obtains a final court decision holding that such provision is legally invalid or
1121 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the
1122 parties to this Contract shall use their best efforts to (i) within 30 days of the date of such final court
1123 decision identify by mutual agreement the provisions in this Contract which must be revised and (ii)
1124 within three months thereafter promptly agree on the appropriate revision(s). The time periods
1125 specified above may be extended by mutual agreement of the parties. Pending the completion of the
1126 actions designated above, to the extent it can do so without violating any applicable provisions of
1127 law, the United States shall continue to make the quantities of Project Water specified in this Contract
1128 available to the Contractor pursuant to the provisions of this Contract which were not found to be
1129 legally invalid or unenforceable in the final court decision.

1130 RESOLUTION OF DISPUTES

1131 33. Should any dispute arise concerning any provisions of this Contract, or the parties'
1132 rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the
1133 dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring
1134 any matter to the Department of Justice, the party shall provide to the other party 30 days' written
1135 notice of the intent to take such action; Provided, That such notice shall not be required where a delay
1136 in commencing an action would prejudice the interests of the party that intends to file suit. During
1137 the 30-day notice period, the Contractor and the Contracting Officer shall meet and confer in an

1138 attempt to resolve the dispute. Except as specifically provided, nothing herein is intended to waive or
1139 abridge any right or remedy that the Contractor or the United States may have.

1140 OFFICIALS NOT TO BENEFIT

1141 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1142 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1143 manner as other water users or landowners.

1144 CHANGES IN CONTRACTOR'S SERVICE AREA

1145 35. (a) While this Contract is in effect, no change may be made in the Contractor's
1146 Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger, or otherwise,
1147 except upon the Contracting Officer's written consent.

1148 (b) Within 30 days of receipt of a request for such a change, the Contracting
1149 Officer will notify the Contractor of any additional information required by the Contracting Officer
1150 for processing said request, and both parties will meet to establish a mutually agreeable schedule for
1151 timely completion of the process. Such process will analyze whether the proposed change is likely to:
1152 (i) result in the use of Project Water contrary to the terms of this Contract; (ii) impair the ability of the
1153 Contractor to pay for Project Water furnished under this Contract or to pay for any Federally-
1154 constructed facilities for which the Contractor is responsible; and (iii) have an impact on any Project
1155 Water rights applications, permits, or licenses. In addition, the Contracting Officer shall comply with
1156 the NEPA and the ESA. The Contractor will be responsible for all costs incurred by the Contracting
1157 Officer in this process, and such costs will be paid in accordance with Article 25 of this Contract.

1158 FEDERAL LAWS

1159 36. By entering into this Contract, the Contractor does not waive its rights to contest the
1160 validity or application in connection with the performance of the terms and conditions of this
1161 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the
1162 terms and conditions of this Contract unless and until relief from application of such Federal law or
1163 regulation to the implementing provision of the Contract is granted by a court of competent
1164 jurisdiction.

1165 NOTICES

1166 37. Any notice, demand, or request authorized or required by this Contract shall be
1167 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered
1168 to the Area Manager, South-Central California Area Office, 1243 N Street, Fresno, California 93721,
1169 and on behalf of the United States, when mailed, postage prepaid, or delivered to the Board of
1170 Directors of the Tranquillity Public Utility District, P. O. Box 689, Tranquillity, California 93668.
1171 The designation of the addressee or the address may be changed by notice given in the same manner
1172 as provided in this Article for other notices.

1173 CONFIRMATION OF CONTRACT

1174 38. The Contractor, after the execution of this Contract, shall promptly seek to secure a
1175 decree of a court of competent jurisdiction of the State of California, confirming the execution of this
1176 Contract. The Contractor shall furnish the United States a certified copy of the final decree, the
1177 validation proceedings, and all pertinent supporting records of the court approving and confirming
1178 this Contract, and decreeing and adjudging it to be lawful, valid, and binding on the Contractor.

1179 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and
1180 year first above written.

1181

THE UNITED STATES OF AMERICA

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

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1184

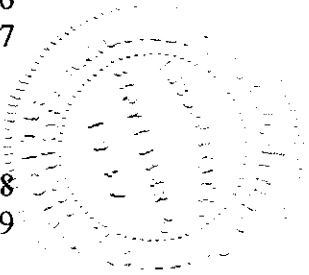
By: *[Signature]*
Regional Director, Mid-Pacific Region
Bureau of Reclamation

1185 (SEAL)

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TRANQUILLITY PUBLIC UTILITY
DISTRICT

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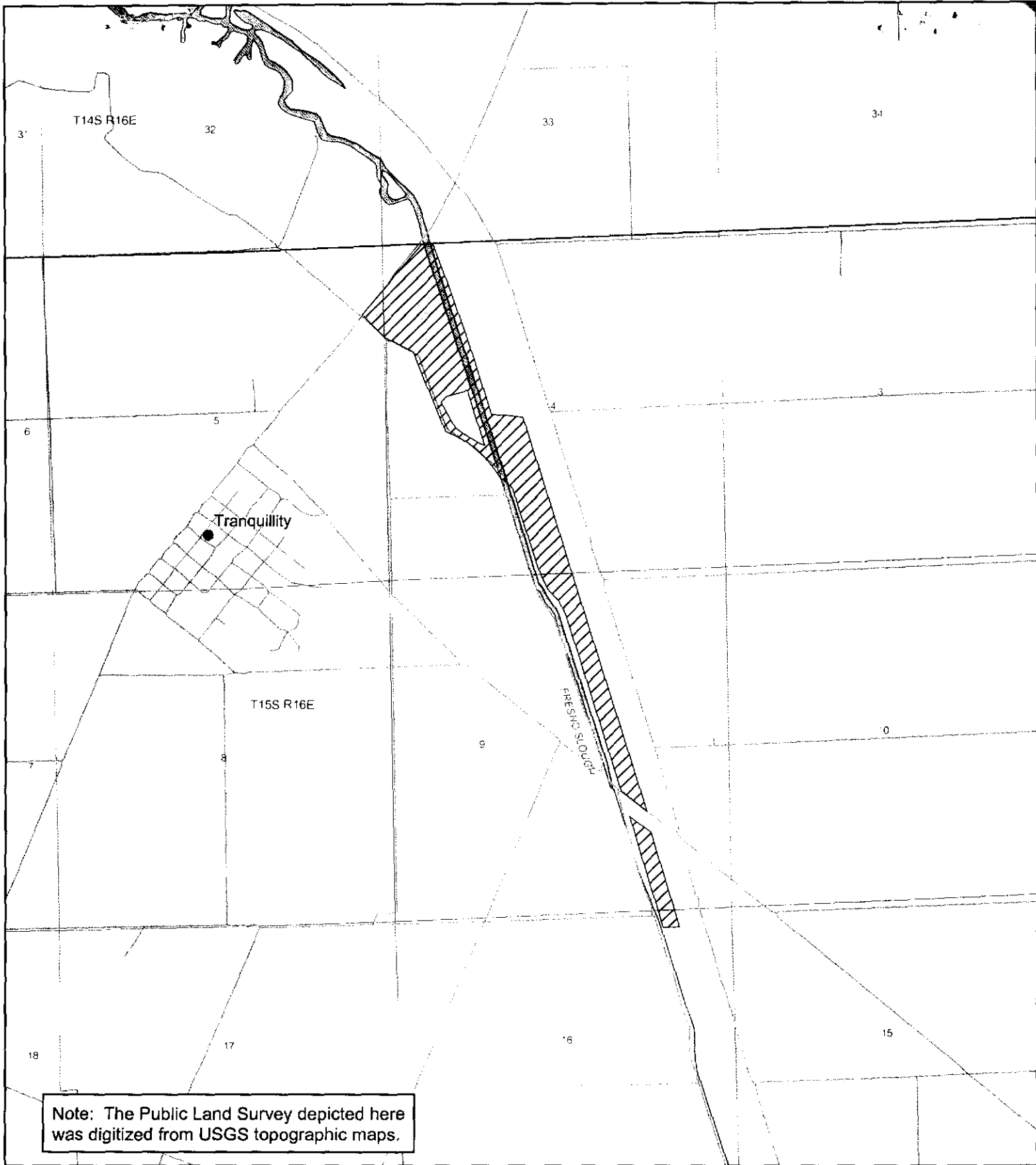


By: *[Signature]*
President of the Board of Directors

1190 Attest:



1191 By: *[Signature]*
1192 Secretary of the Board of Directors

1193 (H:\Pub 440\LTRC\Final Draft LTRC's - Fresno, Tracy\09-23-04 Tranquillity PUD Final Draft
1194 LTRC with exhibits.doc)



Tranquillity Public Utility District

Contract No. 14-06-200-3537A-LTR1
Exhibit A

-  Contractor's Service Area
-  District Boundary

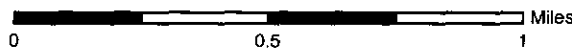


EXHIBIT B
TRANQUILLITY PUBLIC UTILITY
Water Rates and Changes

CONTRACT NO. 14-06-200-3537A-LTR1	<u>2005 Rates Per Acre-Foot</u>
	<u>Irrigation Water</u> <u>M&I Water</u>
COST-OF-SERVICE (COS) RATES:	DMC
Capital Rates:	\$10.53
O&M Rates:	
Water Marketing	\$6.61
Storage	\$5.93
Conveyance	*
Direct Pumping (Project Use Energy)	
Tracy Pumping	
San Luis Drain	
Deficit Rates:	
Non-Interest Bearing	
Interest Bearing	\$13.39
CFO/PFR Adjustment Rate	\$2.46
<u>TOTAL COST-OF-SERVICE RATES (COS):</u>	\$38.92
<u>M&I FULL-COST RATE:</u>	
Tiered Pricing Component >80% <=90% of Contract	
Total [Full Cost Rate - COS Rate /2]:	\$1.31
Tiered Pricing Component >90% of Contract	
Total [Full Cost Rate - COS Rate]:	\$2.62
<u>FULL-COST RATES:</u>	
Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	\$41.54
<u>205 FULL-COST RATES:</u>	
Section 205(a)(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	\$48.20
SURCHARGES UNDER P.L. 102-575 TO RESTORATION FUND**	\$7.93

* Conveyance and Conveyance Pumping Operation and maintenance costs were removed for ratesetting purposes and are to be billed directly to the water authorities.

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

Recent Historic Use as defined in the CVP M&I Water Storage Policy is 47 acre-feet.

**TRANQUILLITY PUBLIC UTILITY DISTRICT
RESOLUTION NO. 2005-02**

**RESOLUTION CONSIDERING ENVIRONMENTAL
IMPACTS OF LONG-TERM RENEWAL
CONTRACT FOR CENTRAL VALLEY PROJECT WATER SERVICE,
APPROVING LONG-TERM RENEWAL CONTRACT,
AUTHORIZING EXECUTION THEREOF AND
AUTHORIZING RELATED ACTIONS**

WHEREAS, the Tranquillity Public Utility District (the "District") has assumed that certain contract between the United States and Melvin D. Hughes and Mardella Hughes Providing for Water Service, and for Adjustment and Settlement of Certain Claimed Water Rights, Contract No. 14-06-200-3537A, dated October 11, 1967 (the "Original Contract").

WHEREAS, the Original Contract provides for the delivery of 93 acre feet of water in settlement of water rights claims, referred to as "Schedule 2 Water," and 70 acre feet of supplemental water supply, referred to as "Supplemental Supply," to be diverted through Central Valley Project facilities and the District's distribution system.

WHEREAS, the Original Contract does not expire, but remains in full force and effect as to the 93 acre feet of Schedule 2 Water.

WHEREAS, the Original Contract has expired as to the 70 acre feet of Supplemental Supply, and the District has entered into successive contracts to renew the Original Contract for each of the years since the expiration of the Original Contract (the "Interim Renewal Contract" or collectively, the "Interim Renewal Contracts"), continuing the same water service under substantially the same terms and conditions, except for price and length of term, as was provided in the Original Contract.

WHEREAS, the current Interim Renewal Contract will expire on February 28, 2006, or upon the execution of a long-term renewal contract with an effective date prior to February 28, 2006.

WHEREAS, the United States has offered the District a Long-Term Renewal Contract for a term of twenty-five (25) years, Contract No. 14-06-200-3537A-LTR1 between the District and the United States, which is on file with the Secretary of the Board (the Long-Term Renewal Contract), on substantially the same substantive terms and conditions as included in the most recent Interim Renewal Contract.

WHEREAS, the District has fully utilized, for reasonable and beneficial use, all water provided under the Original Contract and the Interim Renewal Contracts by receiving and delivering such water to lands within the District's boundaries for irrigation purposes, or putting such water to beneficial use through conservation and transfer in accordance with California law, and there is continuing need for such water over the next twenty-five (25) years as documented in Reclamation's water needs analysis for the Contract.

WHEREAS, it is imperative to the District and its landowners that the District renew, on a long-term basis, its water service contract with the United States of America pursuant to the Act of Congress of July 2, 1956 (70 Stat. 483) and the Act of Congress of October 30, 1992 (96 Stat. 1262), in order to provide for continued delivery of the same quantity of water to lands within the District's boundaries for a term of twenty-five (25) years.

WHEREAS, the Board has reviewed the terms of the proposed Long-Term Renewal Contract.

WHEREAS, water made available under the Long-Term Renewal Contract will be diverted through the same Central Valley Project facilities as the water provided under the Original Contract and the Interim Renewal Contracts.

WHEREAS, no expansion of water service will occur under the Long-Term Renewal Contract, as the District will distribute water received through the same distribution system as used for the Original Contract and Interim Renewal Contracts and will provide water under such renewal to the same lands within the boundaries of the District.

WHEREAS, the District has copies of contracts, water delivery reports, crop information and other data supporting these findings.

WHEREAS, the Board of Directors of the District has reviewed that certain memorandum re Preliminary Environmental Assessment – Long-Term Renewal Contract from the District Manager, which is on file with the Secretary of the Board, and which concludes that the District's action in approving the Long-Term Renewal Contract is a project that is exempt from further proceedings pursuant to the California Environmental Quality Act ("CEQA") for the reasons in said memorandum set forth.

NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS:

Section 1. The facts set forth in the recitals above and in the documents referenced therein are true and correct, and the Board of Directors so finds and determines.

Section 2. The Long-Term Renewal Contract in substantially the form presented to the Board and on file with the Secretary hereof is hereby approved.

Section 3. The President and Secretary of the District are hereby authorized and directed to execute the Long-Term Renewal Contract in substantially the form presented to the Board, subject to such additions, deletions and revisions as the executing officers may approve prior to execution, said execution providing conclusive proof of such approval.

Section 4. The Board further finds that:

A. Approval of the Long-Term Renewal Contract is statutorily exempt from further compliance with CEQA as provided in Title 14 of the California Code of Regulations ("CFR"),

Section 15261, because it is merely the continuation of a project approved, funded and fully operated prior to November 23, 1970, and no modification or alteration in the Central Valley Project, the District distribution system or the amount of water delivered is proposed.

B. Insofar as the Long-Term Renewal Contract calls for changes in rates, such changes are statutorily exempt from further compliance with CEQA as provided in Title 14 CFR Section 15273(a).

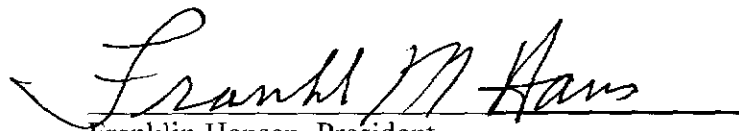
C. Approval of the Long-Term Renewal Contract is categorically exempt from further proceedings under CEQA pursuant to Title 14 CFR Section 15301, because it merely provides for continued operation of an existing facility.

D. Approval of the Long-Term Renewal Project will not create any effects on the environment that make categorical exemptions inapplicable pursuant to Title 14 CFR 15300.2.

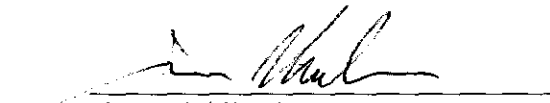
Section 5. The Manager of the District is hereby authorized and directed to prepare and file within 5 days a Notice of Exemption with the Fresno County Clerk for the District's Long-Term Renewal Contract for Central Valley Project Water Service, in accordance with Section 15062(b) of Title 14 of the California Code of Regulations.

Section 6. The District's officers, staff and consultants are hereby authorized and directed to take all additional actions that they deem necessary or appropriate to carry out the intent of this Resolution and to ensure continued water service to the District and its water users.

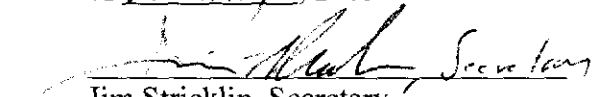
Passed and adopted this 15th day of February, 2005.


Franklin Hansen, President
TRANQUILLITY PUBLIC UTILITY DISTRICT

ATTEST:


Jim Stricklin, Secretary

I HEREBY CERTIFY that the foregoing is the resolution of said District as duly passed and adopted by said Board of Directors at a meeting thereof duly called and held on this 15th day of February, 2005.


Jim Stricklin, Secretary