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

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

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

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5 AND
6 CLEAR CREEK COMMUNITY SERVICES DISTRICT
7 PROVIDING FOR PROJECT WATER SERVICE
8 FROM TRINITY RIVER DIVISION

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

19 WITNESSETH, That:

20 EXPLANATORY RECITALS

21 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
22 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for
23 flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and
24 restoration, generation and distribution of electric energy, salinity control, navigation and other

25 beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the
26 San Joaquin River and their tributaries; and

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

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

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

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

48 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the
49 Existing Contract following completion of appropriate environmental documentation, including a
50 programmatic environmental impact statement (PEIS) pursuant to the National Environmental

51 Policy Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the
52 CVPIA and the potential renewal of all existing contracts for Project Water; and

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

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

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

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

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

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

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

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

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

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

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

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

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

95 DEFINITIONS

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

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

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

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

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

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

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

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

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

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

123 (j) "Full Cost Rate" shall mean an annual rate as determined by the Contracting
124 Officer that shall amortize the expenditures for construction properly allocable to the Project
125 irrigation or M&I functions, as appropriate, of facilities in service including all O&M deficits

126 funded, less payments, over such periods as may be required under Federal Reclamation law, or
127 applicable contract provisions. Interest will accrue on both the construction expenditures and
128 funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the date
129 incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated in
130 accordance with subsections 202(3)(B) and (3)(C) of the RRA. The Full Cost Rate includes actual
131 operation, maintenance, and replacement costs consistent with Section 426.2 of the Rules and
132 Regulations for the RRA;

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

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

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

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

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

152 regulation is promulgated that defines M&I Water or Irrigation Water or if Congress should enact a
153 law which defines M&I Water or Irrigation Water, such rule, regulation, or law shall supercede this
154 Article 1(o);

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

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

160 (r) Omitted;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

200 TERM OF CONTRACT

201 2. (a) This Contract shall be effective March 1, 20___, through February 28,
202 20___, and supercedes the Existing Contract. In the event the Contractor wishes to renew this
203 Contract beyond February 28, 20___, the Contractor shall submit a request for renewal in writing to
204 the Contracting Officer no later than two years prior to the date this Contract expires. The renewal

205 of this Contract insofar as it pertains to the furnishing of Irrigation Water to the Contractor shall be
206 governed by subdivision (b) of this Article, and the renewal of this Contract insofar as it pertains to
207 the furnishing of M&I Water to the Contractor shall be governed by subdivision (c) of this Article.

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

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

226 (3) The terms and conditions of the renewal contract described in
227 subdivision (b)(1) of this Article and any subsequent renewal contracts shall be developed
228 consistent with the parties' respective legal rights and obligations, and in consideration of all
229 relevant facts and circumstances, as those circumstances exist at the time of renewal, including,
230 without limitation, the Contractor's need for continued delivery of Project Water; environmental
231 conditions affected by implementation of the Contract to be renewed, and specifically changes in

232 those conditions that occurred during the life of the Contract to be renewed; the Secretary's progress
233 toward achieving the purposes of the CVPIA as set out in Section 3402 and in implementing the
234 specific provisions of the CVPIA; and current and anticipated economic circumstances of the region
235 served by the Contractor.

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

244 (d) The Contracting Officer shall make a determination ten years after the date of
245 execution of this Contract, and every five years thereafter during the term of this Contract, of
246 whether a conversion of the relevant portion of this Contract to a contract under subsection 9(d) of
247 the Reclamation Project Act of 1939 can be accomplished pursuant to the Act of July 2, 1956 (70
248 Stat. 483). The Contracting Officer shall also make a determination ten years after the date of
249 execution of this Contract and every five years thereafter during the term of this Contract of
250 whether a conversion of the relevant portion of this Contract to a contract under subsection 9(c)(1)
251 of the Reclamation Project Act of 1939 can be accomplished. Notwithstanding any provision of
252 this Contract, the Contractor reserves and shall have all rights and benefits under the Act of July 2,
253 1956 (70 Stat. 483). The Contracting Officer anticipates that during the term of this Contract, all
254 authorized Project construction expected to occur will have occurred, and on that basis the
255 Contracting Officer agrees upon such completion to allocate all costs that are properly assignable to
256 the Contractor, and agrees further that, at any time after such allocation is made, and subject to
257 satisfaction of the condition set out in this subdivision, this Contract shall, at the request of the
258 Contractor, be converted to a contract under subsection 9(d) or 9(c)(1), whichever is applicable, of

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

276 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

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

283 (b) Because the capacity of the Project to deliver Project Water has been
284 constrained in recent years and may be constrained in the future due to many factors including

285 hydrologic conditions and implementation of Federal and State laws, the likelihood of the
286 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this Article
287 in any given Year is uncertain. The Contracting Officer's modeling referenced in the PEIS
288 projected that the Contract Total set forth in this Contract will not be available to the Contractor in
289 many years. During the most recent five years, the Recent Historic Average of water made
290 available to the Contractor was 14,076 acre-feet of Irrigation and M&I Water. Nothing in
291 subdivision (b) of this Article shall affect the rights and obligations of the parties under any
292 provision of this Contract.

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

295 (d) The Contractor shall make reasonable and beneficial use of all water
296 furnished pursuant this Contract. Ground-water recharge programs (direct, indirect, or in lieu),
297 ground-water banking programs, surface water storage programs, and other similar programs
298 utilizing Project Water or other water furnished pursuant to this Contract conducted within the
299 Contractor's Service Area which are consistent with applicable State law and result in use
300 consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge
301 program(s) is (are) described in the Contractor's water conservation plan submitted pursuant to
302 Article 26 of this Contract; Provided, further, that such water conservation plan demonstrates
303 sufficient lawful uses exist in the Contractor's Service Area so that using a long-term average, the
304 quantity of Delivered Water is demonstrated to be reasonable for such uses and in compliance with
305 Federal Reclamation law. Ground-water recharge programs, ground-water banking programs,
306 surface water storage programs, and other similar programs utilizing Project Water or other water
307 furnished pursuant to this Contract conducted outside the Contractor's Service Area may be
308 permitted upon written approval of the Contracting Officer, which approval will be based upon
309 environmental documentation, Project Water rights, and Project operational concerns. The
310 Contracting Officer will address such concerns in regulations, policies, or guidelines.

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

321 (f) As soon as possible following each declaration of Water Made Available
322 under Article 4 of this Contract, the Contracting Officer will make a determination whether Project
323 Water, or other water available to the Project, can be made available to the Contractor in addition to
324 the Contract Total under Article 3 of this Contract during the Year without adversely impacting
325 other Project Contractors. At the request of the Contractor, the Contracting Officer will consult
326 with the Contractor prior to making such a determination. If the Contracting Officer determines
327 that Project Water, or other water available to the Project, can be made available to the Contractor,
328 the Contracting Officer will announce the availability of such water and shall so notify the
329 Contractor as soon as practical. The Contracting Officer will thereafter meet with the Contractor
330 and other Project Contractors capable of taking such water to determine the most equitable and
331 efficient allocation of such water. If the Contractor requests the delivery of any quantity of such
332 water, the Contracting Officer shall make such water available to the Contractor in accordance with
333 applicable statutes, regulations, guidelines, and policies.

334 (g) The Contractor may request permission to reschedule for use during the
335 subsequent Year some or all of the Water Made Available to the Contractor during the current Year,
336 referred to as "carryover." The Contractor may request permission to use during the current Year a

337 quantity of Project Water which may be made available by the United States to the Contractor
338 during the subsequent Year, referred to as “preuse.” The Contracting Officer’s written approval
339 may permit such uses in accordance with applicable statutes, regulations, guidelines, and policies.

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

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

351 (j) The Contracting Officer shall make reasonable efforts to protect the water
352 rights necessary for the Project and to provide the water available under this Contract. The
353 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the
354 extent permitted by law, in administrative proceedings related to the Project Water rights; Provided,
355 That the Contracting Officer retains the right to object to the substance of the Contractor’s position
356 in such a proceeding; Provided further, That in such proceedings the Contracting Officer shall
357 recognize the Contractor has a legal right under the terms of this Contract to use Project Water.

358 TIME FOR DELIVERY OF WATER

359 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer shall
360 announce the Contracting Officer’s expected declaration of the Water Made Available. Such
361 declaration will be expressed in terms of both Water Made Available and the Recent Historic
362 Average and will be updated monthly, and more frequently if necessary, based on then-current
363 operational and hydrologic conditions and a new declaration with changes, if any, to the Water

364 Made Available will be made. The Contracting Officer shall provide forecasts of Project operations
365 and the basis of the estimate, with relevant supporting information, upon the written request of the
366 Contractor. Concurrently with the declaration of the Water Made Available, the Contracting
367 Officer shall provide the Contractor with the updated Recent Historic Average.

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

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

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

382 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

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

388 (b) The Contracting Officer shall make all reasonable efforts to deliver Project
389 Water to the Contractor at the full design head of the aforementioned bifurcation valve less any

390 reductions in capacity or head caused by devices or systems owned installed, or utilized by the
391 Contractor which are not part of the Project Works.

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

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

404 (e) The Contracting Officer shall not be responsible for the control, carriage,
405 handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to this
406 Contract beyond the delivery points specified in subdivision (a) of this Article. The Contractor
407 shall indemnify the United States, its officers, employees, agents, and assigns on account of damage
408 or claim of damage of any nature whatsoever for which there is legal responsibility, including
409 property damage, personal injury, or death arising out of or connected with the control, carriage,
410 handling, use, disposal, or distribution of such Water Delivered beyond such delivery points, except
411 for any damage or claim arising out of (i) acts or omissions of the Contracting Officer or any of its
412 officers, employees, agents, or assigns with the intent of creating the situation resulting in any
413 damage or claim, (ii) willful misconduct of the Contracting Officer or any of its officers,
414 employees, agents, or assigns, (iii) negligence of the Contracting Officer or any of its officers,
415 employees, agents, or assigns or (iv) damage or claims resulting from a malfunction of facilities
416 owned and/or operated by the United States.

417 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

418 6. (a) The Contractor has established a measuring program satisfactory to the
419 Contracting Officer. The Contractor shall ensure that all surface water delivered for irrigation
420 purposes within the Contractor's Service Area is measured at each agricultural turnout and such
421 water delivered for M&I purposes is measured at each M&I service connection. The water
422 measuring devices or water measuring methods of comparable effectiveness must be acceptable to
423 the Contracting Officer. The Contractor shall be responsible for installing, operating, and
424 maintaining and repairing all such measuring devices and implementing all such water measuring
425 methods at no cost to the United States. The Contractor shall use the information obtained from
426 such water measuring devices or water measuring methods to ensure its proper management of the
427 water, to bill water users for water delivered by the Contractor; and, if applicable, to record water
428 delivered for M&I purposes by customer class as defined in the Contractor's water conservation
429 plan provided for in Article 26 of this Contract. Nothing herein contained, however, shall preclude
430 the Contractor from establishing and collecting any charges, assessments, or other revenues
431 authorized by California law. The Contractor shall include a summary of all its annual surface
432 water deliveries in the annual report described in subdivision (c) of Article 26.

433 (b) To the extent the information has not otherwise been provided, upon
434 execution of this Contract, the Contractor shall provide to the Contracting Officer a written report
435 describing the measurement devices or water measuring methods being used or to be used to
436 implement subdivision (a) of this Article and identifying the agricultural turnouts and the M&I
437 service connections or alternative measurement programs approved by the Contracting Officer, at
438 which such measurement devices or water measuring methods are being used, and, if applicable,
439 identifying the locations at which such devices and/or methods are not yet being used including a
440 time schedule for implementation at such locations. The Contracting Officer shall advise the
441 Contractor in writing within 60 days as to the adequacy and necessary modifications, if any, of the
442 measuring devices or water measuring methods identified in the Contractor's report and if the

443 Contracting Officer does not respond in such time, they shall be deemed adequate. If the
444 Contracting Officer notifies the Contractor that the measuring devices or methods are inadequate,
445 the parties shall within 60 days following the Contracting Officer's response, negotiate in good faith
446 the earliest practicable date by which the Contractor shall modify said measuring devices and/or
447 measuring methods as required by the Contracting Officer to ensure compliance with subdivision
448 (a) of this Article.

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

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

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

458 RATES AND METHOD OF PAYMENT FOR WATER

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

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

471 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
472 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
473 period October 1, of the current Calendar Year, through September 30, of the following Calendar
474 Year, and the basis for such estimate. The Contractor shall be allowed not less than two months to
475 review and comment on such estimates. On or before September 15 of each Calendar Year, the
476 Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during the
477 period October 1 of the current Calendar Year, through September 30, of the following Calendar
478 Year, and such notification shall revise Exhibit "B."

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

486 (c) At the time the Contractor submits the initial schedule for the delivery of
487 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractor
488 shall make an advance payment to the United States equal to the total amount payable pursuant to
489 the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water scheduled to be
490 delivered pursuant to this Contract during the first two calendar months of the Year. Before the end
491 of the first month and before the end of each calendar month thereafter, the Contractor shall make
492 an advance payment to the United States, at the Rate(s) set under subdivision (a) of this Article, for
493 the Water Scheduled to be delivered pursuant to this Contract during the second month immediately
494 following. Adjustments between advance payments for Water Scheduled and payments at Rates
495 due for Water Delivered shall be made before the end of the following month; Provided, That any

496 revised schedule submitted by the Contractor pursuant to Article 4 of this Contract which increases
497 the amount of Water Delivered pursuant to this Contract during any month shall be accompanied
498 with appropriate advance payment, at the Rates then in effect, to assure that Project Water is not
499 delivered to the Contractor in advance of such payment. In any month in which the quantity of
500 Water Delivered to the Contractor pursuant to this Contract equals the quantity of Water Scheduled
501 and paid for by the Contractor, no additional Project Water shall be delivered to the Contractor
502 unless and until an advance payment at the Rates then in effect for such additional Project Water is
503 made. Final adjustment between the advance payments for the Water Scheduled and payments for
504 the quantities of Water Delivered during each Year pursuant to this Contract shall be made as soon
505 as practicable, but no later than April 30th of the following Year, or 60 days after the delivery of
506 Project Water carried over under subdivision (g) of Article 3 of this Contract if such water is not
507 delivered by the last day of February.

508 (d) The Contractor shall also make a payment in addition to the Rate(s) in
509 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
510 appropriate Tiered Pricing Component then in effect, before the end of the month following the
511 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered
512 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be consistent
513 with the quantities of Irrigation Water and M&I Water Delivered as shown in the water delivery
514 report for the subject month prepared by the Contracting Officer. The water delivery report shall be
515 deemed a bill for the payment of Charges and the applicable Tiered Pricing Component for Water
516 Delivered. Adjustment for overpayment or underpayment of Charges shall be made through the
517 adjustment of payments due to the United States for Charges for the next month. Any amount to be
518 paid for past due payment of Charges and the Tiered Pricing Component shall be computed
519 pursuant to Article 20 of this Contract.

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

523 Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this Contract shall
524 be no more than the otherwise applicable Rate for Irrigation Water or M&I Water under subdivision
525 (a) of this Article.

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

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

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

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

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

550 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water
551 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the
552 Contract Total, shall equal one-half of the difference between the Rate established under
553 subdivision (a) of this Article and the Irrigation Full Cost Water Rate or M&I Full Cost Water Rate,
554 whichever is applicable. The Tiered Pricing Component for the amount of Water Delivered which
555 exceeds 90 percent of the Contract Total shall equal the difference between (i) the Rate established
556 under subdivision (a) of this Article and (ii) the Irrigation Full Cost Water Rate or M&I Full Cost
557 Water Rate, whichever is applicable. For all Water Delivered pursuant to subdivision (a) of Article
558 3 of this Contract which is in excess of 80 percent of the Contract Total, this increment shall be
559 deemed to be divided between Irrigation Water and M&I Water in the same proportion as actual
560 deliveries of each bear to the cumulative total Water Delivered.

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

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

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

582 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,
583 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates adjusted
584 upward or downward to reflect the changed costs, if any, incurred by the Contracting Officer in the
585 delivery of the transferred Project Water to the transferee's point of delivery in accordance with the
586 then applicable Project ratesetting policy. If the Contractor is receiving lower Rates and Charges
587 because of inability to pay and is transferring Project Water to another entity whose Rates and
588 Charges are not adjusted due to inability to pay, the Rates and Charges for transferred Project Water
589 shall be the Contractor's Rates and Charges and will not be adjusted to reflect the Contractor's
590 inability to pay.

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

593 (n) With respect to the Rates for M&I Water the Contractor asserts that it is not
594 legally obligated to pay any Project deficits claimed by the United States to have accrued as of the
595 date of this Contract or deficit-related interest charges thereon. By entering into this Contract, the
596 Contractor does not waive any legal rights or remedies that it may have with respect to such
597 disputed issues. Notwithstanding the execution of this Contract and payments made hereunder, the
598 Contractor may challenge in the appropriate administrative or judicial forums: (1) the existence,
599 computation, or imposition of any deficit charges accruing during the term of the Existing Contract
600 and any preceding interim renewal contracts, if applicable; (2) interest accruing on any such

601 deficits; (3) the inclusion of any such deficit charges or interest in the Rates; (4) the application by
602 the United States of payments made by the Contractor under its Existing Contract and any
603 preceding interim renewal contracts, if applicable; and (5) the application of such payments in the
604 Rates. The Contracting Officer agrees that the Contractor shall be entitled to the benefit of any
605 administrative or judicial ruling in favor of any Project M&I contractor on any of these issues, and
606 credits for payments heretofore made, Provided, That the basis for such ruling is applicable to the
607 Contractor.

608 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

609 8. The Contractor and the Contracting Officer concur that, as of the effective date of
610 this Contract, the Contractor has no non-interest bearing O&M deficits and shall have no further
611 liability 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
615 if 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 NEPA and ESA. Such environmental documentation should
621 include, as appropriate, an analysis of ground-water impacts and economic and social effects,
622 including environmental justice, of the proposed water transfers on both the transferor and
623 transferee.

624 (b) In order to facilitate efficient water management by means of water transfers
625 of the type historically carried out among Project Contractors located within the same geographical
626 area and to allow the Contractor to participate in an accelerated water transfer program during the
627 term of this Contract, the Contracting Officer shall prepare, as appropriate, all necessary

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

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

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

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

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

670 TEMPORARY REDUCTIONS--RETURN FLOWS

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

676 (b) The Contracting Officer may temporarily discontinue or reduce the quantity
677 of Water Delivered to the Contractor as herein provided for the purposes of investigation,
678 inspection, maintenance, repair, or replacement of any of the Project facilities or any part thereof

679 necessary for the delivery of Project Water to the Contractor, but so far as feasible the Contracting
680 Officer will give the Contractor due notice in advance of such temporary discontinuance or
681 reduction, except in case of emergency, in which case no notice need be given; Provided, That the
682 United States shall use its best efforts to avoid any discontinuance or reduction in such service.
683 Upon resumption of service after such reduction or discontinuance, and if requested by the
684 Contractor, the United States will, if possible, deliver the quantity of Project Water which would
685 have been delivered hereunder in the absence of such discontinuance or reduction.

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

692 CONSTRAINTS ON THE AVAILABILITY OF WATER

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

698 (b) If there is a Condition of Shortage because of errors in physical operations of the Project,
699 drought, other physical causes beyond the control of the Contracting Officer or actions taken by the
700 Contracting Officer to meet legal obligations then, except as provided in subdivision (a) of

701 Article 18 of this Contract, no liability shall accrue against the United States or any of its officers,
702 agents, or employees for any damage, direct or indirect, arising therefrom.

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

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

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

718 UNAVOIDABLE GROUND-WATER PERCOLATION

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

723

RULES AND REGULATIONS

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

728

WATER AND AIR POLLUTION CONTROL

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

732

QUALITY OF WATER

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

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

747 WATER ACQUIRED BY THE CONTRACTOR
748 OTHER THAN FROM THE UNITED STATES

749 17. (a) Water or water rights now owned or hereafter acquired by the Contractor
750 other than from the United States and Irrigation Water furnished pursuant to the terms of this
751 Contract may be simultaneously transported through the same distribution facilities of the
752 Contractor subject to the following: (i) if the facilities utilized for commingling Irrigation Water
753 and non-Project water were constructed without funds made available pursuant to Federal
754 Reclamation law, the provisions of Federal Reclamation law will be applicable only to the
755 Landholders of lands which receive Irrigation Water; (ii) the eligibility of land to receive Irrigation
756 Water must be established through the certification requirements as specified in the Acreage
757 Limitation Rules and Regulations (43 CFR Part 426); (iii) the water requirements of Eligible Lands
758 within the Contractor's Service Area can be established and the quantity of Irrigation Water to be
759 utilized is less than or equal to the quantity necessary to irrigate such Eligible Lands; and (iv) except
760 for the Distribution System owned by the Contractor, if the facilities utilized for commingling
761 Irrigation Water and non-Project water are/were constructed with funds made available pursuant to
762 Federal Reclamation law, the non-Project water will be subject to the acreage limitation provisions
763 of Federal Reclamation law, unless the Contractor pays to the United States the incremental fee
764 described in 43 CFR 426.15. In determining the incremental fee, the Contracting Officer will
765 calculate annually the cost to the Federal Government, including interest, on storing or delivering
766 non-Project water, which for purposes of this Contract shall be determined as follows: The quotient
767 shall be the unpaid Distribution System costs divided by the total irrigable acreage within the
768 Contractor's Service Area. The incremental fee per acre is the mathematical result of such quotient
769 times the interest rate determined using Section 202 (3) of the Act of October 12, 1982 (96 Stat.
770 1263). Such incremental fee will be charged to each acre of excess or full cost land within the
771 Contractor's Service Area that receives non-Project water through Federally financed or constructed
772 facilities. The incremental fee calculation methodology will continue during the term of this
773 Contract absent the promulgation of a contrary Reclamation-wide rule, regulation, or policy adopted

774 after the Contractor has been afforded the opportunity to review and comment on the proposed rule,
775 regulation, or policy. If such rule, regulation, or policy is adopted it shall supercede this provision.

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

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

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

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

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

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

806 OPINIONS AND DETERMINATIONS

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

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

821 COORDINATION AND COOPERATION

822 19. (a) In order to further their mutual goals and objectives, the Contracting Officer
823 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other
824 affected Project Contractors, in order to improve the operation and management of the Project. The
825 communication, coordination, and cooperation regarding operations and management shall include,
826 but not be limited to, any action which will or may materially affect the quantity or quality of
827 Project Water supply, the allocation of Project Water supply, and Project financial matters

828 including, but not limited to, budget issues. The communication, coordination, and cooperation
829 provided for hereunder shall extend to all provisions of this Contract. Each party shall retain
830 exclusive decision making authority for all actions, opinions, and determinations to be made by the
831 respective party.

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

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

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

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

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

850 (3.1) The Secretary and the Contractor desire to work together to maximize
851 the reasonable beneficial use of water for their mutual benefit. As a consequence, the Secretary and
852 the Contractor will work in partnership and with others in the region of the Redding Groundwater
853 Basin, including other Contractors in the Shasta and Trinity Divisions of the Project, to facilitate the
854 better integration with the region of the Redding Groundwater Basin of all water supplies including,

855 but not limited to, the better management and integration of surface water and groundwater,
856 transfers and exchanges of water, the development and better utilization of surface water storage,
857 the effective utilization of waste, seepage and return flow water, and other operational and
858 management options that may be identified in the future.

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

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

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

869 CHARGES FOR DELINQUENT PAYMENTS

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

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

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

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EQUAL OPPORTUNITY

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

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

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

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

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

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

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

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

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

931 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

944 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

945 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
946 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
947 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws,
948 as well as with their respective implementing regulations and guidelines imposed by the U.S.
949 Department of the Interior and/or Bureau of Reclamation.

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

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

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PRIVACY ACT COMPLIANCE

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

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

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

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

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

CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

25. In addition to all other payments to be made by the Contractor pursuant to this Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for such specific items of direct cost incurred by the United States for work requested by the Contractor associated with this Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies

996 and procedures. All such amounts referred to in this Article shall not exceed the amount agreed
997 to in writing in advance by the Contractor. This Article shall not apply to costs for routine
998 contract administration.

999 WATER CONSERVATION

1000 26. (a) Prior to the delivery of water provided from or conveyed through
1001 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor
1002 shall be implementing an effective water conservation and efficiency program based on the
1003 Contractor's water conservation plan that has been determined by the Contracting Officer to meet
1004 the conservation and efficiency criteria for evaluating water conservation plans established under
1005 Federal law. The water conservation and efficiency program shall contain definite water
1006 conservation objectives, appropriate economically feasible water conservation measures, and
1007 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this
1008 Contract shall be contingent upon the Contractor's continued implementation of such water
1009 conservation program. In the event the Contractor's water conservation plan or any revised water
1010 conservation plan completed pursuant to subdivision (d) of Article 26 of this Contract have not
1011 yet been determined by the Contracting Officer to meet such criteria, due to circumstances which
1012 the Contracting Officer determines are beyond the control of the Contractor, water deliveries
1013 shall be made under this Contract so long as the Contractor diligently works with the Contracting
1014 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
1015 immediately begins implementing its water conservation and efficiency program in accordance
1016 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
1019 implement the Best Management Practices identified by the time frames issued by the California
1020 Urban Water Conservation Council for such M&I Water unless any such practice is determined
1021 by the Contracting Officer to be inappropriate for the Contractor.

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

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

1031 (e) If the Contractor is engaged in direct ground-water recharge, such activity
1032 shall 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
1035 this Contract shall not be applicable to or affect non-Project water or water rights now owned or
1036 hereafter acquired by the Contractor or any user of such water within the Contractor's Service
1037 Area. Any such water shall not be considered Project Water under this Contract. In addition,
1038 this Contract shall not be construed as limiting or curtailing any rights which the Contractor or
1039 any water user within the Contractor's Service Area acquires or has available under any other
1040 contract pursuant to Federal Reclamation law.

1041 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

1042 28. Omitted.

1043 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1044 29. The expenditure or advance of any money or the performance of any obligation of
1045 the United States under this Contract shall be contingent upon appropriation or allotment of

1046 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any
1047 obligations under this Contract. No liability shall accrue to the United States in case funds are
1048 not appropriated or allotted.

1049 BOOKS, RECORDS, AND REPORTS

1050 30. (a) The Contractor shall establish and maintain accounts and other books and
1051 records pertaining to administration of the terms and conditions of this Contract, including: the
1052 Contractor's financial transactions, water supply data, and Project land and right-of-way
1053 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
1054 data; and other matters that the Contracting Officer may require. Reports thereon shall be
1055 furnished to the Contracting Officer in such form and on such date or dates as the Contracting
1056 Officer may require. Subject to applicable Federal laws and regulations, each party to this
1057 Contract shall have the right during office hours to examine and make copies of the other party's
1058 books and records relating to matters covered by this Contract.

1059 (b) Notwithstanding the provisions of subdivision (a) of this Article, no books,
1060 records, or other information shall be requested from the Contractor by the Contracting Officer
1061 unless such books, records, or information are reasonably related to the administration or
1062 performance of this Contract. Any such request shall allow the Contractor a reasonable period of
1063 time within which to provide the requested books, records, or information.

1064 (c) Omitted.

1065 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1066 31. (a) The provisions of this Contract shall apply to and bind the successors and
1067 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1068 therein shall be valid until approved in writing by the Contracting Officer.

1069 (b) The assignment of any right or interest in this Contract by either party
1070 shall not interfere with the rights or obligations of the other party to this Contract absent the
1071 written concurrence of said other party.

1072 (c) The Contracting Officer shall not unreasonably condition or withhold his
1073 approval of any proposed assignment.

1074 SEVERABILITY

1075 32. In the event that a person or entity who is neither (i) a party to a Project contract,
1076 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii)
1077 an association or other form of organization whose primary function is to represent parties to
1078 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or
1079 enforceability of a provision included in this Contract and said person, entity, association, or
1080 organization obtains a final court decision holding that such provision is legally invalid or
1081 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s),
1082 the parties to this Contract shall use their best efforts to (i) within 30 days of the date of such
1083 final court decision identify by mutual agreement the provisions in this Contract which must be
1084 revised, and (ii) within three months thereafter promptly agree on the appropriate revision(s).
1085 The time periods specified above may be extended by mutual agreement of the parties. Pending
1086 the completion of the actions designated above, to the extent it can do so without violating any
1087 applicable provisions of law, the United States shall continue to make the quantities of Project
1088 Water specified in this Contract available to the Contractor pursuant to the provisions of this
1089 Contract which were not found to be legally invalid or unenforceable in the final court decision.

1090 RESOLUTION OF DISPUTES

1091 33. Should any dispute arise concerning any provisions of this Contract, or the
1092 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to
1093 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting
1094 Officer referring any matter to Department of Justice, the party shall provide to the other party
1095 30 days' written notice of the intent to take such action; Provided, That such notice shall not be
1096 required where a delay in commencing an action would prejudice the interests of the party that
1097 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer
1098 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,
1099 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the
1100 United States may have.

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OFFICIALS NOT TO BENEFIT

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

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CHANGES IN CONTRACTOR'S SERVICE AREA

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

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(b) Within 30 days of receipt of a request for such a change, the Contracting

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Officer will notify the Contractor of any additional information required by the Contracting

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Officer for processing said request, and both parties will meet to establish a mutually agreeable

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schedule for timely completion of the process. Such process will analyze whether the proposed

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change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract;

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(ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or

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to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii)

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have an impact on any Project Water rights applications, permits, or licenses. In addition, the

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Contracting Officer shall comply with the NEPA and the ESA. The Contractor will be

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responsible for all costs incurred by the Contracting Officer in this process, and such costs will

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be paid in accordance with Article 25 of this Contract.

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FEDERAL LAWS

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36. By entering into this Contract, the Contractor does not waive its rights to contest

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the validity or application in connection with the performance of the terms and conditions of this

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Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with

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the terms and conditions of this Contract unless and until relief from application of such Federal

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law or regulation to the implementing provision of the Contract is granted by a court of

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competent jurisdiction.

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NOTICES

1128 37. Any notice, demand, or request authorized or required by this Contract shall be
1129 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
1130 delivered to the Area Manager, Bureau of Reclamation, Northern California Area Office, 16349
1131 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United States, when
1132 mailed, postage prepaid, or delivered to the Board of Directors of the Clear Creek Community
1133 Services District, 5880 Oak Street, Anderson, California 96007. The designation of the
1134 addressee or the address may be changed by notice given in the same manner as provided in this
1135 Article for other notices.

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CONFIRMATION OF CONTRACT

1137 38. The Contractor, after the execution of this Contract, shall promptly seek to secure
1138 a decree of a court of competent jurisdiction of the State of California, confirming the execution
1139 of this Contract. The Contractor shall furnish the United States a certified copy of the final
1140 decree, the validation proceedings, and all pertinent supporting records of the court approving
1141 and confirming this Contract, and decreeing and adjudging it to be lawful, valid, and binding on
1142 the Contractor.

1143

AMENDATORY CONTRACT

1144 39. The parties hereto acknowledge and agree that Part A (i.e., Articles 2 through 10)
1145 of Contract No. 14-06-200-489-A, is replaced by this Contract. The respective duties, covenants
1146 and obligations of the parties in Contract No. 14-06-200-489-A which are not replaced by this
1147 Contract be unaffected as if Part A had not been replaced. By mutual agreement of the parties
1148 the remainder of Contract No. 14-06-200-489-A, exclusive of Part A thereof, may be amended
1149 by negotiation and execution of an amendatory contract, if any..

1150 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of
1151 the day and year first above written.

1152 THE UNITED STATES OF AMERICA

1153 By: _____
1154 Regional Director, Mid-Pacific Region
1155 Bureau of Reclamation

1156 CLEAR CREEK COMMUNITY
1157 SERVICES DISTRICT

1158 By: _____
1159 President of the Board of Directors

1160 Attest:

1161 By: _____
1162 Secretary of the Board of Directors

1163 (I:\LTRC\DRAFT LTRC'S\Clear Creek 06-18-2004 Clear Creek Final LTRC Draft
1164 Contract.doc)

EXHIBIT A

[Map or Description of Contractor's Service Area]

EXHIBIT B
[Initial Rates and Charges]
2004 Water Rates and Charges for Interim Renewal Contract No. 14-06-200-489-A-IR9
Clear Creek Community Services District - Clear Creek Unit

	<u>Cost of Service</u>		<u>Calculated</u>
	<u>Irrigation</u>	<u>M&I</u>	<u>Payment Capacity 1/ Irrigation</u>
<u>COST OF SERVICE RATES:</u>			
Capital Rates	\$ 9.48	\$18.04	\$ 0.00
O&M Rates:			
Water Marketing	7.59	5.01	7.59
Storage	5.83	6.38	5.83
Deficit Rates:			
Interest Bearing	0.00	16.75	0.00
CFO/PFR Adjustment Rate 3/	<u>2.01</u>	<u>2.15</u>	<u>2.01</u>
TOTAL	<u>\$24.91</u>	<u>\$48.33</u>	<u>\$15.43</u>

IRRIGATION FULL-COST RATES:

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

	<u>\$33.88</u>	<u>\$33.88</u>
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Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.

	<u>\$41.48</u>	<u>\$41.48</u>
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M&I FULL COST RATE:

\$62.14

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

Restoration Payments (3407(d)(2)(A))	<u>\$ 7.82</u>	<u>\$15.64</u>	<u>\$ 0.00</u>
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1/ Established pursuant to the results of the Payment Capacity Analysis for the Clear Creek CSD and Bella Vista WD as announced by letter dated October 2, 1996.

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

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

EXHIBIT C

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

A. Objective:

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

B. Focus:

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

C. Criteria to consider:

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

D. Decision:

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

at the Rates for Irrigation Water. If the landholder but not the purpose of use has changed after the survey was completed but prior to execution of this Contract, those landholders will not be required to submit a new application requesting Project Water at the Rates for Irrigation Water. The Contractor will require a new application requesting Project Water at the Rates for Irrigation Water when there is a change in ownership of any of those landholdings after the date of execution of this Contract.

E. Review:

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

F. Documentation:

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