

M&I Only  
 R. O. CVP-Wide Draft 4/19-2004  
 Shasta CSD Draft 3/01-2004  
 Shasta CSD Draft 7/22-2003  
 Shasta CSD Draft 7/18-2003  
 Shasta CSD Draft 6/26-2003  
 Shasta/Trinity Division Draft 6/16-2003  
 CVP-Wide Draft 5/23-2003  
 Contract No.  
 14-06-200-862A-LTR1

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

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

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Exhibit A – Map of Contractor's Service Area

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5 LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES  
6 AND  
7 SHASTA COMMUNITY SERVICES DISTRICT  
8 PROVIDING FOR PROJECT WATER SERVICE  
9 FROM THE TRINITY RIVER DIVISION

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

20 WITNESSETH, That:

21 EXPLANATORY RECITALS

22 [1<sup>st</sup>] WHEREAS, the United States has constructed and is operating the Central Valley  
23 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for  
24 flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection

25 and restoration, generation and distribution of electric energy, salinity control, navigation and  
26 other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River,  
27 and the San Joaquin River and their tributaries; and

28 [2<sup>nd</sup>] WHEREAS, the United States constructed the Spring Creek Power Conduit  
29 which will be used in the furnishing of water to the Contractor pursuant to the terms of this  
30 Contract; and

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

33 [4<sup>th</sup>] WHEREAS, the Contractor and the United States entered into Contract  
34 No. 14-06-200-862A which established terms for the delivery to the Contractor of Central Valley  
35 Project Water from the Trinity River Division from March 25, 1964, through December 31,  
36 2003; and

37 [5<sup>th</sup>] WHEREAS, the Contractor and the United States have pursuant to subsection  
38 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into  
39 interim renewal contract(s) identified as Contract No(s). 14-06-200-862A-IR1 and 14-06-200-  
40 862A-IR2, the current of which is hereinafter referred to as the Existing Contract, which  
41 provided for the continued water service to the Contractor from March 1, 2004, through  
42 February 28, 2006; and

43 [6<sup>th</sup>] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the  
44 Existing Contract following completion of appropriate environmental documentation, including a  
45 programmatic environmental impact statement (PEIS) pursuant to the National Environmental  
46 Policy Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the  
47 CVPIA and the potential renewal of all existing contracts for Project Water; and

48 [7<sup>th</sup>] WHEREAS, the United States has completed the PEIS and all other appropriate  
49 environmental review necessary to provide for long-term renewal of the Existing Contract; and

50 [8<sup>th</sup>] WHEREAS, the Contractor has requested the long-term renewal of the Existing  
51 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws  
52 of the State of California, for water service from the Project; and

53 [9<sup>th</sup>] WHEREAS, the United States has determined that the Contractor has fulfilled all  
54 of its obligations under the Existing Contract; and

55 [10<sup>th</sup>] WHEREAS, the Contractor has demonstrated to the satisfaction of the  
56 Contracting Officer that the Contractor has utilized the Project Water supplies available to it for  
57 reasonable and beneficial use and/or has demonstrated projected future demand for water use  
58 such that the Contractor has the capability and expects to utilize fully for reasonable and  
59 beneficial use the quantity of Project Water to be made available to it pursuant to this Contract;  
60 and

61 [11<sup>th</sup>] WHEREAS, water obtained from the Project has been relied upon by urban and  
62 agricultural areas within California for more than 50 years, and is considered by the Contractor  
63 as an essential portion of its water supply; and

64 [12<sup>th</sup>] WHEREAS, the economies of regions within the Project, including the  
65 Contractor's, depend upon the continued availability of water, including water service from the  
66 Project; and

67 [12.1] WHEREAS, Contractor has made and will continue to make substantial capital  
68 investments in diversion and treatment facilities, and requires a consistent, predictable quality of  
69 raw water in order to meet Safe Drinking Water Act requirements for its municipal customers,  
70 and to provide a consistent and predictable quality of water for its industrial customers; and

71 [13<sup>th</sup>] WHEREAS, the Secretary intends through coordination, cooperation, and  
72 partnerships to pursue measures to improve water supply, water quality, and reliability of the  
73 Project for all Project purposes; and

74 [13.1] WHEREAS, the Contractor is located in the region of the Redding Groundwater  
75 Basin, and it is the desire of both the United States and the Contractor to facilitate the

76 cooperative efforts of local water service agencies to develop the Redding Groundwater Basin  
77 for conjunctive management and use with Project Water supplies, to maximize the reasonable  
78 beneficial use of water for the water service agencies and their customers in the region; and

79 [14<sup>th</sup>] WHEREAS, the mutual goals of the United States and the Contractor include: to  
80 provide for reliable Project Water supplies; to control costs of those supplies; to achieve  
81 repayment of the Project as required by law; to guard reasonably against Project Water  
82 shortages; to achieve a reasonable balance among competing demands for use of Project Water;  
83 and to comply with all applicable environmental statutes, all consistent with the legal obligations  
84 of the United States relative to the Project; and

85 [15<sup>th</sup>] WHEREAS, the parties intend by this Contract to develop a more cooperative  
86 relationship in order to achieve their mutual goals; and

87 [16<sup>th</sup>] WHEREAS, the United States and the Contractor are willing to enter into this  
88 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

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

91 DEFINITIONS

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

94 (a) “Calendar Year” shall mean the period January 1 through December 31,  
95 both dates inclusive;

96 (b) “Charges” shall mean the payments required by Federal Reclamation law  
97 in addition to the Rates and Tiered Pricing Component specified in this Contract as determined  
98 annually by the Contracting Officer pursuant to this Contract;

99 (c) “Condition of Shortage” shall mean a condition respecting the Project  
100 during any Year such that the Contracting Officer is unable to deliver sufficient water to meet the  
101 Contract Total;

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

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

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

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

113 (h) Omitted;

114 (i) Omitted;

115 (j) "Full Cost Rate" shall mean an annual rate as determined by the  
116 Contracting Officer that shall amortize the expenditures for construction properly allocable to the  
117 Project irrigation or M&I functions, as appropriate, of facilities in service including all O&M  
118 deficits funded, less payments, over such periods as may be required under Federal Reclamation  
119 law, or applicable contract provisions. Interest will accrue on both the construction expenditures  
120 and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the  
121 date incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated  
122 in accordance with subsections 202(3)(B) and (3)(C) of the Reclamation Reform Act of  
123 October 12, 1982 (96 Stat. 1263), as amended, hereinafter referred to as RRA. The Full Cost  
124 Rate includes actual operation, maintenance, and replacement costs consistent with Section 426.2  
125 of the Rules and Regulations for the RRA;

126 (k) Omitted;

127 (l) Omitted;

- 128 (m) Omitted;
- 129 (n) Omitted;
- 130 (o) “Municipal and Industrial (M&I) Water” shall mean Project Water made  
131 available to the Contractor for purposes other than the commercial production of agricultural  
132 crops or livestock;
- 133 (p) “M&I Full Cost Water Rate” shall mean the Full Cost Rate applicable to  
134 the delivery of M&I Water;
- 135 (q) “Operation and Maintenance” or “O&M” shall mean normal and  
136 reasonable care, control, operation, repair, replacement (other than capital replacement), and  
137 maintenance of Project facilities;
- 138 (r) Omitted;
- 139 (s) “Project” shall mean the Central Valley Project owned by the United  
140 States and managed by the Department of the Interior, Bureau of Reclamation;
- 141 (t) “Project Contractors” shall mean all parties who have water service  
142 contracts for Project Water from the Project with the United States pursuant to Federal  
143 Reclamation law;
- 144 (u) “Project Water” shall mean all water that is developed, diverted, stored, or  
145 delivered by the Secretary in accordance with the statutes authorizing the Project and in  
146 accordance with the terms and conditions of water rights acquired pursuant to California law;
- 147 (v) “Rates” shall mean the payments determined annually by the Contracting  
148 Officer in accordance with the then-current applicable water ratesetting policies for the Project,  
149 as described in subdivision (a) of Article 7 of this Contract;
- 150 (w) “Recent Historic Average” shall mean the most recent five-year average of  
151 the final forecast of Water Made Available to the Contractor pursuant to this Contract or its  
152 preceding contract(s);

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

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

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

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

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

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

169 TERM OF CONTRACT

170 2. (a) This Contract shall be effective March 1, 20\_\_\_, through February 28,  
171 20\_\_\_, and supercedes the Existing Contract. In the event the Contractor wishes to renew this  
172 Contract beyond February 28, 20\_\_\_, the Contractor shall submit a request for renewal in writing  
173 to the Contracting Officer no later than two years prior to the date this Contract expires.

174 (b) Omitted.

175 (c) This Contract shall be renewed for successive periods of up to 40 years  
176 each, which periods shall be consistent with then-existing Reclamation-wide policy, under terms  
177 and conditions mutually agreeable to the parties and consistent with Federal and State law. The  
178 Contractor shall be afforded the opportunity to comment to the Contracting Officer on the

179 proposed adoption and application of any revised policy applicable to the delivery of M&I Water  
180 that would limit the term of any subsequent renewal contract with the Contractor for the  
181 furnishing of M&I Water to less than 40 years.

182 (d) The Contracting Officer shall make a determination ten years after the  
183 date of execution of this Contract, and every five years thereafter during the term of this  
184 Contract, of whether a conversion to a contract under said subsection (c)(1) of Section 9 of the  
185 Reclamation Project Act of 1939 can be accomplished. The Contracting Officer anticipates that  
186 during the term of this Contract, all authorized Project construction expected to occur will have  
187 occurred, and on that basis the Contracting Officer agrees upon such completion to allocate all  
188 costs that are properly assignable to the Contractor, and agrees further that, at any time after such  
189 allocation is made, and subject to satisfaction of the condition set out in this subdivision, this  
190 Contract shall, at the request of the Contractor, be converted to a contract under said subsection  
191 9(c)(1), of the Reclamation Project Act of 1939, subject to applicable Federal law and under  
192 stated terms and conditions mutually agreeable to the Contractor and the Contracting Officer. A  
193 condition for such conversion to occur shall be a determination by the Contracting Officer that,  
194 account being taken of the amount credited to return by the Contractor as provided for under  
195 Federal Reclamation law, the remaining amount of construction costs assignable for ultimate  
196 return by the Contractor can probably be repaid to the United States within the term of a contract  
197 under said subsection 9(c)(1). If the remaining amount of costs that are properly assignable to  
198 the Contractor cannot be determined during the term of this Contract, the Contracting Officer  
199 shall notify the Contractor, and provide the reason(s) why such a determination could not be  
200 made. Further, the Contracting Officer shall make such a determination as soon thereafter as  
201 possible so as to permit, upon request of the Contractor and satisfaction of the condition set out

202 above, conversion to a contract under said subsection 9(c)(1). In the event such determination of  
203 costs has not been made at a time which allows conversion of this Contract during the term of  
204 this Contract or the Contractor has not requested conversion of this Contract within such term,  
205 the parties shall incorporate in any subsequent renewal contract as described in subdivision (b) of  
206 this Article a provision that carries forth in substantially identical terms the provisions of this  
207 subdivision.

208 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

209 3. (a) During each Year, consistent with all applicable State water rights,  
210 permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of  
211 this Contract, the Contracting Officer shall make available for delivery to the Contractor 1,000  
212 acre-feet of Project Water for M&I purposes. Provided, That in no event shall the United States,  
213 at any time, be obligated to furnish water at the point or points of delivery at a rate in excess of  
214 1,750 gallons per minute. The United States shall not be responsible for the furnishing of water  
215 at heads or pressures sufficient to deliver water into or through the Contractor's facilities. Water  
216 Delivered to the Contractor in accordance with this subdivision shall be scheduled and paid for  
217 pursuant to the provisions of Articles 4 and 7 of this Contract.

218 (b) Because the capacity of the Project to deliver Project Water has been  
219 constrained in recent years and may be constrained in the future due to many factors including  
220 hydrologic conditions and implementation of Federal and State laws, the likelihood of the  
221 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this  
222 Article in any given Year is uncertain. The Contracting Officer's modeling referenced in the  
223 PEIS projected that the Contract Total set forth in this Contract will not be available to the  
224 Contractor in many years. During the most recent five years, the Recent Historic Average of  
225 water made available to the Contractor was 920 acre-feet. Nothing in subdivision (b) of this  
226 Article shall affect the rights and obligations of the parties under any provision of this Contract.

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

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

246 (e) The Contractor shall comply with requirements applicable to the  
247 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution  
248 of this Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA),  
249 as amended, that are within the Contractor's legal authority to implement. The Existing  
250 Contract, which evidences in excess of 39 years of diversions for M&I purposes of the quantities  
251 of water provided in subdivision (a) of Article 3 of this Contract, will be considered in  
252 developing an appropriate baseline for biological assessment(s) prepared pursuant to the ESA,

253 and any other needed environmental review. Nothing herein shall be construed to prevent the  
254 Contractor from challenging or seeking judicial relief in a court of competent jurisdiction with  
255 respect to any biological opinion or other environmental documentation referred to in this  
256 Article.

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

270 (g) The Contractor may request permission to reschedule for use during the  
271 subsequent Year some or all of the Water Made Available to the Contractor during the current  
272 Year, referred to as “carryover.” The Contractor may request permission to use during the  
273 current Year a quantity of Project Water which may be made available by the United States to  
274 the Contractor during the subsequent Year, referred to as “preuse.” The Contracting Officer’s  
275 written approval may permit such uses in accordance with applicable statutes, regulations,  
276 guidelines, and policies.

277 (h) The Contractor’s right pursuant to Federal Reclamation law and applicable  
278 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract

279 during the term thereof and any subsequent renewal contracts, as described in Article 2 of this  
280 Contract, during the terms thereof shall not be disturbed so long as the Contractor shall fulfill all  
281 of its obligations under this Contract and any renewals thereof. Nothing in the preceding  
282 sentence shall affect the Contracting Officer's ability to impose shortages under Article 11 or  
283 subdivision (b) of Article 12 of this Contract or applicable provisions of any subsequent renewal  
284 contracts.

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

288 (j) The Contracting Officer shall make reasonable efforts to protect the water  
289 rights necessary for the Project and to provide the water available under this Contract. The  
290 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the  
291 extent permitted by law, in administrative proceedings related to the Project Water rights;  
292 Provided, That the Contracting Officer retains the right to object to the substance of the  
293 Contractor's position in such a proceeding; Provided further, That in such proceedings the  
294 Contracting Officer shall recognize the Contractor has a legal right under the terms of this  
295 Contract to use Project Water.

296 TIME FOR DELIVERY OF WATER

297 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer  
298 shall announce the Contracting Officer's expected declaration of the Water Made Available.  
299 Such declaration will be expressed in terms of both Water Made Available and the Recent  
300 Historic Average and will be updated monthly, and more frequently if necessary, based on then-  
301 current operational and hydrologic conditions and a new declaration with changes, if any, to the  
302 Water Made Available will be made. The Contracting Officer shall provide forecasts of Project  
303 operations and the basis of the estimate, with relevant supporting information, upon the written

304 request of the Contractor. Concurrently with the declaration of the Water Made Available, the  
305 Contracting Officer shall provide the Contractor with the updated Recent Historic Average.

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

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

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

321 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

322 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this  
323 Contract shall be delivered to the Contractor at the downstream end of the metering equipment  
324 installed by the United States at Station 98+60 of the Spring Creek Power Conduit and any  
325 additional point or points of delivery either on Project facilities or another location or locations  
326 mutually agreed to in writing by the Contracting Officer and the Contractor.

327 (b) Omitted.

328 (c) Omitted.

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

337           (e)     (1)    All pumps, pipelines, storage tanks, distribution lines, and other  
338 facilities, hereinafter referred to as the facilities, required to take, convey, and distribute water to  
339 the water users served by the Contractor shall be constructed or installed by the Contractor at its  
340 sole expense. Operation and maintenance of the facilities and the expense thereof also shall be  
341 the sole responsibility of the Contractor. The facilities may be installed, operated, and  
342 maintained on or across property of the United States in the area of the turnout(s) described in  
343 subdivision (a) of this Article subject to such restrictions and regulations as to location, method  
344 of installation, and operation and maintenance as may be promulgated by the Contracting  
345 Officer.

346           (e)     (2)    The Contracting Officer shall not be responsible for the control,  
347 carriage, handling, use, disposal, or distribution of Water Delivered to the Contractor pursuant to  
348 this Contract beyond the delivery points specified in subdivision (a) of this Article. The  
349 Contractor shall indemnify the United States, its officers, employees, agents, and assigns on  
350 account of damage or claim of damage of any nature whatsoever for which there is legal  
351 responsibility, including property damage, personal injury, or death arising out of or connected  
352 with the control, carriage, handling, use, disposal, or distribution of such Water Delivered  
353 beyond such delivery points, except for any damage or claim arising out of (i) acts or omissions  
354 of the Contracting Officer or any of its officers, employees, agents, or assigns, with the intent of

355 creating the situation resulting in any damage or claim, (ii) willful misconduct of the Contracting  
356 Officer or any of its officers, employees, agents, or assigns, (iii) negligence of the Contracting  
357 Officer or any of its officers, employees, agents, or assigns, or (iv) damage or claims resulting  
358 from a malfunction of facilities owned and/or operated by the United States.

359 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

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

374 (b) To the extent the information has not otherwise been provided, upon  
375 execution of this Contract, the Contractor shall provide to the Contracting Officer a written  
376 report describing the measurement devices or water measuring methods being used or to be used  
377 to implement subdivision (a) of this Article and identifying the M&I service connections or  
378 alternative measurement programs approved by the Contracting Officer, at which such  
379 measurement devices or water measuring methods are being used, and, if applicable, identifying  
380 the locations at which such devices and/or methods are not yet being used including a time

381 schedule for implementation at such locations. The Contracting Officer shall advise the  
382 Contractor in writing within 60 days as to the adequacy and necessary modifications, if any, of  
383 the measuring devices or water measuring methods identified in the Contractor's report and if the  
384 Contracting Officer does not respond in such time, they shall be deemed adequate. If the  
385 Contracting Officer notifies the Contractor that the measuring devices or methods are  
386 inadequate, the parties shall within 60 days following the Contracting Officer's response,  
387 negotiate in good faith the earliest practicable date by which the Contractor shall modify said  
388 measuring devices and/or measuring methods as required by the Contracting Officer to ensure  
389 compliance with subdivision (a) of this Article.

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

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

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

#### 398 RATES AND METHOD OF PAYMENT FOR WATER

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

407 Component applicable to the Contractor upon execution of this Contract are set forth in Exhibit  
408 “B,” as may be revised annually.

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

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

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

426 (c) At the time the Contractor submits the initial schedule for the delivery of  
427 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the  
428 Contractor shall make an advance payment to the United States equal to the total amount payable  
429 pursuant to the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water  
430 scheduled to be delivered pursuant to this Contract during the first two calendar months of the  
431 Year. Before the end of the first month and before the end of each calendar month thereafter, the  
432 Contractor shall make an advance payment to the United States, at the Rate(s) set under

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

449 (d) The Contractor shall also make a payment in addition to the Rate(s) in  
450 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the  
451 appropriate Tiered Pricing Component then in effect, before the end of the month following the  
452 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered  
453 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be  
454 consistent with the quantities of M&I Water Delivered as shown in the water delivery report for  
455 the subject month prepared by the Contracting Officer. The water delivery report shall be  
456 deemed a bill for the payment of Charges and the applicable Tiered Pricing Component for  
457 Water Delivered. Adjustment for overpayment or underpayment of Charges shall be made  
458 through the adjustment of payments due to the United States for Charges for the next month.

459 Any amount to be paid for past due payment of Charges and the Tiered Pricing Component shall  
460 be computed pursuant to Article 20 of this Contract.

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

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

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

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

481 (i) The parties acknowledge and agree that the efficient administration of this  
482 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,  
483 policies, and procedures used for establishing Rates, Charges, and the Tiered Pricing  
484 Component, and/or for making and allocating payments, other than those set forth in this Article

485 may be in the mutual best interest of the parties, it is expressly agreed that the parties may enter  
486 into agreements to modify the mechanisms, policies, and procedures for any of those purposes  
487 while this Contract is in effect without amending this Contract.

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

498 (2) Omitted.

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

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

510 Contracting Officer has provided the Contractor an opportunity to discuss the nature, need, and  
511 impact of the proposed change.

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

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

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

536 M&I contractor on any of these issues, and credits for payments theretofore made, Provided,  
537 That the basis for such ruling is applicable to the Contractor.

538 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

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

542 SALES, TRANSFERS, OR EXCHANGES OF WATER

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

554 (b) In order to facilitate efficient water management by means of water  
555 transfers of the type historically carried out among Project Contractors located within the same  
556 geographical area and to allow the Contractor to participate in an accelerated water transfer  
557 program during the term of this Contract, the Contracting Officer shall prepare, as appropriate,  
558 all necessary environmental documentation including, but not limited to documents prepared  
559 pursuant to NEPA and ESA, analyzing annual transfers within such geographical areas, and the  
560 Contracting Officer shall determine whether such transfers comply with applicable law.  
561 Following the completion of the environmental documentation, such transfers addressed in such

562 documentation shall be conducted with advance notice to the Contracting Officer, but shall not  
563 require prior written approval by the Contracting Officer. Such environmental documentation  
564 and the Contracting Officer's compliance determination shall be reviewed every five years and  
565 updated, as necessary, prior to the expiration of the then-existing five-year period. All  
566 subsequent environmental documentation shall include an alternative to evaluate not less than the  
567 quantity of Project Water historically transferred within the same geographical area.

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

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

#### 585 APPLICATION OF PAYMENTS AND ADJUSTMENTS

586 10. (a) The amount of any overpayment by the Contractor of the Contractor's  
587 O&M, capital, and deficit (if any) obligations for the Year shall be applied first to any current

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

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

602 TEMPORARY REDUCTIONS--RETURN FLOWS

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

608 (b) The Contracting Officer may temporarily discontinue or reduce the  
609 quantity of Water Delivered to the Contractor as herein provided for the purposes of  
610 investigation, inspection, maintenance, repair, or replacement of any of the Project facilities or  
611 any part thereof necessary for the delivery of Project Water to the Contractor, but so far as  
612 feasible the Contracting Officer will give the Contractor due notice in advance of such temporary  
613 discontinuance or reduction, except in case of emergency, in which case no notice need be given;

614 Provided, That the United States shall use its best efforts to avoid any discontinuance or  
615 reduction in such service. Upon resumption of service after such reduction or discontinuance,  
616 and if requested by the Contractor, the United States will, if possible, deliver the quantity of  
617 Project Water which would have been delivered hereunder in the absence of such discontinuance  
618 or reduction.

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

625 CONSTRAINTS ON THE AVAILABILITY OF WATER

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

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

636 (c) Omitted.

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

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

647 UNAVOIDABLE GROUNDWATER PERCOLATION

648 13. Omitted.

649 RULES AND REGULATIONS

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

654 WATER AND AIR POLLUTION CONTROL

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

659 QUALITY OF WATER

660 16. (a) Project facilities used to deliver Project Water to the Contractor pursuant  
661 to this Contract shall be operated and maintained to enable the United States to deliver Project  
662 Water to the Contractor in accordance with the water quality standards specified in subsection  
663 2(b) of the Act of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of  
664 October 27, 1986 (100 Stat. 3050) or other existing Federal laws. The United States is under no  
665 obligation to construct or furnish water treatment facilities to maintain or to improve the quality

666 of Water Delivered to the Contractor pursuant to this Contract. The United States does not  
667 warrant the quality of Water Delivered to the Contractor pursuant to this Contract.

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

675 WATER ACQUIRED BY THE CONTRACTOR  
676 OTHER THAN FROM THE UNITED STATES

677 17. (a) Omitted.

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

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

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

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

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

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

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

#### 709 OPINIONS AND DETERMINATIONS

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

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

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

725 COORDINATION AND COOPERATION

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

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

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

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

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

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

755 (3.1) The Secretary and the Contractor desire to work together to  
756 maximize the reasonable beneficial use of water for their mutual benefit. As a consequence, the  
757 Secretary and the Contractor will work in partnership and with others in the region of the  
758 Redding Groundwater Basin, including other Contractors in the Shasta and Trinity Divisions of  
759 the Project, to facilitate the better integration with the region of the Redding Groundwater Basin  
760 of all water supplies including, but not limited to, the better management and integration of  
761 surface water and groundwater, transfers and exchanges of water, the development and better  
762 utilization of surface water storage, the effective utilization of waste, seepage and return flow  
763 water, and other operational and management options that may be identified in the future.

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

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

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

774 CHARGES FOR DELINQUENT PAYMENTS

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

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

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

792 EQUAL OPPORTUNITY

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

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

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

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

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

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

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

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

838 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

851 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

852 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964  
853 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the  
854 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights  
855 laws, as well as with their respective implementing regulations and guidelines imposed by the  
856 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

871 PRIVACY ACT COMPLIANCE

872 24. Omitted.

873 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

874 25. In addition to all other payments to be made by the Contractor pursuant to this  
875 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and  
876 detailed statement submitted by the Contracting Officer to the Contractor for such specific items  
877 of direct cost incurred by the United States for work requested by the Contractor associated with

878 this Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies  
879 and procedures. All such amounts referred to in this Article shall not exceed the amount agreed  
880 to in writing in advance by the Contractor. This Article shall not apply to costs for routine  
881 contract administration.

882 WATER CONSERVATION

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

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

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

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

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

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

916 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

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

924 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

925 28. Omitted.

926 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

927 29. The expenditure or advance of any money or the performance of any obligation of  
928 the United States under this Contract shall be contingent upon appropriation or allotment of  
929 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any

930 obligations under this Contract. No liability shall accrue to the United States in case funds are  
931 not appropriated or allotted.

932 BOOKS, RECORDS, AND REPORTS

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

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

947 (c) Omitted.

948 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

957 SEVERABILITY

958 32. In the event that a person or entity who is neither (i) a party to a Project contract,  
959 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii)  
960 an association or other form of organization whose primary function is to represent parties to  
961 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or

962 enforceability of a provision included in this Contract and said person, entity, association, or  
963 organization obtains a final court decision holding that such provision is legally invalid or  
964 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s),  
965 the parties to this Contract shall use their best efforts to (i) within 30 days of the date of such  
966 final court decision identify by mutual agreement the provisions in this Contract which must be  
967 revised, and (ii) within three months thereafter promptly agree on the appropriate revision(s).  
968 The time periods specified above may be extended by mutual agreement of the parties. Pending  
969 the completion of the actions designated above, to the extent it can do so without violating any  
970 applicable provisions of law, the United States shall continue to make the quantities of Project  
971 Water specified in this Contract available to the Contractor pursuant to the provisions of this  
972 Contract which were not found to be legally invalid or unenforceable in the final court decision.

973 RESOLUTION OF DISPUTES

974 33. Should any dispute arise concerning any provisions of this Contract, or the  
975 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to  
976 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting  
977 Officer referring any matter to Department of Justice, the party shall provide to the other party  
978 30 days' written notice of the intent to take such action; Provided, That such notice shall not be  
979 required where a delay in commencing an action would prejudice the interests of the party that  
980 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer  
981 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,  
982 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the  
983 United States may have.

984 OFFICIALS NOT TO BENEFIT

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

988

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

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37. Any notice, demand, or request authorized or required by this Contract shall be

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deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or

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delivered to the Area Manager, Bureau of Reclamation, Northern California Area Office, 16349

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Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United States, when

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mailed, postage prepaid, or delivered to the Board of Directors of the Shasta Community

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Services District, P. O. Box 2520, 10711 French Alley, Shasta, California 96087. The

1017 designation of the addressee or the address may be changed by notice given in the same manner  
1018 as provided in this Article for other notices.

1019 CONFIRMATION OF CONTRACT

1020 38. The Contractor, after the execution of this Contract, shall furnish to the  
1021 Contracting Officer evidence that pursuant to the laws of the State of California, the Contractor  
1022 is a legally constituted entity and the Contract is lawful, valid, and binding on the Contractor.  
1023 This Contract shall not be binding on the United States until such evidence has been provided to  
1024 the Contracting Officer's satisfaction.



EXHIBIT A

[Map or Description of Contractor's Service Area]

EXHIBIT B

2004 Water Rates and Charges  
Shasta Community Services District – Spring Creek Power Conduit

M&I COST OF SERVICE RATES:

Capital Rate:	\$ 8.19
O&M Rates:	
Water Marketing	5.01
Storage	6.38
Deficit Rate:	2.46
CFO/PRF Adjustment Rate 1/	<u>2.21</u>
TOTAL	<u>\$24.25</u>
<u>M&amp;I FULL COST RATE:</u>	<u>\$29.32</u>

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

Restoration Payments (3407(d)(2)(A))	<u>\$15.64</u>
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1/ Chief Financial Officer (CFO) adjustment and Provision for Replacement (PFR) expense is being distributed over a 5-year period beginning in FY 2003 for those contractors that requested those costs be deferred.

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