

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

CONTRACT BETWEEN THE UNITED STATES AND
NATOMAS CENTRAL MUTUAL WATER COMPANY,
DIVERTER OF WATER FROM SACRAMENTO RIVER SOURCES,
SETTLING WATER RIGHTS DISPUTES AND
PROVIDING FOR PROJECT WATER

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9 PROVIDING FOR PROJECT WATER

10 THIS CONTRACT, hereinafter referred to as "Settlement Contract," is entered into
11 by THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, made
12 this 10th day of May, 2005, pursuant to the applicable authority
13 granted to it generally in the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
14 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),
15 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,
16 including, but not limited to, Sections 9 and 14 thereto, July 2, 1956 (70 Stat. 483), June 21,
17 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as
18 amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively
19 hereinafter referred to as Federal Reclamation law, and NATOMAS CENTRAL MUTUAL
20 WATER COMPANY, hereinafter referred to as the Contractor, a corporation, acting pursuant to
21 Sections 12003 and 12004 of the California Water Code, with its principal place of business in
22 California;

23 WITNESSETH, that:

EXPLANATORY RECITALS

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[1st] WHEREAS, the United States has constructed and is operating the Central Valley Project, California, for multiple purposes pursuant to its statutory authority; and

[2nd] WHEREAS, the Contractor has rights to divert, is diverting, and will continue to divert for reasonable beneficial use, water from the natural flow of the Sacramento River and tributaries thereto, that would have been flowing therein if the Central Valley Project were not in existence;

[3rd] WHEREAS, the construction and operation of the integrated and coordinated Central Valley Project has changed and will further change the regimen of the Sacramento, American, San Joaquin, and Trinity Rivers and the Sacramento-San Joaquin Delta from unregulated flow to regulated flow; and

[4th] WHEREAS, the United States has rights to divert, is diverting, and will continue to divert waters from said Rivers and said Delta in connection with the operation of said Central Valley Project; and

[5th] WHEREAS, the Contractor and the United States had a dispute over the respective rights of the parties to divert and use water from the regulated flow of the Sacramento River which threatened to result in litigation, and as a means to settle that dispute entered into Contract No. 14-06-200-885A, as revised, hereinafter referred to as the Existing Contract, which established terms for the delivery to the Contractor of Central Valley Project Water, and the quantities of Base Supply the United States and the Contractor agreed may be diverted by the Contractor from the Sacramento River pursuant to such contract; and

[6th] WHEREAS, the United States and the Contractor disagree with respect to the authority of the United States to change the quantities of Base Supply and/or Project Water

47 specified as available for diversion in this Settlement Contract from the quantities specified in
48 the Existing Contract, and other issues related thereto. That dispute was the subject of
49 litigation in a lawsuit entitled *Glenn-Colusa Irrigation District, et al. v. United States, et al.*
50 [Civ. No. S-01-1816 GEB/JFM (E.D. Cal.)], but that litigation was dismissed, without prejudice,
51 pursuant to a stipulation of dismissal filed by the parties thereto on August 29, 2002.

52 Notwithstanding that dismissal, the Contractor and the United States enter into this Settlement
53 Contract to renew the Existing Contract, pursuant to the terms of the Existing Contract, Federal
54 Reclamation law, and the laws of the State of California; and

55 [7th] WHEREAS, to assure the Contractor of the enjoyment and use of the regulated
56 flow of the said Rivers and the Delta, and to provide for the economical operation of the Central
57 Valley Project by, and the reimbursement to, the United States for expenditures made for said
58 Project.

59 NOW, THEREFORE, in consideration of the performance of the herein contained
60 provisions, conditions, and covenants, it is agreed as follows:

61 DEFINITIONS

62 1. When used herein, unless otherwise expressed or incompatible with the intent
63 hereof, the term:

64 (a) "Base Supply" shall mean the quantity of Surface Water established in
65 Articles 3 and 5 which may be diverted by the Contractor from the Sacramento River each month
66 during the period April through October of each Year without payment to the United States for
67 such quantities diverted;

68 (b) "Basin-Wide Water Management Plan" shall mean the mutually agreeable
69 Sacramento River Basinwide Water Management Plan, dated October 11, 2004, developed by

70 Glenn-Colusa Irrigation District, Maxwell Irrigation District, Natomas Central Mutual
71 Water Company, Pelger Mutual Water Company, Princeton-Codora-Glenn Irrigation District,
72 Provident Irrigation District, Reclamation District 108, Sutter Mutual Water Company,
73 Anderson-Cottonwood Irrigation District, Meridian Farms Water Company, Reclamation District
74 1004, and the U.S. Bureau of Reclamation;

75 (c) "Charges" shall mean the payments for Project Water that the Contractor
76 is required to pay to the United States in addition to the "Rates" specified in this Settlement
77 Contract. The Contracting Officer will, on an annual basis, determine the extent of these
78 Charges. The type and amount of each Charge shall be specified in Exhibit D;

79 (d) "Contract Total" shall mean the sum of the Base Supply and Project Water
80 available for diversion by the Contractor for the period April 1 through October 31;

81 (e) "Critical Year" shall mean any Year in which either of the following
82 eventualities exists:

83 (1) The forecasted full natural inflow to Shasta Lake for the current
84 Water Year, as such forecast is made by the United States on or before February 15 and reviewed
85 as frequently thereafter as conditions and information warrant, is equal to or less than 3.2 million
86 acre-feet; or

87 (2) The total accumulated actual deficiencies below 4 million acre-feet
88 in the immediately prior Water Year or series of successive prior Water Years each of which had
89 inflows of less than 4 million acre-feet, together with the forecasted deficiency for the current
90 Water Year, exceed 800,000 acre-feet.

91 For the purpose of determining a Critical Year, the computation of inflow to
92 Shasta Lake shall be performed in a manner that considers the extent of upstream development

93 above Shasta Lake during the year in question, and shall be used as the full natural flow to
94 Shasta Lake. In the event that major construction has occurred or occurs above Shasta Lake after
95 September 1, 1963, and which has materially altered or alters the regimen of the stream systems
96 contributing to Shasta Lake, the computed inflow to Shasta Lake used to define a Critical Year
97 will be adjusted to eliminate the effect of such material alterations. After consultation with the
98 State of California, the National Weather Service, and other recognized forecasting agencies, the
99 Contracting Officer will select the forecast to be used and will make the details of it available to
100 the Contractor. The same forecasts used by the United States for the operation of the Project
101 shall be used to make the forecasts hereunder;

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

104 (g) "Eligible Lands" shall mean all lands to which Project Water may be
105 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982
106 (96 Stat. 1263), as amended, hereinafter referred to as RRA;

107 (h) "Excess Lands" shall mean all lands in excess of the limitations contained
108 in Section 204 of the RRA, other than those lands exempt from acreage limitation under Federal
109 Reclamation law;

110 (i) "Full Cost Rate" shall mean that water rate described in Sections 205(a)(3)
111 or 202(3) of the RRA, whichever is applicable;

112 (j) "Ineligible Lands" shall mean all lands to which Project Water may not be
113 delivered in accordance with Section 204 of the RRA;

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

116 (l) "Project" shall mean the Central Valley Project owned by the United
117 States and managed by the Department of the Interior, Bureau of Reclamation;

118 (m) "Project Water" shall mean all Surface Water diverted or scheduled to be
119 diverted each month during the period April through October of each Year by the Contractor
120 from the Sacramento River which is in excess of the Base Supply. The United States recognizes
121 the right of the Contractor to make arrangements for acquisition of water from projects of others
122 than the United States for delivery through the Sacramento River and tributaries subject to
123 written agreement between Contractor and the United States as to identification of such water
124 which water when so identified shall not be deemed Project Water under this Settlement
125 Contract;

126 (n) "Rates" shall mean the payments for Project Water determined annually
127 by the Contracting Officer in accordance with the then current applicable water ratesetting
128 policies for the Project, as described in subdivision (a) of Article 8 of this Settlement Contract;

129 (o) "Secretary" or "Contracting Officer" shall mean the Secretary of the
130 Interior, a duly appointed successor, or an authorized representative acting pursuant to any
131 authority of the Secretary and through any agency of the Department of the Interior;

132 (p) "Surface Water" shall mean only those waters that are considered as
133 surface water under California law;

134 (q) "Water Year" shall mean the period commencing with October 1 of one
135 year and extending through September 30 of the next; and

136 (r) "Year" shall mean a calendar year.

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TERM OF SETTLEMENT CONTRACT

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2. (a) This Settlement Contract shall become effective April 1, 2005, and shall

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remain in effect until and including March 31, 2045; Provided, that under terms and conditions

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mutually agreeable to the parties hereto, renewals may be made for successive periods not to

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exceed 40 years each. The terms and conditions of each renewal shall be agreed upon not later

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than one year prior to the expiration of the then existing Settlement Contract.

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(b) With respect to Project Water and the portions of this Settlement Contract

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pertaining thereto, upon written request by the Contractor of the Secretary made not later than

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one year prior to the expiration of this Settlement Contract, whenever, account being taken of the

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amount then credited to the costs of construction of water supply works, the remaining amount of

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construction costs of water supply work which is properly assignable for ultimate return by the

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Contractor as established by the Secretary of the Interior pursuant to (3) of Section 1 of Public

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Law 643 (70 Stat. 483), probably can be repaid to the United States within the term of a contract

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under subsection 9(d) of the 1939 Reclamation Project Act (53 Stat. 1187), the relevant portions

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of this Settlement Contract may be converted to a contract under said subsection 9(d) upon terms

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and conditions mutually agreeable to the United States and the Contractor. The Secretary shall

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make a determination ten years after the date of execution of this Settlement Contract, and every

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five years thereafter, of whether a conversion to a contract under said subsection 9(d) can be

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accomplished pursuant to Public Law 643. Notwithstanding any provision of this Settlement

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Contract, the Contractor reserves and shall have all rights and benefits under Public Law 643.

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WATER TO BE FURNISHED TO CONTRACTOR

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3. (a) Subject to the conditions, limitations, and provisions hereinafter

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expressed, the Contractor is hereby entitled and authorized to divert from the Sacramento River

160 at the locations shown in Exhibit A, for beneficial use within the area delineated on Exhibit B,
161 (both Exhibits are attached hereto and made a part hereof), the Contract Total designated in
162 Exhibit A, or any revision thereof, in accordance with the monthly operating schedule required
163 by Article 3(c) of this Settlement Contract. The quantity of any water diverted under this
164 Settlement Contract from the Sacramento River, during the period April through October, for use
165 on any lands delineated on Exhibit B, by the owner of such lands or otherwise shall constitute a
166 part of the Contract Total as shown on Exhibit A and shall be subject to all the provisions of this
167 Settlement Contract relating to such Contract Total as if such diversion were made by the
168 Contractor.

169 (b) The Contractor may have acquired rights to divert water from the
170 Sacramento River during the period April through October, that were obtained after the date of
171 execution of the Existing Contract, or the Contractor may acquire such rights in the future. All
172 diversions made from the Sacramento River, pursuant to such rights, during the period April
173 through October, shall not be considered a part of the quantity of Base Supply and Project Water
174 specified in Exhibit A; Provided, that the quantities diverted pursuant to the above rights shall be
175 identified on the schedule submitted pursuant to Article 3(c) below, and shall not be substituted
176 for any Base Supply or Project Water; Provided, further, that any such identified quantities of
177 other acquired rights may be diverted by the Contractor before incurring any fee pursuant to
178 Article 3(c)(1), below.

179 (c) Before April 1 and before the first day of each month thereafter when a
180 revision is needed, the Contractor shall submit a written schedule to the Contracting Officer
181 indicating the Contract Total to be diverted by the Contractor for agricultural and municipal and
182 industrial purposes during each month under this Settlement Contract. The United States shall

183 furnish water to the Contractor in accordance with the monthly operating schedule or any
184 revisions thereof. However, the United States recognizes the need of the Contractor to change
185 from time to time its monthly diversions of water from the quantities shown in Exhibit A; the
186 Contractor may make such changes, provided:

187 (1) that for the quantity of Base Supply diverted in excess of the
188 monthly quantity shown in Exhibit A, and as may be reduced in accordance with Article 5(a),
189 during June, July, August, September, or October of any Water Year, the Contractor shall be
190 charged a rescheduling fee equal to 50 percent of the sum of the storage operations and
191 maintenance rate and the storage capital rate components of the Project ratesetting policy.

192 (2) that in no event shall the total quantity scheduled for diversion by
193 the Contractor from the Sacramento River:

194 (i) During the period April through October exceed the
195 aggregate of the Contract Total for that period shown in Exhibit A or any revision
196 thereof;

197 (ii) During the period July through September exceed the
198 aggregate of the Contract Total for that period shown in Exhibit A or any revision
199 thereof.

200 (d) In the event conditions warrant, the Contracting Officer reserves the right
201 to require the Contractor to submit, at least 72 hours prior to the beginning of each weekly
202 period, its estimate of daily diversion requirements for each such period from the Sacramento
203 River; Provided, however, that changes during any such period may be made upon the giving of
204 72 hours' notice thereof to the Contracting Officer.

205 (e) No sale, transfer, exchange, or other disposal of any of the Contract Total
206 designated in Exhibit A or the right to the use thereof for use on land other than that shown on
207 Exhibit B shall be made by the Contractor without first obtaining the written consent of the
208 Contracting Officer. Such consent will not be unreasonably withheld and a decision will be
209 rendered in a timely manner. For short-term actions that will occur within one year or less, the
210 decision will be rendered within 30 days after receipt of a complete written proposal. For long-
211 term actions that will occur in a period longer than one year, the decision will be rendered within
212 90 days after receipt of a complete written proposal. For a proposal to be deemed complete by
213 the Contracting Officer, it must comply with all provisions required by State and Federal law,
214 including information sufficient to enable the Contracting Officer to comply with the National
215 Environmental Policy Act, the Endangered Species Act, and applicable rules or regulations then
216 in effect; Provided, that such consent does not authorize the use of Federal facilities to facilitate
217 or effectuate the sale, transfer, exchange, or other disposal of Base Supply. Such use of Federal
218 facilities will be the subject of a separate agreement to be entered into between the Contractor
219 and Reclamation.

220 (f) For the purpose of determining whether Section 3405(a)(1)(M) of the
221 CVPIA applies to the Contractor as a transferor or transferee of Project Water, the Contracting
222 Officer acknowledges that the Contractor is within a county, watershed, or other area of origin,
223 as those terms are utilized under California law.

224 (g) Nothing herein contained shall prevent the Contractor from diverting
225 water during the months of November through March for beneficial use on the land shown on
226 Exhibit B or elsewhere to the extent authorized under the laws of the State of California.

227 (h) The United States assumes no responsibility for and neither it nor its
228 officers, agents, or employees shall have any liability for or on account of:

229 (1) The quality of water to be diverted by the Contractor;

230 (2) The control, carriage, handling, use, disposal, or distribution of
231 water diverted by the Contractor outside the facilities constructed and then being operated and
232 maintained by or on behalf of the United States;

233 (3) Claims of damage of any nature whatsoever, including but not
234 limited to, property loss or damage, personal injury, or death arising out of or connected with the
235 control, carriage, handling, use, disposal, or distribution of said water outside of the hereinabove
236 referred to facilities; and

237 (4) Any damage whether direct or indirect arising out of or in any
238 manner caused by a shortage of water whether such shortage be on account of errors in
239 operation, drought, or unavoidable causes.

240 (i) In addition to the provisions of subdivision (h) of Article 3 of this
241 Contract, if there is a shortage of Project Water because of actions taken by the Contracting
242 Officer to meet legal obligations then, except as provided in subdivision (a) of Article 30 of this
243 Contract, no liability shall accrue against the United States or any of its officers, agents, or
244 employees for any damage, direct or indirect, arising therefrom.

245 RETURN FLOW

246 4. Nothing herein shall be construed as an abandonment or a relinquishment by the
247 United States of any right it may have to the use of waste, seepage, and return flow water derived
248 from water diverted by the Contractor hereunder and which escapes or is discharged beyond the
249 boundaries of the lands shown on Exhibit B; Provided, that this shall not be construed as

250 claiming for the United States any right to such water which is recovered by the Contractor
251 pursuant to California law from within the boundaries of the lands shown on Exhibit B, and
252 which is being used pursuant to this Settlement Contract for surface irrigation or underground
253 storage for the benefit of the lands shown on Exhibit B by the Contractor.

254 CONSTRAINTS ON THE AVAILABILITY OF WATER

255 5. (a) In a Critical Year, the Contractor's Base Supply and Project Water agreed
256 to be diverted during the period April through October of the Year in which the principal portion
257 of the Critical Year occurs and, each monthly quantity of said period shall be reduced by
258 25 percent.

259 (b) The amount of any overpayment by the Contractor shall, at its option, be
260 refunded or credited upon amounts to become due to the United States from the Contractor under
261 the provisions hereof in the ensuing Year. To the extent of such deficiency such adjustment of
262 overpayment shall constitute the sole remedy of the Contractor.

263 INTEGRATED WATER MANAGEMENT AND PARTNERSHIPS

264 6. The Contractor and United States desire to work together to maximize the
265 reasonable beneficial use of water for their mutual benefit. As a consequence, the United States
266 and the Contractor will work in partnership and with others within the Sacramento Valley,
267 including other contractors, to facilitate the better integration within the Sacramento Valley of all
268 water supplies including, but not limited to, the better management and integration of surface
269 water and groundwater, the development and better utilization of surface water storage, the
270 effective utilization of waste, seepage and return flow water, and other operational and
271 management options that may be identified in the future.

272 USE OF WATER FURNISHED TO CONTRACTOR

273 7. (a) The parties anticipate that, during the term of this Settlement Contract, a
274 gradual change in the purpose of use of water will occur within the place of water use shown in
275 Exhibit B from predominantly agricultural purposes to a mixture of municipal and industrial,
276 wildlife habitat and agricultural purposes, and the parties agree to work cooperatively to
277 accommodate and facilitate such change. Project Water furnished to the Contractor pursuant to
278 this Settlement Contract may be delivered or furnished by the Contractor for agricultural or
279 municipal and industrial purposes; Provided, however, that the Contractor shall not deliver or
280 furnish Project Water for municipal and industrial purposes outside those areas delineated on
281 Exhibit B, as approved for such purposes by the Contracting Officer, without the written consent
282 of the Contracting Officer. Such consent will not be unreasonably withheld and a decision will
283 be provided in a timely manner following completion of any environmental review required
284 under applicable law. For purposes of this Settlement Contract, "agricultural purposes" includes,
285 but is not restricted to, the irrigation of crops, the watering of livestock, incidental domestic use
286 including related landscape irrigation, and underground water replenishment; and "municipal and
287 industrial purposes" includes, but is not limited to, the watering of landscaping or pasture for
288 animals (e.g., horses) which are kept for personal enjoyment or water delivered to landholdings
289 operated in units of less than five acres unless the Contractor establishes to the satisfaction of the
290 Contracting Officer that the use of Project Water is for agricultural purposes.

291 (b) The Contractor shall comply with requirements applicable to the
292 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
293 of this Settlement Contract undertaken pursuant to Section 7 of the Endangered Species Act of
294 1973, as amended, that are within the Contractor's legal authority to implement. The Existing

295 Contract, which evidences in excess of 40 years of diversions, for agricultural uses, of the
296 quantities of water provided for in Article 3, and the underlying water rights of the Contractor
297 will be considered in developing an appropriate base-line for the Biological Assessment prepared
298 pursuant to the Endangered Species Act, and in any other needed environmental review.
299 Nothing herein shall be construed to prevent the Contractor from challenging or seeking judicial
300 relief in a court of competent jurisdiction with respect to any biological opinion or other
301 environmental documentation referred to in this Article.

302 RATE AND METHOD OF PAYMENT FOR WATER

303 8. (a) The Contractor shall make payments to the United States as provided in
304 this Article for all Project Water shown in Exhibit A as follows:

305 (1) 75 percent of the amount shown as Project Water shall be paid for
306 by the Contractor in each Year; and in addition

307 (2) the Contractor shall pay for Project Water actually diverted in
308 excess of 75 percent of the amount shown as Project Water.

309 Such payments shall be at Rates and Charges established in accordance with: (i) the
310 Secretary's then-current ratesetting policies for the Project; and (ii) applicable Reclamation law
311 and associated rules and regulations, or policies; Provided, that if the Contractor desires to use
312 Project Water for other than agricultural purposes the Rates and Charges set forth above will be
313 adjusted by the Contracting Officer to the applicable Rates and Charges for such purposes;
314 Provided, further, that to enable the Contracting Officer to compute the applicable Rates and
315 Charges for Project Water diverted by the Contractor for other than agricultural use, including,
316 but not limited to diversions for municipal and industrial uses and diversions for direct
317 application to wildlife habitat (not including re-use of tailwater for habitat purposes), prior to

318 initiating any such diversions, the Contractor shall provide the Contracting Officer with an
319 estimate of the annual quantities of Project Water to be diverted or furnished for such purposes
320 through the end of the CVP repayment period as identified in the then-current ratesetting
321 policies. The Rates and Charges applicable to the Contractor upon execution of this Settlement
322 Contract are set forth in Exhibit D, as may be revised annually. The Secretary's ratesetting
323 policies for the Project shall be amended, modified, or superseded only through a public notice
324 and comment procedure. The Contracting Officer shall adjust the amount of Project Water for
325 which payment is required to the extent of any reduction in diversions of Project Water made in
326 accordance with the water conservation provisions of Article 29(e).

327 (b) The Contracting Officer shall notify the Contractor of the Rates and
328 Charges as follows:

329 (1) Prior to July 1 of each Year, the Contracting Officer shall provide
330 the Contractor an estimate of the Charges for Project Water that will be applied to the period
331 October 1, of the current Year, through September 30, of the following Year, and the basis for
332 such estimate. The Contractor shall be allowed not less than two months to review and comment
333 on such estimates. On or before September 15 of each Year, the Contracting Officer shall notify
334 the Contractor in writing of the Charges to be in effect during the period October 1 of the current
335 Year, through September 30, of the following Year, and such notification shall revise Exhibit D.

336 (2) Prior to October 1 of each Year, the Contracting Officer shall make
337 available to the Contractor an estimate of the Rates for Project Water for the following Year and
338 the computations and cost allocations upon which those Rates are based. The Contractor shall be
339 allowed not less than two months to review and comment on such computations and cost
340 allocations. By December 31 of each Year, the Contracting Officer shall provide the Contractor

341 with the final Rates to be in effect for the upcoming Year, and such notification shall revise
342 Exhibit D.

343 (c) The Contractor shall pay the United States for Project Water in the
344 following manner:

345 (1) With respect to Rates, prior to May 1 of each Year, the Contractor
346 shall pay the United States one-half the total amount payable pursuant to subdivision (a) of this
347 Article and the remainder shall be paid prior to July 1 or such later date or dates as may be
348 specified by the United States in a written notice to the Contractor; Provided, however, that if at
349 any time during the Year the amount of Project Water diverted by the Contractor shall equal the
350 amount for which payment has been made, the Contractor shall pay for the remaining amount of
351 such water as shown in Exhibit A in advance of any further diversion of Project Water.

352 (2) With respect to Charges, the Contractor shall also make a payment
353 to the United States, in addition to the Rate(s) in subdivision (c)(1) of this Article, at the Charges
354 then in effect, before the end of the month following the month of delivery or transfer. The
355 payments shall be consistent with the quantities of Project Water delivered or transferred.
356 Adjustment for overpayment or underpayment of Charges shall be made through the adjustment
357 of payments due to the United States for Charges for the next month. Any amount to be paid for
358 past due payment of Charges shall be computed pursuant to Article 13 of this Settlement
359 Contract.

360 (d) Payments to be made by the Contractor to the United States under this
361 Settlement Contract may be paid from any revenues available to the Contractor. All revenues
362 received by the United States from the Contractor relating to the delivery of Project Water or the
363 delivery of non-Project Water through Project facilities shall be allocated and applied in

364 accordance with Federal Reclamation law and the associated rules or regulations, and the then
365 current Project ratesetting policies for irrigation water.

366 (e) The Contracting Officer shall keep its accounts pertaining to the
367 administration of the financial terms and conditions of its long-term water service and Settlement
368 Contracts, in accordance with applicable Federal standards, so as to reflect the application of
369 Project costs and revenues. The Contracting Officer shall, each Year upon request of the
370 Contractor, provide to the Contractor a detailed accounting of all Project and Contractor expense
371 allocations, the disposition of all Project and Contractor revenues, and a summary of all water
372 delivery information. The Contracting Officer and the Contractor shall enter into good faith
373 negotiations to resolve any discrepancies or disputes relating to accountings, reports, or
374 information.

375 (f) The parties acknowledge and agree that the efficient administration of this
376 Settlement Contract is their mutual goal. Recognizing that experience has demonstrated that
377 mechanisms, policies, and procedures used for establishing Rates and Charges and/or for making
378 and allocating payments, other than those set forth in this Article may be in the mutual best
379 interest of the parties, it is expressly agreed that the parties may enter into agreements to modify
380 the mechanisms, policies, and procedures for any of those purposes while this Settlement
381 Contract is in effect without amendment of this Settlement Contract.

382 (g) For the term of this Settlement Contract, Rates under the respective
383 ratesetting policies for the Project will be established to recover only reimbursable operation and
384 maintenance (including any deficits) and capital costs of the Project, as those terms are used in
385 the then current Project ratesetting policies, and interest, where appropriate, except in instances
386 where a minimum Rate is applicable in accordance with the relevant Project ratesetting policy.

387 Proposed changes of significance in practices which implement the ratesetting policies for the
388 Project will not be implemented until the Contracting Officer has provided the Contractor an
389 opportunity to discuss the nature, need, and impact of the proposed change. The Contractor
390 retains all rights to challenge the validity of Rates and Charges imposed pursuant to this
391 Settlement Contract, including but not limited to operation and maintenance expenses and
392 operation and maintenance deficits, in an appropriate administrative or judicial proceeding.

393 (h) Except as provided in subsection 3405(a)(1)(B) of the CVPIA, the Rates
394 for Project Water transferred, exchanged, or otherwise disposed of, by the Contractor shall be the
395 Contractor's Rates adjusted upward or downward to reflect the changed costs of delivery (if any)
396 of the transferred, exchanged, or otherwise disposed of Project Water to the transferee's point of
397 delivery in accordance with the then-current ratesetting policies for the Project. Except as
398 provided in subsection 3407(d)(2)(A) of the CVPIA, the Charges for Project Water transferred,
399 exchanged, or otherwise disposed of, by the Contractor shall be the Contractor's Charges
400 specified in Exhibit D. If the Contractor is receiving lower Rates and Charges because of
401 inability to pay and is transferring, exchanging, or otherwise disposing of Project Water to
402 another entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and
403 Charges for transferred, exchanged, or otherwise disposed of Project Water shall be the
404 Contractor's Rates and Charges unadjusted for ability to pay.

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

407 (j) Each payment to be made pursuant to subdivisions (a) and (c) of this
408 Article shall be made at the office of the Bureau of Reclamation, MP Region: Mid-Pacific,

409 P.O. Box 894242, Los Angeles, CA 90189-4242, or at such other place as the United States may
410 designate in a written notice to the said Contractor. Payments shall be made by cash transaction,
411 wire, or any other mechanism as may be agreed to in writing by the Contractor and the
412 Contracting Officer. In the event there should be a default in the payment of the amount due, the
413 delinquent payment provisions of Article 13 shall apply. The Contractor shall not be relieved of
414 the whole or any part of its said obligation by, on account of, or notwithstanding, as the case may
415 be:

416 (1) Its failure, refusal, or neglect to divert 75 percent of the quantity of
417 Project Water shown on Exhibit A;

418 (2) The default in payment to it by any water user of assessments,
419 tolls, or other charges levied by or owing to said Contractor;

420 (3) Any judicial determination that any assessment, toll, or other
421 charge referred to in subsection 8(c)(2) of this Settlement Contract is irregular, void, or
422 ineffectual; or

423 (4) Any injunctive process enjoining or restraining the Contractor
424 from making or collecting any such assessment, toll, or other charge referred to in subsection
425 8(c)(2) of this Settlement Contract.

426 AGREEMENT ON WATER QUANTITIES

427 9. (a) During the term of this Settlement Contract and any renewals thereof:

428 (1) It shall constitute full agreement as between the United States and
429 the Contractor as to the quantities of water and the allocation thereof between Base Supply and
430 Project Water which may be diverted by the Contractor from the Sacramento River for beneficial
431 use on the land shown on Exhibit B from April 1 through October 31, which said diversion, use,

432 and allocation shall not be disturbed so long as the Contractor shall fulfill all of its obligations
433 hereunder;

434 (2) Neither party shall claim any right against the other in conflict with
435 the provisions of Article 9(a)(1) hereof.

436 (b) Nothing herein contained is intended to or does limit rights of the
437 Contractor against others than the United States or of the United States against any person other
438 than the Contractor; Provided, however, that in the event the Contractor, the United States, or
439 any other person shall become a party to a general adjudication of rights to the use of water of
440 the Sacramento River system, this Settlement Contract shall not jeopardize the rights or position
441 of either party hereto or of any other person and the rights of all such persons in respect to the
442 use of such water shall be determined in such proceedings the same as if this Settlement Contract
443 had not been entered into, and if final judgment in any such general adjudication shall determine
444 that the rights of the parties hereto are different from the rights as assumed herein, the parties
445 shall negotiate an amendment to give effect to such judgment. In the event the parties are unable
446 to agree on an appropriate amendment they shall, within 60 days of determining that there is an
447 impasse, employ the services of a neutral mediator, experienced in resolving water rights
448 disputes, to assist in resolving the impasse. The cost of the mediation will be shared equally. A
449 failure to reach agreement on an amendment within 60 days of the end of mediation will cause
450 the immediate termination of this Settlement Contract.

451 (c) In the event that the California State Water Resources Control Board or a
452 court of competent jurisdiction issues a final decision or order modifying the terms and
453 conditions of the water rights of either party to this Settlement Contract in order to impose Bay-
454 Delta water quality obligations, the Contractor and the United States shall promptly meet to

455 determine whether or not to modify any of the terms of this Settlement Contract to comply with
456 the final decision or order, including, but not limited to, the applicability of the rescheduling
457 charge in Article 3(c)(1) of this Settlement Contract. If within 60 days of the date of the issuance
458 of the final decision or order the parties are not able to reach agreement regarding either the need
459 to modify this Settlement Contract or the manner in which this Settlement Contract is to be
460 modified, the parties shall promptly retain a neutral mediator, experienced in resolving water
461 right disputes, to assist the parties in resolving their dispute. The cost of the mediator shall be
462 shared equally. In the event that either of the parties to this Settlement Contract determines that
463 the parties will not be able to develop mutually-agreeable modification(s) to this Settlement
464 Contract even with the assistance of a mediator, either of the parties to this Settlement Contract
465 may attempt to resolve the impasse by seeking appropriate judicial relief including, but not
466 limited to, filing a general adjudication of the rights to the use of water in the Sacramento River
467 system. The foregoing provisions of this sub-article shall only apply to the incremental
468 obligations contained within a final decision or order of the State Water Resources Control
469 Board that reflects a modification to the obligations imposed in State Water Resources Control
470 Board Revised Water Rights Decision 1641 dated March 15, 2000, and its associated 1995 Water
471 Quality Control Plan which, taken together, will be considered the baseline for the application of
472 the provisions of this sub-article.

473 (d) In the event this Settlement Contract terminates, the rights of the parties to
474 thereafter divert and use water shall exist as if this Settlement Contract had not been entered into;
475 and the fact that as a compromise settlement of a controversy as to the respective rights of the
476 parties to divert and use water and the yield of such rights during the term hereof, this Settlement
477 Contract places a limit on the Contract Total to be diverted annually by the Contractor during the

478 Settlement Contract term and segregates it into Base Supply and Project Water shall not
479 jeopardize the rights or position of either party with respect to its water rights or the yield thereof
480 at all times after the Settlement Contract terminates. It is further agreed that the Contractor at all
481 times will first use water to the use of which it is entitled by virtue of its own water rights, and
482 neither the provisions of this Settlement Contract, action taken thereunder, nor payments made
483 thereunder to the United States by the Contractor shall be construed as an admission that any part
484 of the water used by the Contractor during the term of this Settlement Contract was in fact water
485 to which it would not have been entitled under water rights owned by it nor shall receipt of
486 payments thereunder by the United States from the Contractor be construed as an admission that
487 any part of the water used by the Contractor during the term of this Settlement Contract was in
488 fact water to which it would have been entitled under water rights owned by it.

489 MEASUREMENT OF WATER

490 10. (a) All water diverted by the Contractor from the Sacramento River will be
491 diverted at the existing point or points of diversion shown on Exhibit A or at such other points as
492 may be mutually agreed upon in writing by the Contracting Officer and the Contractor.

493 (b) All water diverted from the Sacramento River pursuant to this Settlement
494 Contract will be measured or caused to be measured by the United States at each point of
495 diversion with existing equipment or equipment to be installed, operated, and maintained by the
496 United States, and/or others, under contract with and at the option of the United States. The
497 equipment and methods used to make such measurement shall be in accordance with sound
498 engineering practices. Upon request of the Contractor, the accuracy of such measurements will
499 be investigated by the Contracting Officer and any errors appearing therein will be corrected.

500 (c) The right of ingress to and egress from all points of diversion is hereby
501 granted to all authorized employees of the United States. The Contractor also hereby grants to
502 the United States the right to install, operate, maintain, and replace such equipment on diversion
503 or carriage facilities at each point of diversion as the Contracting Officer deems necessary.

504 (d) The Contractor shall not modify, alter, remove, or replace diversion
505 facilities or do any other act which would alter the effectiveness or accuracy of the measuring
506 equipment installed by the United States or its representatives unless and until the Contracting
507 Officer has been notified with due diligence and has been given an opportunity to modify such
508 measuring equipment in such manner as may be necessary or appropriate. In the event of an
509 emergency the Contractor shall notify the United States within a reasonable time thereafter as to
510 the existence of the emergency and the nature and extent of such modification, alteration,
511 removal, or replacement of diversion facilities.

512 (e) The Contractor shall pay the United States for the costs to repair, relocate,
513 or replace measurement equipment when the Contractor modifies, alters, removes, or replaces
514 diversion or carriage facilities.

515 (f) Contractor and Contracting Officer shall develop a mutually agreeable
516 surface water delivery water measurement program which shall be implemented by the
517 Contractor, and such measurement program shall be consistent with the conservation and
518 efficiency criteria for evaluating water conservation plans as provided in Article 29(a).

519 (g) All new surface water delivery systems installed within the lands
520 delineated on Exhibit B after the effective date of this Settlement Contract shall also comply with
521 the measurement provisions described in this Article.

522 (h) The Contractor shall inform the Contracting Officer on or before the 10th
 523 calendar day of each month of the quantity of Contract Total diverted or furnished for
 524 agricultural and municipal and industrial purposes during the preceding month.

525 RULES AND REGULATIONS

526 11. The parties agree that the delivery of Project Water for irrigation use or use of
 527 Federal facilities pursuant to this Settlement Contract is subject to Federal Reclamation law,
 528 including but not limited to, the Reclamation Reform Act of 1982 (43 U.S.C. 390aa et seq.), as
 529 amended and supplemented, and the rules and regulations promulgated by the Secretary of the
 530 Interior under Federal Reclamation law.

531 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

532 12. (a) The obligation of the Contractor to pay the United States as provided in
 533 this Settlement Contract is a general obligation of the Contractor notwithstanding the manner in
 534 which the obligation may be distributed among the Contractor's water users and notwithstanding
 535 the default of individual water users in their obligations to the Contractor.

536 (b) The payment of Charges becoming due hereunder is a condition precedent
 537 to receiving benefits under this Settlement Contract. The United States shall not make water
 538 available to the Contractor through Project facilities during any period in which the Contractor
 539 may be in arrears in the advance payment of water Rates due the United States. The Contractor
 540 shall not furnish water made available pursuant to this Settlement Contract for lands or parties
 541 which are in arrears in the advance payment of water rates levied or established by the
 542 Contractor.

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

545 CHARGES FOR DELINQUENT PAYMENTS

546 13. (a) The Contractor shall be subject to interest, administrative and penalty
 547 charges on delinquent installments or payments. When a payment is not received by the due
 548 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
 549 the due date. When a payment becomes 60 days delinquent, the Contractor shall pay an
 550 administrative charge to cover additional costs of billing and processing the delinquent payment.
 551 When a payment is delinquent 90 days or more, the Contractor shall pay an additional penalty
 552 charge of six percent per year for each day the payment is delinquent beyond the due date.

553 Further, the Contractor shall pay any fees incurred for debt collection services associated with a
554 delinquent payment.

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

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

563 QUALITY OF WATER

564 14. The operation and maintenance of Project facilities shall be performed in such
565 manner as is practicable to maintain the quality of raw water made available through such
566 facilities at the highest level reasonably attainable as determined by the Contracting Officer. The
567 United States does not warrant the quality of water and is under no obligation to construct or
568 furnish water treatment facilities to maintain or better the quality of water.

569 WATER AND AIR POLLUTION CONTROL

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

574 EQUAL OPPORTUNITY

575 16. During the performance of this Settlement Contract, the Contractor agrees as
576 follows:

577 (a) The Contractor will not discriminate against any employee or applicant for
578 employment because of race, color, religion, sex, or national origin. The Contractor will take
579 affirmative action to ensure that applicants are employed, and that employees are treated during
580 employment, without regard to their race, color, religion, sex, or national origin. Such action
581 shall include, but not be limited to, the following: Employment, upgrading, demotion, or
582 transfer; recruitment or recruitment advertising; layoff or termination, rates of payment or other

583 forms of compensation; and selection for training, including apprenticeship. The Contractor
584 agrees to post in conspicuous places, available to employees and applicants for employment,
585 notices to be provided by the Contracting Officer setting forth the provisions of this
586 nondiscrimination clause.

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

591 (c) The Contractor will send to each labor union or representative of workers
592 with which it has a collective bargaining agreement or other contract or understanding, a notice,
593 to be provided by the Contracting Officer, advising the said labor union or workers'
594 representative of the Contractor's commitments under Section 202 of Executive Order No. 11246
595 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places
596 available to employees and applicants for employment.

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

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

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

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

621

COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

622 17. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
 623 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
 624 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
 625 laws, as well as with their respective implementing regulations and guidelines imposed by the
 626 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

642 MINGLING OF CONTRACTOR'S PROJECT AND NON-PROJECT WATER

643 18. (a) Project Water must of necessity be transported by the Contractor to its
 644 water users by means of the same works and channels used for the transport of its non-Project
 645 Water including Base Supply. Notwithstanding such mingling of water, the provisions of Article
 646 11 hereof shall be applicable only to Project Water, and such mingling of water shall not in any
 647 manner subject to the provisions of Article 11 hereof the Contractor's non-Project Water
 648 including Base Supply.

649 (b) If required in accordance with subdivision (c) of this Article, the
 650 Contractor shall install and maintain such measuring equipment and distribution facilities and
 651 maintain such records as may be necessary to determine the amounts of water delivered to
 652 Excess Lands served by the Contractor. The Contractor shall not within any month deliver to

653 Ineligible Lands water in excess of the non-Project Water, including Base Supply, for that
654 month. The Contracting Officer or authorized representative shall have the right at all
655 reasonable times to inspect such records and measuring equipment.

656 (c) The Contractor will not be considered in violation of the requirement that
657 Project Water be delivered only to Eligible Lands during any month of the irrigation season that
658 the water requirement for beneficial use on Eligible Lands for that month is equal to or in excess
659 of the Project Water for that month as shown on Exhibit A or any revision thereof pursuant to
660 subdivision (c) of Article 3. The water requirement for beneficial use on Eligible Lands will be
661 determined by multiplying:

662 (1) the number of irrigable acres of the particular types of crops grown
663 in that year on the acreage designated as eligible by

664 (2) the Unit Duties as set forth in Exhibit C attached hereto and made
665 a part hereof, or by such other Unit Duties mutually agreed upon by the Contractor and the
666 Contracting Officer. In order to make the computation of the water requirement for Eligible
667 Lands, on April 1 of each Year and concurrently with its order for water for the irrigation season,
668 the Contractor shall designate the acreage of and type of crops to be grown on its Eligible Lands
669 that irrigation season. During any month the water requirement as above determined for crops
670 growing on Eligible Lands during such month is equal to or in excess of the Project Water for
671 that month as provided herein the Contractor shall not be required to measure the water delivered
672 to Excess Lands. Any month the said water requirement is less than the amount of Project Water
673 as provided herein, the Contractor will be required to measure water delivered to excess land in
674 accordance with subdivision (b) hereof.

675

BOOKS, RECORDS, AND REPORTS

676 19. The Contractor shall establish and maintain accounts and other books and records
 677 pertaining to administration of the terms and conditions of this Settlement Contract, including:
 678 the Contractor's financial transactions, water supply data, and Project land and right-of-way
 679 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
 680 data; and other matters that the Contracting Officer may require. Reports thereon shall be
 681 furnished to the Contracting Officer in such form and on such date or dates as the Contracting
 682 Officer may require. Subject to applicable Federal laws and regulations, each party to this
 683 Settlement Contract shall have the right during office hours to examine and make copies of each
 684 other's books and official records relating to matters covered by this Settlement Contract.

685

CHANGE OF PLACE OF USE OR ORGANIZATION

686 20. (a) Unless the written consent of the United States is first obtained no change
 687 shall be made in the place of water use shown on Exhibit B.

688 (b) While this Settlement Contract is in effect, no change shall be made in the
 689 area of the Contractor as shown on its Exhibit B, by inclusion, exclusion, annexation, or
 690 detachment of lands, by dissolution, consolidation, or merger or otherwise, except upon the
 691 Contracting Officer's written consent thereto. Such consent will not be unreasonably withheld
 692 and a decision will be provided in a timely manner.

693 (c) In the event lands are annexed to or detached from the area of the
 694 Contractor, as provided herein, the quantity of Project Water to be diverted may be increased or
 695 decreased, as may be appropriate, pursuant to a supplemental agreement to be executed in
 696 respect thereto.

697

CONSOLIDATION OF CONTRACTING ENTITIES

698 21. Consolidation of Contractors may be approved by the Contracting Officer
 699 provided: (i) the Contracting Officer approves the form and organization of the resulting entity
 700 and the utilization by it of the Contract Total; and (ii) the obligations of the Contractors are
 701 assumed by such entity.

702 No such consolidation shall be valid unless and until approved by the Contracting
703 Officer.

704 NOTICES

705 22. Any notice, demand, or request authorized or required by this Settlement Contract
706 shall be deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid,
707 or delivered to the Area Manager, Northern California Area Office, Bureau of Reclamation,
708 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United
709 States, when mailed, postage prepaid, or delivered to the Board of Directors of the Natomas
710 Central Mutual Water Company, 2601 West Elkhorn Boulevard, Rio Linda, California 95673.
711 The designation of the addressee or the address may be changed by notice given in the same
712 manner as provided in this Article for other notices.

713 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

714 23. (a) The provisions of this Settlement Contract shall apply to and bind the
715 successors and assigns of the parties hereto, but no assignment or transfer of this Settlement
716 Contract or any right or interest therein shall be valid until approved in writing by the
717 Contracting Officer.

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

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

723 OFFICIALS NOT TO BENEFIT

724 24. (a) No Member of or Delegate to Congress, Resident Commissioner, or
725 official of the Contractor shall benefit from this Settlement Contract other than as a water user or
726 landowner in the same manner as other water users or landowners.

727 (b) No officer or member of the governing board of the Contractor shall
728 receive any benefit that may arise by reason of this Settlement Contract other than as a
729 landowner within the Contractor's Service Area and in the same manner as other landowners
730 within the said service area.

731 CONTINGENT UPON APPROPRIATION OR ALLOTMENT OF FUNDS

732 25. The expenditure or advance of any money or the performance of any obligation of
 733 the United States under this Settlement Contract shall be contingent upon appropriation or
 734 allotment of funds. Absence of appropriation or allotment of funds shall not relieve the
 735 Contractor from any obligations under this Settlement Contract. No liability shall accrue to the
 736 United States in case funds are not appropriated or allotted.

737 CONFIRMATION OF SETTLEMENT CONTRACT

738 26. The Contractor, after the execution of this Settlement Contract, shall promptly
 739 seek to secure a decree of a court of competent jurisdiction of the State of California, if
 740 appropriate, confirming the execution of this Settlement Contract. The Contractor shall furnish
 741 the United States a certified copy of the final decree, the validation proceedings, and all pertinent
 742 supporting records of the court approving and confirming this Settlement Contract, and
 743 decreeing and adjudging it to be lawful, valid, and binding on the Contractor. This Settlement
 744 Contract shall not be binding on the United States until such final decree has been secured.

745 UNAVOIDABLE GROUNDWATER PERCOLATION

746 27. To the extent applicable, the Contractor shall not be deemed to have delivered
 747 Project Water to Excess Lands or Ineligible Lands if such lands are irrigated with groundwater
 748 that reaches the underground strata as an unavoidable result of the delivery of Project Water by
 749 the Contractor to Eligible Lands.

750 PRIVACY ACT COMPLIANCE

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

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

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

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

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

776 WATER CONSERVATION

777 29. (a) Prior to the diversion of Project Water, the Contractor shall be
 778 implementing an effective water conservation and efficiency program based on the Basin-Wide
 779 Water Management Plan and/or Contractor's water conservation plan that has been determined
 780 by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water
 781 conservation plans established under Federal law. The water conservation and efficiency
 782 program shall contain definite water conservation objectives, appropriate economically feasible
 783 water conservation measures, and time schedules for meeting those objectives. Continued
 784 diversion of Project Water pursuant to this Settlement Contract shall be contingent upon the
 785 Contractor's continued implementation of such water conservation program. In the event the
 786 Contractor's water conservation plan or any revised water conservation plan completed pursuant
 787 to subdivision (c) of Article 29 of this Settlement Contract have not yet been determined by the
 788 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer
 789 determines are beyond the control of the Contractor, Project Water deliveries shall be made
 790 under this Settlement Contract so long as the Contractor diligently works with the Contracting
 791 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor

792 immediately begins implementing its water conservation and efficiency program in accordance
793 with the time schedules therein.

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

797 (c) At five-year intervals, the Contractor shall revise its water conservation
798 plan to reflect the then current conservation and efficiency criteria for evaluating water
799 conservation plans established under Federal law and submit such revised water management
800 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then
801 determine if the water conservation plan meets Reclamation's then current conservation and
802 efficiency criteria for evaluating water conservation plans established under Federal law.

803 (d) If the Contractor is engaged in direct groundwater recharge, such activity
804 shall be described in the Contractor's water conservation plan.

805 (e) In order to provide incentives for water conservation, the Contractor may
806 reduce the amount of Project Water for which payment is required under Article 8(a) in
807 accordance with the provisions of this Article 29(e).

808 (1) On or before February 15 of any Water Year, the Contractor may
809 file with Reclamation an offer to reduce Project Water use, hereinafter referred to as Offer. The
810 Offer shall specify the maximum quantity of Project Water to be diverted by the Contractor for
811 each month that Project Water is available for that Water Year under this Settlement Contract.
812 The Contracting Officer shall provide the Contractor with a decision, in writing, to the Offer on
813 or before March 15 of that Water Year. The dates specified in this Article 29(e)(1) can be
814 changed if mutually agreed to, in writing, by the Contractor and Contracting Officer.

815 (2) If Reclamation accepts the Offer, the Contractor's payment
816 obligation under Article 8(a)(1) shall be reduced to the maximum quantity of Project Water to be
817 diverted by the Contractor as specified in the Offer. The Contractor shall not divert Project
818 Water in excess of the quantities set forth in the Offer; Provided, however, if the Contractor's
819 diversions of Project Water exceed the quantities set forth in the Offer, the Contractor shall pay
820 to Reclamation the applicable Rates and Charges plus an amount equal to the applicable Rates
821 and Charges, unadjusted for ability to pay, for each acre-foot of Project Water diverted in excess
822 of the quantities set forth in the Offer.

823 (3) If Reclamation decides not to accept the Offer, the Contractor's
824 payment obligation will remain as specified in Article 8(a)(1).

825 (4) The provisions of this Article 29(e) shall be in addition to and shall
826 not affect the provisions of Article 3(e) pertaining to the sale, transfer, exchange, or other
827 disposal of the Contract Total designated in Exhibit A.

828 OPINIONS AND DETERMINATIONS

829 30. (a) Where the terms of this Settlement Contract provide for actions to be
830 based upon the opinion or determination of either party to this Settlement Contract, said terms
831 shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or
832 unreasonable opinions or determinations. Both parties, notwithstanding any other provisions of
833 this Settlement Contract, expressly reserve the right to seek relief from and appropriate
834 adjustment for any such arbitrary, capricious, or unreasonable opinion or determination. Each
835 opinion or determination by either party shall be provided in a timely manner. Nothing in
836 subdivision (a) of Article 30 of this Settlement Contract is intended to or shall affect or alter the

837 standard of judicial review applicable under Federal law to any opinion or determination
838 implementing a specific provision of Federal law embodied in statute or regulation.

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

844 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

845 31. (a) In addition to all other payments to be made by the Contractor pursuant to
846 this Settlement Contract, the Contractor shall pay to the United States, within 60 days after
847 receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractor for
848 such specific items of direct cost incurred by the United States for work requested by the
849 Contractor associated with this Settlement Contract plus indirect costs in accordance with
850 applicable Bureau of Reclamation policies and procedures. All such amounts referred to in this
851 Article shall not exceed the amount agreed to in writing in advance by the Contractor. This
852 Article shall not apply to costs for routine contract administration.

853 (b) All advances for miscellaneous costs incurred for work requested by the
854 Contractor pursuant to Article 31 of this Settlement Contract shall be adjusted to reflect the
855 actual costs when the work has been completed. If the advances exceed the actual costs incurred,
856 the difference will be refunded to the Contractor. If the actual costs exceed the Contractor's
857 advances, the Contractor will be billed for the additional costs pursuant to Article 31 of this
858 Settlement Contract.

859

WAIVER OF DEFAULT

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32. The waiver by either party to this Settlement Contract as to any default shall not

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be construed as a waiver of any other default or as authority of the other party to continue such

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default or to make, do, or perform, or not to make, do, or perform, as the case may be, any act or

863

thing which would constitute a default.

864

IN WITNESS WHEREOF, the parties hereto have executed this

865

Settlement Contract as of the day and year first hereinabove written.

866

THE UNITED STATES OF AMERICA

867

868

869

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

By:

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

870

(SEAL)

871

872

NATOMAS CENTRAL MUTUAL WATER
COMPANY

873

874

By:

[Signature]
President

875

ATTEST:

876

877

[Signature]
Secretary

878

879

(H:\public\Sac River Final LTRC's\2005-01-31 Natomas Central MWC Final Draft Contract
with exhibits.doc)

Exhibit A

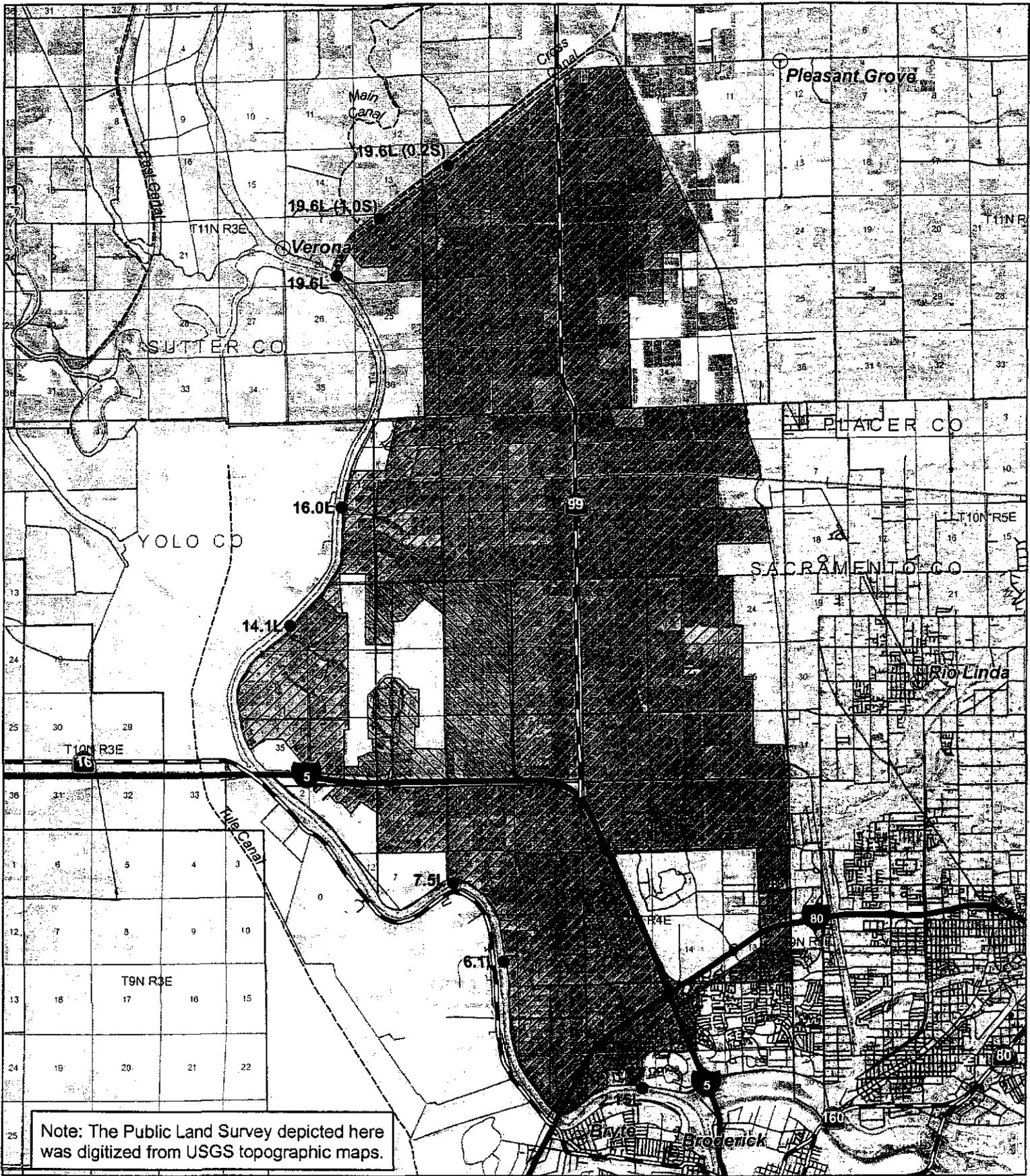
NATOMAS CENTRAL MUTUAL WATER COMPANY
Sacramento River

SCHEDULE OF MONTHLY DIVERSIONS OF WATER

	<u>Base Supply</u> (acre-feet)	<u>Project Water</u> (acre-feet)	<u>Contract Total</u> (acre-feet)
April	<u>14,000</u>	<u>0</u>	<u>14,000</u>
May	<u>27,700</u>	<u>0</u>	<u>27,700</u>
June	<u>23,000</u>	<u>0</u>	<u>23,000</u>
July	<u>11,500</u>	<u>7,200</u>	<u>18,700</u>
August	<u>3,900</u>	<u>14,800</u>	<u>18,700</u>
September	<u>16,100</u>	<u>0</u>	<u>16,100</u>
October	<u>2,000</u>	<u>0</u>	<u>2,000</u>
Total	<u>98,200</u>	<u>22,000</u>	<u>120,200</u>

Points of Diversion: 2.15L, 6.1L, 7.5L, 14.1L, 16.0L,
19.6L (Cross Canal 1.0S & 2.0S)

Dated: 01-31-2005



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

Natomas Central Mutual Water Co.

Contract No. 14-06-200-885A-R-1

Exhibit B

-  Contractor's Service Area - Ag Only
-  Contractor's Service Area - Ag and/or M&I
-  District Boundary
-  Point of Diversion



Exhibit C

NATOMAS CENTRAL MUTUAL WATER COMPANY
Sacramento River

UNIT DUTY

(In Acre-Feet Per Acre)

	<u>Rice</u>	<u>Alfalfa and Irrigated Pasture</u>	<u>General Crops</u>
June	1.70	0.80	0.60
July	1.80	1.00	0.70
August	1.70	0.80	0.70
September	0.50	0.60	0.40

Dated: 01-31-2005

Exhibit D

NATOMAS CENTRAL MUTUAL WATER COMPANY
 Sacramento River
2005 Water Rates and Charges per Acre-Foot

	<u>Cost of Service</u>	<u>M&I</u>	<u>Calculated</u> <u>Payment Capacity 1/</u> <u>Irrigation</u>
<u>COST OF SERVICE RATES:</u>			
Capital Rate			
Storage	\$4.57	\$9.70	\$0.00
O&M Rates:			
Water Marketing	\$6.61	\$3.89	\$6.61
Storage	\$5.93	\$6.67	\$5.93
Deficit Rates:			
Interest Bearing	\$0.00	\$0.00	\$0.00
CFO/PFR Adjustment Rate 2/	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>
TOTAL	<u>\$17.11</u>	<u>\$20.26</u>	<u>\$12.54</u>
<u>RESCHEDULING FEE:</u>	<u>\$5.59</u>	<u>\$8.19</u>	<u>\$5.59</u>
<u>FULL-COST RATES:</u>			
Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	<u>\$21.47</u>	<u>N/A</u>	<u>\$21.47</u>
Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	<u>\$23.82</u>	<u>N/A</u>	<u>\$23.82</u>
<u>CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 3/</u>			
Restoration Payments (3407(d)(2)(A))	<u>\$7.93</u>	<u>\$15.87</u>	<u>\$0.00</u>

1/ Established pursuant to the Sutter, Natomas and Pelger MWC Payment Capacity Analysis dated October, 2001.

2/ 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.

3/ These surcharges are payments in addition to the water rates and are determined pursuant to Title XXXIV of P.L. 102-575. Restoration Fund surcharges under P.L. 102-575 are on a fiscal year basis (10/1-9/30). Contractors with ability to pay relief do not pay Restoration Fund charges for agricultural water.



BOARD OF DIRECTORS
NATOMAS CENTRAL MUTUAL WATER COMPANY
RESOLUTION NO. 2005-03-02

**RESOLUTION APPROVING LONG-TERM RENEWAL
OF CONTRACT BETWEEN THE UNITED STATES AND
NATOMAS CENTRAL MUTUAL WATER COMPANY, DIVERTER OF
WATER FROM SACRAMENTO RIVER SOURCES, SETTLING WATER RIGHTS
DISPUTES AND PROVIDING FOR PROJECT WATER**

WHEREAS Natomas Central Mutual Water Company (the "Company") has, since 1964, held a settlement contract with the United States Department of the Interior, Bureau of Reclamation ("Reclamation") bearing Contract No. 14-06-200-885A (the "Original Contract").

WHEREAS the Original Contract would have expired on March 31, 2004.

WHEREAS in advance of that expiration, the Company and Reclamation entered into negotiations for a long-term renewal of the Original Contract.

WHEREAS by Act of Congress, the Original Contract was extended for a period of two years, because the negotiations and related procedures had not been completed by March 31, 2004.

WHEREAS the negotiations and related procedures have now been completed, and Reclamation has presented to the Company the agreed-upon final form of renewal contract bearing Contract No. 14-06-200-885A-R1 (the "Renewal Contract").

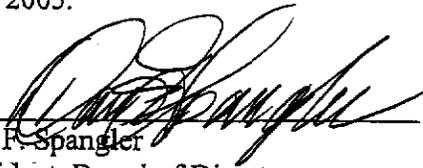
WHEREAS the Board of Directors of the Company finds and determines that it is in the best interest of the Company to approve the Renewal Contract and to authorize the General Manager and staff of the Company to carry out any actions necessary to implement the Renewal Contract.

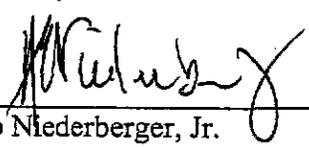
NOW, THEREFORE, BE IT RESOLVED that:

1. The Board of Directors of the Company hereby approves the Renewal Contract between Reclamation and the Company with the correction of Exhibit B to include the 428 acres of airport land into Natomas' contractual service area.

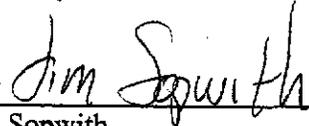
2. The General Manager and staff of the Company are authorized and directed to take any other action necessary to implement the terms of the Renewal Contract.

PASSED AND ADOPTED by unanimous written consent of the Board of Directors on April 21, 2005.

By 
Dan P. Spangler
President, Board of Directors

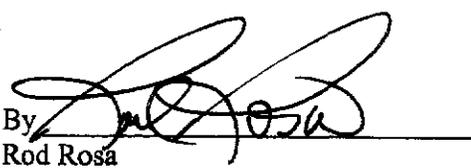
By 
Herb Niederberger, Jr.
Vice President, Board of Directors

By 
Mark Enes
Secretary, Board of Directors

By 
Jim Sopwith
Board of Directors

By 
Doug Ose
Board of Directors

By 
Michael George
Board of Directors

By 
Rod Rosa
Board of Directors