

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
MERCY SPRINGS WATER DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM THE DELTA DIVISION

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Exhibit A - Map of Contractor's Service Area

Exhibit B - Rates and Charges

1
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7 AND
8 MERCY SPRINGS WATER DISTRICT
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11 THIS CONTRACT, made this 25th day of February, 2005, in pursuance
12 generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto,
13 including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
14 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70 Stat.
15 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat.
16 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all
17 collectively hereinafter referred to as Federal Reclamation law, between THE UNITED STATES
18 OF AMERICA, hereinafter referred to as the United States, and MERCY SPRINGS WATER
19 DISTRICT, hereinafter referred to as the Contractor, a public agency of the State of California, duly
20 organized, existing, and acting pursuant to the laws thereof;

21 WITNESSETH, That:

22 EXPLANATORY RECITALS

23 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
24 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for

25 flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and
26 restoration, generation and distribution of electric energy, salinity control, navigation and other
27 beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the
28 San Joaquin River and their tributaries; and

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

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

34 [4th] WHEREAS, the Contractor and the United States entered into Contract
35 No. 14-06-200-3365A, as amended, which established terms for the delivery to the Contractor of
36 Project Water from the Delta Division Facilities from July 21, 1967, through February 28, 1995;
37 and

38 [5th] WHEREAS, the Contractor and the United States have pursuant to subsection
39 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into
40 interim renewal contract(s) identified as Contract No(s). 14-06-200-3365A-IR1, 14-06-200-3365A-
41 IR2, 14-06-200-3365A-IR3, 14-06-200-3365A-IR4-A, 14-06-200-3365A-IR5-A, 14-06-200-
42 3365A-IR6-A, 14-06-200-3365A-IR7-A, and 14-06-200-3365A-IR8-A, the current of which is
43 hereinafter referred to as the Existing Contract, which provided for the continued water service to
44 the Contractor from March 1, 1995, through February 28, 2006; and

45 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the
46 Existing Contract following completion of appropriate environmental documentation, including a
47 programmatic environmental impact statement (PEIS) pursuant to the National Environmental

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

50 [6.1] WHEREAS, the Contractor entered into the "Agreement for Partial Assignment of
51 Water Service Contract" dated May 14, 1999, assigning 6,260 acre-feet of its Contract water supply
52 to Pajaro Valley Water Management Agency, Westlands Water District, and Santa Clara Valley
53 Water District; leaving a balance of 7,040 acre-feet of such supply subject to this Contract; and

54 [6.2] WHEREAS, the Contractor entered into a subsequent agreement entitled
55 "Agreement for Partial Assignment of Water Service Contract" dated March 1, 2003, assigning
56 4,198 acre-feet of its Contract water supply to Westlands Water District Distribution District No. 2
57 leaving a balance of 2,842 acre-feet of such supply subject to this Contract;

58 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
59 environmental review necessary to provide for long-term renewal of the Existing Contract; and

60 [8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing
61 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws of
62 the State of California, for water service from the Project; and

63 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all of
64 its obligations under the Existing Contract; and

65 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting
66 Officer that the Contractor has utilized the Project Water supplies available to it for reasonable and
67 beneficial use and/or has demonstrated projected future demand for water use such that the
68 Contractor has the capability and expects to utilize fully for reasonable and beneficial use the
69 quantity of Project Water to be made available to it pursuant to this Contract; and

70 [11th] WHEREAS, water obtained from the Project has been relied upon by urban and
71 agricultural areas within California for more than 50 years, and is considered by the Contractor as
72 an essential portion of its water supply; and

73 [12th] WHEREAS, the economies of regions within the Project, including the Contractor's,
74 depend upon the continued availability of water, including water service from the Project; and

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

78 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
79 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment
80 of the Project as required by law; to guard reasonably against Project Water shortages; to achieve a
81 reasonable balance among competing demands for use of Project Water; and to comply with all
82 applicable environmental statutes, all consistent with the legal obligations of the United States
83 relative to the Project; and

84 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
85 relationship in order to achieve their mutual goals; and

86 [15.1] WHEREAS, the Contractor has utilized or may utilize transfers, contract
87 assignments, rescheduling and conveyance of Project Water and non-Project water under this
88 Contract as tools to minimize the impacts of Conditions of Shortage and to maximize the beneficial
89 use of water; and

90 [15.2] WHEREAS, the parties desire and intend that this Contract not provide a
91 disincentive to the Contractor in continuing to carry out the beneficial activities set out in the
92 Explanatory Recital immediately above; and

93 [16th] WHEREAS, the United States and the Contractor are willing to enter into this
94 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

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

97 DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

130 (j) "Full Cost Rate" shall mean an annual rate, as determined by the Contracting
131 Officer that shall amortize the expenditures for construction properly allocable to the Project
132 irrigation or M&I functions, as appropriate, of facilities in service including all O&M deficits
133 funded, less payments, over such periods as may be required under Federal Reclamation law, or
134 applicable contract provisions. Interest will accrue on both the construction expenditures and
135 funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the date
136 incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated in
137 accordance with subsections 202(3)(B) and (3)(C) of the RRA. The Full Cost Rate includes actual
138 operation, maintenance, and replacement costs consistent with Section 426.2 of the Rules and
139 Regulations for the RRA;

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

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

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

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

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

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

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

161 (r) "Operating Non-Federal Entity" shall mean the entity(ies), its (their)
162 successors or assigns, which has (have) the obligation to operate and maintain all or a portion of the
163 Delta Division Facilities pursuant to written agreement(s) with the United States. When this

164 Contract was entered into, the Operating Non-Federal Entity was the San Luis & Delta-Mendota
165 Water Authority;

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

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

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

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

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

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

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

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

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

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

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

194 TERM OF CONTRACT

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

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

207 (2) The conditions which must be met for this Contract to be renewed are:
208 (i) the Contractor has prepared a water conservation plan that has been determined by the
209 Contracting Officer in accordance with Article 26 of this Contract to meet the conservation and

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

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

230 (c) This Contract, insofar as it pertains to the furnishing of M&I Water to the
231 Contractor, shall be renewed for successive periods of up to 40 years each, which periods shall be
232 consistent with the then-existing Reclamation-wide policy, under terms and conditions mutually
233 agreeable to the parties and consistent with Federal and State law. The Contractor shall be afforded

234 the opportunity to comment to the Contracting Officer on the proposed adoption and application of
235 any revised policy applicable to the delivery of M&I Water that would limit the term of any
236 subsequent renewal contract with the Contractor for the furnishing of M&I Water to less than 40
237 years.

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

258 probably be repaid to the United States within the term of a contract under subsection 9(d) or
259 9(c)(1), whichever is applicable. If the remaining amount of costs that are properly assignable to
260 the Contractor cannot be determined during the term of this Contract, the Contracting Officer shall
261 notify the Contractor, and provide the reason(s) why such a determination could not be made.
262 Further, the Contracting Officer shall make such a determination as soon thereafter as possible so as
263 to permit, upon request of the Contractor and satisfaction of the conditions set out above,
264 conversion to a contract under subsection 9(d) or 9(c)(1), whichever is applicable. In the event such
265 determination of costs has not been made at a time which allows conversion of this Contract during
266 the term of this Contract or the Contractor has not requested conversion of this Contract within such
267 term, the parties shall incorporate in any subsequent renewal contract as described in subdivision (b)
268 of this Article a provision that carries forth in substantially identical terms the provisions of this
269 subdivision.

270 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

271 3. (a) During each Year, consistent with all applicable State water rights, permits,
272 and licenses; Federal law; and subject to the provisions set forth in Articles 11 and 12 of this
273 Contract, the Contracting Officer shall make available for delivery to the Contractor 2,842 acre-feet
274 of Project Water for irrigation and M&I purposes. Water Delivered to the Contractor in accordance
275 with this subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7
276 of this Contract.

277 (b) Because the capacity of the Project to deliver Project Water has been
278 constrained in recent years and may be constrained in the future due to many factors including
279 hydrologic conditions and implementation of Federal and State laws, the likelihood of the
280 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this Article in
281 any given Year is uncertain. The Contracting Officer's modeling referenced in the PEIS projected

282 that the Contract Total set forth in this Contract will not be available to the Contractor in many
283 years. During the most recent five years, the Recent Historic Average of Water Made Available to
284 the Contractor was 1,870 acre-feet. Nothing in subdivision (b) of this Article shall affect the rights
285 and obligations of the parties under any provision of this Contract.

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

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

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

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

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

323 (f) Following the declaration of Water Made Available under Article 4 of this
324 Contract, the Contracting Officer will make a determination whether Project Water, or other water
325 available to the Project, can be made available to the Contractor in addition to the Contract Total
326 under this Article during the Year without adversely impacting other Project Contractors. At the
327 request of the Contractor, the Contracting Officer will consult with the Contractor prior to making
328 such a determination. If the Contracting Officer determines that Project Water, or other water
329 available to the Project, can be made available to the Contractor, the Contracting Officer will

330 announce the availability of such water and shall so notify the Contractor as soon as practical. The
331 Contracting Officer will thereafter meet with the Contractor and other Project Contractors capable
332 of taking such water to determine the most equitable and efficient allocation of such water. If the
333 Contractor requests the delivery of any quantity of such water, the Contracting Officer shall make
334 such water available to the Contractor in accordance with applicable statutes, regulations,
335 guidelines, and policies. Subject to existing long-term contractual commitments, water rights and
336 operational constraints, long-term Project Contractors shall have a first right to acquire such water,
337 including Project Water made available pursuant to Section 215 of the RRA.

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

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

352 (i) Project Water furnished to the Contractor pursuant to this Contract may be
353 delivered for purposes other than those described in subdivisions (m) and (o) of Article 1 of this

354 Contract upon written approval by the Contracting Officer in accordance with the terms and
355 conditions of such approval.

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

363 TIME FOR DELIVERY OF WATER

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

373 (b) On or before each March 1 and at such other times as necessary, the
374 Contractor shall submit to the Contracting Officer a written schedule, satisfactory to the Contracting
375 Officer, showing the monthly quantities of Project Water to be delivered by the United States to the
376 Contractor pursuant to this Contract for the Year commencing on such March 1. The Contracting

377 Officer shall use all reasonable means to deliver Project Water according to the approved schedule
378 for the Year commencing on such March 1.

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

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

387 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

388 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
389 Contract shall be delivered to the Contractor at a point or points on the Delta-Mendota Canal and
390 any additional point or points of delivery either on Project facilities or another location or locations
391 mutually agreed to in writing by the Contracting Officer and the Contractor.

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

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

400 (d) All Water Delivered to the Contractor pursuant to this Contract shall be measured
401 and recorded with equipment furnished, installed, operated, and maintained by the Contracting
402 Officer either directly or indirectly through its written agreement(s) with the Operating Non-Federal
403 Entity(ies), unless undertaken by the Contractor with the consent of the Contracting Officer, at the
404 point or points of delivery established pursuant to subdivision (a) of this Article. Upon the request
405 of either party to this Contract, the Contracting Officer shall investigate, or cause to be investigated
406 by the appropriate Operating Non-Federal Entity(ies), the accuracy of such measurements and shall
407 take any necessary steps to adjust any errors appearing therein. For any period of time when
408 accurate measurements have not been made, the Contracting Officer shall
409 consult with the Contractor and the appropriate Operating Non-Federal Entity(ies), if any, prior to
410 making a final determination of the quantity delivered for that period of time.

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

424 Officer or any of its officers, employees, agents, and assigns including the Operating Non-Federal
425 Entity(ies); or (iv) a malfunction of facilities owned and/or operated by the United States or the
426 Operating Non-Federal Entity(ies).

427 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

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

443 (b) To the extent the information has not otherwise been provided, upon
444 execution of this Contract, the Contractor shall provide to the Contracting Officer a written report
445 describing the measurement devices or water measuring methods being used or to be used to
446 implement subdivision (a) of this Article and identifying the agricultural turnouts and the M&I
447 service connections or alternative measurement programs approved by the Contracting Officer, at

448 which such measurement devices or water measuring methods are being used, and, if applicable,
449 identifying the locations at which such devices and/or methods are not yet being used including a
450 time schedule for implementation at such locations. The Contracting Officer shall advise the
451 Contractor in writing within 60 days as to the adequacy, and necessary modifications, if any, of the
452 measuring devices or water measuring methods identified in the Contractor's report and if the
453 Contracting Officer does not respond in such time, they shall be deemed adequate. If the
454 Contracting Officer notifies the Contractor that the measuring devices or methods are inadequate,
455 the parties shall within 60 days following the Contracting Officer's response, negotiate in good faith
456 the earliest practicable date by which the Contractor shall modify said measuring devices and/or
457 measuring methods as required by the Contracting Officer to ensure compliance with subdivision
458 (a) of this Article.

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

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

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

468 RATES AND METHOD OF PAYMENT FOR WATER

469 7. (a) The Contractor shall pay the United States as provided in this Article for all
470 Delivered Water at Rates, Charges, and the Tiered Pricing Component established in accordance
471 with: (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and the Secretary's

472 then-existing ratesetting policy for M&I Water, which ratesetting policies shall be amended,
473 modified, or superseded only through a public notice and comment procedure; (ii) applicable
474 Federal Reclamation law and associated rules and regulations, or policies; and (iii) other applicable
475 provisions of this Contract. Payments shall be made by cash transaction, electronic funds transfer,
476 or any other mechanism as may be agreed to in writing by the Contractor and the Contracting
477 Officer. The Rates, Charges, and Tiered Pricing Component applicable to the Contractor upon
478 execution of this Contract are set forth in Exhibit "B," as may be revised annually.

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

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

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

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

518 (d) The Contractor shall also make a payment in addition to the Rate(s) in
519 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the

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

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

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

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

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

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

558 (j) (1) Beginning at such time as deliveries of Project Water in a Year
559 exceed 80 percent of the Contract Total, then before the end of the month following the month of
560 delivery the Contractor shall make an additional payment to the United States equal to the
561 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water
562 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the
563 Contract Total, shall equal one-half of the difference between the Rate established under
564 subdivision (a) of this Article and the Irrigation Full Cost Water Rate or M&I Full Cost Water Rate,
565 whichever is applicable. The Tiered Pricing Component for the amount of Water Delivered which
566 exceeds 90 percent of the Contract Total shall equal the difference between (i) the Rate established

567 under subdivision (a) of this Article and (ii) the Irrigation Full Cost Water Rate or M&I Full Cost
568 Water Rate, whichever is applicable. For all Water Delivered pursuant to subdivision (a) of
569 Article 3 of this Contract which is in excess of 80 percent of the Contract Total, this increment shall
570 be deemed to be divided between Irrigation Water and M&I Water in the same proportion as actual
571 deliveries of each bear to the cumulative total Water Delivered.

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

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

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

591 has provided the Contractor an opportunity to discuss the nature, need, and impact of the proposed
592 change.

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

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

603 (n) With respect to the Rates for M&I Water, the Contractor asserts that it is not
604 legally obligated to pay any Project deficits claimed by the United States to have accrued as of the
605 date of this Contract or deficit-related interest charges thereon. By entering into this Contract, the
606 Contractor does not waive any legal rights or remedies that it may have with respect to such
607 disputed issues. Notwithstanding the execution of this Contract and payments made hereunder, the
608 Contractor may challenge in the appropriate administrative or judicial forums; (1) the existence,
609 computation, or imposition of any deficit charges accruing during the term of the Existing Contract
610 and any preceding interim renewal contracts, if applicable; (2) interest accruing on any such
611 deficits; (3) the inclusion of any such deficit charges or interest in the Rates; (4) the application by
612 the United States of payments made by the Contractor under its Existing Contract and any
613 preceding interim renewal contracts if applicable; and (5) the application of such payments in the
614 Rates. The Contracting Officer agrees that the Contractor shall be entitled to the benefit of any

615 administrative or judicial ruling in favor of any Project M&I contractor on any of these issues, and
616 credits for payments heretofore made, provided that the basis for such ruling is applicable to the
617 Contractor.

618 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

619 8. The Contractor and the Contracting Officer concur that, as of the effective date of
620 this Contract, the Contractor has no non-interest bearing O&M deficits and shall have no further
621 liability therefore.

622 SALES, TRANSFERS, OR EXCHANGES OF WATER

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

634 (b) In order to facilitate efficient water management by means of water transfers
635 of the type historically carried out among Project Contractors located within the same geographical
636 area and to allow the Contractor to participate in an accelerated water transfer program during the
637 term of this Contract, the Contracting Officer shall prepare, as appropriate, all necessary
638 environmental documentation, including but not limited to documents prepared pursuant to NEPA

639 and ESA, analyzing annual transfers within such geographical areas and the Contracting Officer
640 shall determine whether such transfers comply with applicable law. Following the completion of
641 the environmental documentation, such transfers addressed in such documentation shall be
642 conducted with advance notice to the Contracting Officer, but shall not require prior written
643 approval by the Contracting Officer. Such environmental documentation and the Contracting
644 Officer's compliance determination shall be reviewed every five years and updated, as necessary,
645 prior to the expiration of the then existing five-year period. All subsequent environmental
646 documentation shall include an alternative to evaluate not less than the quantity of Project Water
647 historically transferred within the same geographical area.

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

658 APPLICATION OF PAYMENTS AND ADJUSTMENTS

659 10. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,
660 capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of
661 the Contractor arising out of this Contract then due and payable. Overpayments of more than
662 \$1,000 shall be refunded at the Contractor's request. In lieu of a refund, any amount of such

663 overpayment at the option of the Contractor may be credited against amounts to become due to the
664 United States by the Contractor. With respect to overpayment, such refund or adjustment shall
665 constitute the sole remedy of the Contractor or anyone having or claiming to have the right to the
666 use of any of the Project Water supply provided for herein. All credits and refunds of overpayments
667 shall be made within 30 days of the Contracting Officer obtaining direction as to how to credit or
668 refund such overpayment in response to the notice to the Contractor that it has finalized the
669 accounts for the Year in which the overpayment was made.

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

675 TEMPORARY REDUCTIONS--RETURN FLOWS

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

681 (b) The Contracting Officer or Operating Non-Federal Entity(ies) may
682 temporarily discontinue or reduce the quantity of Water Delivered to the Contractor as herein
683 provided for the purposes of investigation, inspection, maintenance, repair, or replacement of any of
684 the Project facilities or any part thereof necessary for the delivery of Project Water to the
685 Contractor, but so far as feasible the Contracting Officer or Operating Non-Federal Entity(ies) will
686 give the Contractor due notice in advance of such temporary discontinuance or reduction, except in

687 case of emergency, in which case no notice need be given; Provided, That the United States shall
688 use its best efforts to avoid any discontinuance or reduction in such service. Upon resumption of
689 service after such reduction or discontinuance, and if requested by the Contractor, the United States
690 will, if possible, deliver the quantity of Project Water which would have been delivered hereunder
691 in the absence of such discontinuance or reduction.

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

698 CONSTRAINTS ON THE AVAILABILITY OF WATER

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

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

709 (c) In any Year in which there may occur a Condition of Shortage for any of the
710 reasons specified in subdivision (b) of this Article, and subject to subdivision (d) of this Article, the

711 Contracting Officer will first allocate the available Project Water consistent with the draft CVP
712 M&I Water Shortage Policy on the effective date of this Contract as finally adopted for
713 environmental review for determining the amount of Project Water available for delivery to the
714 Project Contractors. Subject to the foregoing allocation, in any year in which there may occur a
715 Condition of Shortage, the Contracting Officer shall then apportion Project Water among the
716 Contractor and others entitled to Project Water from Delta Division Facilities under long-term water
717 service or repayment contracts (or renewals thereof or binding commitments therefore) in force on
718 February 28, 2005, as follows:

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

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

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

732 (4) The available supply shall be multiplied by the Contractor's
733 proportionate share and the result shall be the quantity of Project Water made available by the
734 United States to the Contractor for the relevant Year in accordance with the schedule developed by

735 the Contracting Officer under subdivision (c)(1) of this Article, but in no event shall such amount
736 exceed the Contract Total. In the event the Contracting Officer subsequently determines that the
737 Contracting Officer can increase or needs to decrease the available supply for delivery from Delta
738 Division Facilities to long-term water service and repayment Contractors during the relevant Year,
739 such additions or reductions to the available supply shall be apportioned consistent with
740 subparagraphs (1) through (4), inclusive.

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

751 UNAVOIDABLE GROUNDWATER PERCOLATION

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

756 RULES AND REGULATIONS

757 14. The parties agree that the delivery of Irrigation Water or use of Federal facilities
758 pursuant to this Contract is subject to Federal Reclamation law, including but not limited to the

759 Reclamation Reform Act of 1982 (43 U.S.C.390aa et seq.), as amended and supplemented, and the
760 rules and regulations promulgated by the Secretary of the Interior under Federal Reclamation law.

761 WATER AND AIR POLLUTION CONTROL

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

765 QUALITY OF WATER

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

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

780 (c) Omitted.

781 WATER ACQUIRED BY THE CONTRACTOR
782 OTHER THAN FROM THE UNITED STATES

783 17. (a) Water or water rights now owned or hereafter acquired by the Contractor
784 other than from the United States and Irrigation Water furnished pursuant to the terms of this

785 Contract may be simultaneously transported through the same distribution facilities of the
786 Contractor subject to the following: (i) if the facilities utilized for commingling Irrigation Water
787 and non-Project water were constructed without funds made available pursuant to Federal
788 Reclamation law, the provisions of Federal Reclamation law will be applicable only to the
789 Landholders of lands which receive Irrigation Water; (ii) the eligibility of land to receive Irrigation
790 Water must be established through the certification requirements as specified in the Acreage
791 Limitation Rules and Regulations (43 CFR Part 426); (iii) the water requirements of Eligible Lands
792 within the Contractor's Service Area can be established and the quantity of Irrigation Water to be
793 utilized is less than or equal to the quantity necessary to irrigate such Eligible Lands; and (iv) if the
794 facilities utilized for commingling Irrigation Water and non-Project water are/were constructed with
795 funds made available pursuant to Federal Reclamation law, the non-Project water will be subject to
796 the acreage limitation provisions of Federal Reclamation law, unless the Contractor pays to the
797 United States the incremental fee described in 43 CFR 426.15. In determining the incremental fee,
798 the Contracting Officer will calculate annually the cost to the Federal Government, including
799 interest of storing or delivering non-Project water, which for purposes of this Contract shall be
800 determined as follows: The quotient shall be the unpaid distribution system costs divided by the
801 total irrigable acreage within the Contractor's Service Area. The incremental fee per acre is the
802 mathematical result of such quotient times the interest rate determined using Section 202 (3) of the
803 Act of October 12, 1982 (96 Stat. 1263). Such incremental fee will be charged to each acre of
804 excess or full cost land within the Contractor's Service Area that receives non-Project water through
805 Federally financed or constructed facilities. The incremental fee calculation methodology will
806 continue during the term of this Contract absent the promulgation of a contrary Reclamation-wide
807 rule, regulation, or policy adopted after the Contractor has been afforded the opportunity to review

808 and comment on the proposed rule, regulation, or policy. If such rule, regulation, or policy is
809 adopted it shall supersede this provision.

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

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

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

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

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

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

837 (5) After Project purposes are met, as determined by the Contracting
838 Officer, the United States and Project Contractors entitled to Project Water from Delta Division
839 Facilities shall share priority to utilize the remaining capacity of the facilities declared to be
840 available by the Contracting Officer for conveyance and transportation of non-Project water prior to
841 any such remaining capacity being made available to non-Project contractors. Other Project
842 Contractors shall have a second priority to any remaining capacity of facilities declared to be
843 available by the Contracting Officer for conveyance and transportation of non-Project water prior to
844 any such remaining capacity being made available to non-Project contractors.

845 OPINIONS AND DETERMINATIONS

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

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

860 COORDINATION AND COOPERATION

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

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

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

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

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

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

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

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

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

899 CHARGES FOR DELINQUENT PAYMENTS

900 20. (a) The Contractor shall be subject to interest, administrative and penalty charges
 901 on delinquent installments or payments. When a payment is not received by the due date, the
 902 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.
 903 When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative
 904 charge to cover additional costs of billing and processing the delinquent payment. When a payment
 905 is delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six
 906 (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the
 907 Contractor shall pay any fees incurred for debt collection services associated with a delinquent
 908 payment.

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

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

917 EQUAL OPPORTUNITY

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

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

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

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

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

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

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

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

961 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

974

COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

975 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
 976 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
 977 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights laws,
 978 as well as with their respective implementing regulations and guidelines imposed by the U.S.
 979 Department of the Interior and/or Bureau of Reclamation.

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

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

993

PRIVACY ACT COMPLIANCE

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

999 (b) With respect to the application and administration of the criminal penalty
 1000 provisions of the Act (5 U.S.C. 552a(i)), the Contractor and the Contractor's employees responsible
 1001 for maintaining the certification and reporting records referenced in (a) above are considered to be
 1002 employees of the Department of the Interior. See 5 U.S.C. 552a(m).

1003 (c) The Contracting Officer or a designated representative shall provide the
 1004 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau of
 1005 Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation--Interior,
 1006 Reclamation-31) which govern the maintenance, safeguarding, and disclosure of information
 1007 contained in the Landholder's certification and reporting records.

1008 (d) The Contracting Officer shall designate a full-time employee of the Bureau of
 1009 Reclamation to be the System Manager who shall be responsible for making decisions on denials
 1010 pursuant to 43 CFR 2.61 and 2.64 amendment requests pursuant to 43 CFR 2.72. The Contractor is
 1011 authorized to grant requests by individuals for access to their own records.

1012 (e) The Contractor shall forward promptly to the System Manager each proposed
1013 denial of access under 43 CFR 2.64; and each request for amendment of records filed under 43 CFR
1014 2.71; notify the requester accordingly of such referral; and provide the System Manager with
1015 information and records necessary to prepare an appropriate response to the requester. These
1016 requirements do not apply to individuals seeking access to their own certification and reporting
1017 forms filed with the Contractor pursuant to 43 CFR 426.18, unless the requester elects to cite the
1018 Privacy Act as a basis for the request.

1019 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

1020 25. In addition to all other payments to be made by the Contractor pursuant to this
1021 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and
1022 detailed statement submitted by the Contracting Officer to the Contractor for such specific items of
1023 direct cost incurred by the United States for work requested by the Contractor associated with this
1024 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and
1025 procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in
1026 writing in advance by the Contractor. This Article shall not apply to costs for routine contract
1027 administration.

1028 WATER CONSERVATION

1029 26. (a) Prior to the delivery of water provided from or conveyed through Federally
1030 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be
1031 implementing an effective water conservation and efficiency program based on the Contractor's
1032 water conservation plan that has been determined by the Contracting Officer to meet the
1033 conservation and efficiency criteria for evaluating water conservation plans established under
1034 Federal law. The water conservation and efficiency program shall contain definite water
1035 conservation objectives, appropriate economically feasible water conservation measures, and time
1036 schedules for meeting those objectives. Continued Project Water delivery pursuant to this Contract
1037 shall be contingent upon the Contractor's continued implementation of such water conservation
1038 program. In the event the Contractor's water conservation plan or any revised water conservation

1039 plan completed pursuant to subdivision (d) of Article 26 of this Contract have not yet been
1040 determined by the Contracting Officer to meet such criteria, due to circumstances which the
1041 Contracting Officer determines are beyond the control of the Contractor, water deliveries shall be
1042 made under this Contract so long as the Contractor diligently works with the Contracting Officer to
1043 obtain such determination at the earliest practicable date, and thereafter the Contractor immediately
1044 begins implementing its water conservation and efficiency program in accordance with the time
1045 schedules therein.

1046 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
1047 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall implement
1048 the Best Management Practices identified by the time frames issued by the California Urban Water
1049 Conservation Council for such M&I Water unless any such practice is determined by the
1050 Contracting Officer to be inappropriate for the Contractor.

1051 (c) The Contractor shall submit to the Contracting Officer a report on the status
1052 of its implementation of the water conservation plan on the reporting dates specified in the then
1053 existing conservation and efficiency criteria established under Federal law.

1054 (d) At five-year intervals, the Contractor shall revise its water conservation plan
1055 to reflect the then current conservation and efficiency criteria for evaluating water conservation
1056 plans established under Federal law and submit such revised water management plan to the
1057 Contracting Officer for review and evaluation. The Contracting Officer will then determine if the
1058 water conservation plan meets Reclamation's then current conservation and efficiency criteria for
1059 evaluating water conservation plans established under Federal law.

1060 (e) If the Contractor is engaged in direct groundwater recharge, such activity
1061 shall be described in the Contractor's water conservation plan.

1062 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1063 27. Except as specifically provided in Article 17 of this Contract, the provisions of this
1064 Contract shall not be applicable to or affect non-Project water or water rights now owned or
1065 hereafter acquired by the Contractor or any user of such water within the Contractor's Service Area.
1066 Any such water shall not be considered Project Water under this Contract. In addition, this Contract
1067 shall not be construed as limiting or curtailing any rights which the Contractor or any water user
1068 within the Contractor's Service Area acquires or has available under any other contract pursuant to
1069 Federal Reclamation law.

1070 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

1071 28. (a) The O&M of a portion of the Project facilities which serve the Contractor,
1072 and responsibility for funding a portion of the costs of such O&M, have been transferred to the San
1073 Luis & Delta-Mendota Water Authority, an Operating Non-Federal Entity by separate agreement
1074 (8-07-20-X0354) between the United States and the Operating Non-Federal Entity San Luis
1075 & Delta-Mendota Water Authority. That separate agreement shall not interfere with or affect the
1076 rights or obligations of the Contractor or the United States hereunder.

1077 (b) The Contracting Officer has previously notified the Contractor in writing that
1078 the O&M of a portion of the Project facilities which serve the Contractor has been transferred to the
1079 Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority, and therefore, the
1080 Contractor shall pay directly to the Operating Non-Federal Entity San Luis & Delta-Mendota Water
1081 Authority, or to any successor approved by the Contracting Officer under the terms and conditions
1082 of the separate agreement between the United States and the Operating Non-Federal Entity San Luis
1083 & Delta-Mendota Water Authority described in subdivision (a) of this Article, all rates, charges, or
1084 assessments of any kind, including any assessment for reserve funds, which the Operating Non-
1085 Federal Entity San Luis & Delta-Mendota Water Authority or such successor determines, sets, or

1086 establishes for the O&M of the portion of the Project facilities operated and maintained by the
1087 Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority or such successor. Such
1088 direct payments to the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority or
1089 such successor shall not relieve the Contractor of its obligation to pay directly to the United States
1090 the Contractor's share of the Project Rates, Charges, and Tiered Pricing Component except to the
1091 extent the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority collects
1092 payments on behalf of the United States in accordance with the separate agreement identified in
1093 subdivision (a) of this Article.

1094 (c) For so long as the O&M of any portion of the Project facilities serving the
1095 Contractor is performed by the Operating Non-Federal Entity San Luis & Delta-Mendota Water
1096 Authority, or any successor thereto, the Contracting Officer shall adjust those components of the
1097 Rates for Water Delivered under this Contract representing the cost associated with the activity
1098 being performed by the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority
1099 or its successor.

1100 (d) In the event the O&M of the Project facilities operated and maintained by the
1101 Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority is re-assumed by the
1102 United States during the term of this Contract, the Contracting Officer shall so notify the
1103 Contractor, in writing, and present to the Contractor a revised Exhibit "B" which shall include the
1104 portion of the Rates to be paid by the Contractor for Project Water under this Contract representing
1105 the O&M costs of the portion of such Project facilities which have been re-assumed. The
1106 Contractor shall, thereafter, in the absence of written notification from the Contracting Officer to the
1107 contrary, pay the Rates, Charges, and Tiered Pricing Component specified in the revised Exhibit
1108 "B" directly to the United States in compliance with Article 7 of this Contract.

1109 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1110 29. The expenditure or advance of any money or the performance of any obligation of
 1111 the United States under this Contract shall be contingent upon appropriation or allotment of funds.
 1112 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations
 1113 under this Contract. No liability shall accrue to the United States in case funds are not appropriated
 1114 or allotted.

1115 BOOKS, RECORDS, AND REPORTS

1116 30. (a) The Contractor shall establish and maintain accounts and other books and
 1117 records pertaining to administration of the terms and conditions of this Contract, including: the
 1118 Contractor's financial transactions, water supply data, and Project land and right-of-way
 1119 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
 1120 data; and other matters that the Contracting Officer may require. Reports thereon shall be furnished
 1121 to the Contracting Officer in such form and on such date or dates as the Contracting Officer may
 1122 require. Subject to applicable Federal laws and regulations, each party to this Contract shall have
 1123 the right during office hours to examine and make copies of the other party's books and records
 1124 relating to matters covered by this Contract.

1125 (b) Notwithstanding the provisions of subdivision (a) of this Article, no books,
 1126 records, or other information shall be requested from the Contractor by the Contracting Officer
 1127 unless such books, records, or information are reasonably related to the administration or
 1128 performance of this Contract. Any such request shall allow the Contractor a reasonable period of
 1129 time within which to provide the requested books, records, or information.

1130 (c) At such time as the Contractor provides information to the Contracting
 1131 Officer pursuant to subdivision (a) of this Article, a copy of such information shall be provided to
 1132 the Operating Non-Federal Entity.

1133 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1134 31. (a) The provisions of this Contract shall apply to and bind the successors and
 1135 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
 1136 therein shall be valid until approved in writing by the Contracting Officer.

1137 (b) The assignment of any right or interest in this Contract by either party shall
 1138 not interfere with the rights or obligations of the other party to this Contract absent the written
 1139 concurrence of said other party.

1140 (c) The Contracting Officer shall not unreasonably condition or withhold
1141 approval of any proposed assignment.

1142 SEVERABILITY

1143 32. In the event that a person or entity who is neither (i) a party to a Project contract, nor
1144 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an
1145 association or other form of organization whose primary function is to represent parties to Project
1146 contracts, brings an action in a court of competent jurisdiction challenging the legality or
1147 enforceability of a provision included in this Contract and said person, entity, association, or
1148 organization obtains a final court decision holding that such provision is legally invalid or
1149 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the
1150 parties to this Contract shall use their best efforts to (i) within 30 days of the date of such final court
1151 decision identify by mutual agreement the provisions in this Contract which must be revised and (ii)
1152 within three months thereafter promptly agree on the appropriate revision(s). The time periods
1153 specified above may be extended by mutual agreement of the parties. Pending the completion of
1154 the actions designated above, to the extent it can do so without violating any applicable provisions
1155 of law, the United States shall continue to make the quantities of Project Water specified in this
1156 Contract available to the Contractor pursuant to the provisions of this Contract which were not
1157 found to be legally invalid or unenforceable in the final court decision.

1158 RESOLUTION OF DISPUTES

1159 33. Should any dispute arise concerning any provisions of this Contract, or the parties'
1160 rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the
1161 dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring
1162 any matter to the Department of Justice, the party shall provide to the other party 30 days' written
1163 notice of the intent to take such action; Provided, That such notice shall not be required where a

1164 delay in commencing an action would prejudice the interests of the party that intends to file suit.
1165 During the 30-day notice period, the Contractor and the Contracting Officer shall meet and confer in
1166 an attempt to resolve the dispute. Except as specifically provided, nothing herein is intended to
1167 waive or abridge any right or remedy that the Contractor or the United States may have.

1168 OFFICIALS NOT TO BENEFIT

1169 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1170 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1171 manner as other water users or landowners.

1172 CHANGES IN CONTRACTOR'S SERVICE AREA

1173 35. (a) While this Contract is in effect, no change may be made in the Contractor's
1174 Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger, or otherwise,
1175 except upon the Contracting Officer's written consent.

1176 (b) Within 30 days of receipt of a request for such a change, the Contracting
1177 Officer will notify the Contractor of any additional information required by the Contracting Officer
1178 for processing said request, and both parties will meet to establish a mutually agreeable schedule for
1179 timely completion of the process. Such process will analyze whether the proposed change is likely
1180 to: (i) result in the use of Project Water contrary to the terms of this Contract; (ii) impair the ability
1181 of the Contractor to pay for Project Water furnished under this Contract or to pay for any Federally-
1182 constructed facilities for which the Contractor is responsible; and (iii) have an impact on any Project
1183 Water rights applications, permits, or licenses. In addition, the Contracting Officer shall comply
1184 with the NEPA and the ESA. The Contractor will be responsible for all costs incurred by the
1185 Contracting Officer in this process, and such costs will be paid in accordance with Article 25 of this
1186 Contract.

1187 FEDERAL LAWS

1188 36. By entering into this Contract, the Contractor does not waive its rights to contest the
1189 validity or application in connection with the performance of the terms and conditions of this

1190 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the
1191 terms and conditions of this Contract unless and until relief from application of such Federal law or
1192 regulation to the implementing provision of the Contract is granted by a court of competent
1193 jurisdiction.

1194 NOTICES

1195 37. Any notice, demand, or request authorized or required by this Contract shall be
1196 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered
1197 to the Area Manager, South-Central California Area Office, 1243 N Street, Fresno, California
1198 93721, and on behalf of the United States, when mailed, postage prepaid, or delivered to the Board
1199 of Directors, Mercy Springs Water District, 52027 West Althea Avenue, Firebaugh, California
1200 93622. The designation of the addressee or the address may be changed by notice given in the same
1201 manner as provided in this Article for other notices.

1202 CONFIRMATION OF CONTRACT

1203 38. The Contractor, after the execution of this Contract, shall promptly seek to secure a
1204 decree of a court of competent jurisdiction of the State of California, confirming the execution of
1205 this Contract. The Contractor shall furnish the United States a certified copy of the final decree, the
1206 validation proceedings, and all pertinent supporting records of the court approving and confirming
1207 this Contract, and decreeing and adjudging it to be lawful, valid, and binding on the Contractor.

1208 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and
1209 year first above written.

1210 - THE UNITED STATES OF AMERICA

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

1211 By: *[Signature]*
1212 Regional Director, Mid-Pacific Region
1213 Bureau of Reclamation

1214 (SEAL)

1215 MERCY SPRINGS WATER DISTRICT

1216 By: *[Signature]*
1217 President of the Board of Directors

1218 Attest:
1219 By: *[Signature]*
1220 Secretary of the Board of Directors

1221 (H:\pub 440\LTRC\Final Draft LTRC's - Fresno, Tracy\09-14-04 Mercy Springs WD Final Draft
1222 LTRC with exhibits.doc)



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



Contractor's Service Area



District Boundary

Mercy Springs W.D.
 Contract No. 14-06-200-3365A-A-LTR1
 EXHIBIT A



EXHIBIT B
MERCY SPRINGS WATER DISTRICT
Water Rates and Charges

	<u>2005 Rates Per Acre-Foot</u>	
	<u>Irrigation Water</u>	<u>M&I Water¹</u>
COST-OF-SERVICE (COS) RATES:		
Capital Rates:	\$ 9.59	
O&M Rates:		
Water Marketing	\$ 6.61	
Storage	\$ 5.93	
Conveyance	*	
Conveyance Pumping	*	
Deficit Rates:		
Non-Interest Bearing		
Interest Bearing		
CFO/PFR Adjustment Rate ²		
<u>TOTAL COST-OF-SERVICE RATES (COS):</u>	\$22.13	\$0.00
<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.	\$34.91	
<u>205 FULL-COST RATES:</u>		
Section 205(a)(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient that did <u>not</u> receive irrigation water on or before October 1, 1981.	\$42.18	
Tiered Pricing Component >80% <=90% of Contract		
Total [Full Cost Rate - COS Rate /2]:	\$ 6.39	
Tiered Pricing Component >90% of Contract		
Total [Full Cost Rate - COS Rate]:	\$12.78	
SURCHARGES UNDER P.L. 102-575		
TO RESTORATION FUND**	\$ 7.93	\$15.87

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

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

¹ To be provided as needed. Contractor does not currently receive M&I water and is not projected to take any in the near future.

² Rate represents Chief Financial Officers (CFO) Adjustment and Provision for Replacement (PFR) credit for option 2 cost deferral to be distributed over 5-year period beginning with 2003 water rates.

**MERCY SPRINGS WATER DISTRICT
RESOLUTION NO. 02-05**

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

WHEREAS, the Mercy Springs Water District (the "District") entered into that certain contract between the United States and Mercy Springs Water District Providing for Water Service, Contract No. 14-06-200-3365A, dated June 21, 1967 (the "Original Contract"), providing for the delivery of up to 13,300 acre feet of water diverted through Central Valley Project facilities and the District's distribution system.

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

WHEREAS, a portion of the District's contract, representing 6260 acre feet of entitlement to Central Valley Project water was assigned on May 14, 1999 to Pajaro Valley Water Management Agency, Westlands Water District and Santa Clara Valley Water District.

WHEREAS, a portion of the District's contract, representing 4198 acre feet of entitlement to Central Valley Project water, was assigned on March 1, 2003, to Westlands Water District Distribution District No. 2.

WHEREAS, the District's current Interim Renewal remains in effect for the balance of 2842 acre feet.

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

WHEREAS, the United States has offered the District a Long-Term Renewal Contract for a term of twenty-five (25) years, Contract No. 14-06-200-3365A-LTR1, between the District and the United States, which is on file with the Secretary of the Board (the Long-Term Renewal Contract) on substantially the same substantive terms and conditions as included in the most recent Interim Renewal Contract.

WHEREAS, the District has fully utilized, for reasonable and beneficial use, all water provided under the Original Contract and the Interim Renewal Contracts by receiving and delivering such water to lands within the District's boundaries for irrigation purposes, or putting

such water to beneficial use through conservation and transfer in accordance with California law, and there is continuing need for such water over the next twenty-five (25) years as documented in Reclamation's water needs analysis for the Contract.

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

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

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

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

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

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

NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS:

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

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

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

Section 4. The Board further finds that:

A. Approval of the Long-Term Renewal Contract is statutorily exempt from further compliance with CEQA as provided in Title 14 of the California Code of Regulations ("CFR"), Section 15261, because it is merely the continuation of a project approved, funded and fully operated prior to November 23, 1970, and no modification or alteration in the Central Valley Project, the District distribution system or the amount of water delivered is proposed.

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

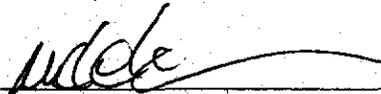
C. Approval of the Long-Term Renewal Contract is categorically exempt from further proceedings under CEQA pursuant to Title 14 CFR Section 15301, because it merely provides for continued operation of an existing facility.

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

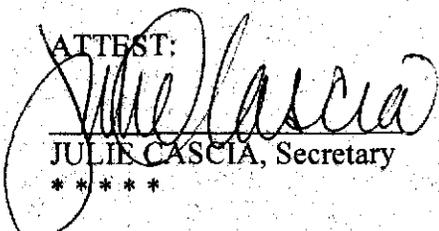
Section 5. The Manager of the District is hereby authorized and directed to prepare and file within 5 days a Notice of Exemption with the County Clerk of Fresno County for the District's Long-Term Renewal Contract for Central Valley Project Water Service, in accordance with Section 15062(b) of Title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

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

Passed and adopted this 23rd day of February, 2005.

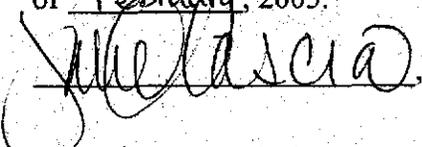

_____, President
MICHAEL LINNEMAN, President
Mercy Springs Water District

ATTEST:



JULIE CASCIA, Secretary

I HEREBY CERTIFY that the foregoing is the resolution of said District as duly passed and adopted by said Board of Directors at a meeting thereof duly called and held on this 23rd day of February, 2005.


_____, Secretary