

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
SHASTA COUNTY WATER AGENCY
PROVIDING FOR PROJECT WATER SERVICE
FROM THE SACRAMENTO RIVER, SHASTA, AND TRINITY RIVER DIVISIONS

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Exhibit A – Map of Contractor's Service Area

Exhibit B – Rates and Charges

1
2 UNITED STATES
3 DEPARTMENT OF THE INTERIOR
4 BUREAU OF RECLAMATION
5 Central Valley Project, California

6 LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
7 AND
8 SHASTA COUNTY WATER AGENCY
9 PROVIDING FOR PROJECT WATER SERVICE
10 FROM THE SACRAMENTO RIVER, SHASTA, AND TRINITY RIVER DIVISIONS

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

22 WITNESSETH, That:

1
2 UNITED STATES
3 DEPARTMENT OF THE INTERIOR
4 BUREAU OF RECLAMATION
5 Central Valley Project, California

6 LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
7 AND
8 SHASTA COUNTY WATER AGENCY
9 PROVIDING FOR PROJECT WATER SERVICE
10 FROM THE SACRAMENTO RIVER, SHASTA, AND TRINITY RIVER DIVISIONS

11 THIS CONTRACT, made this 3rd day of May, 2005,
12 in pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
13 supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844),
14 as amended and supplemented, August 4, 1939 (53 Stat. 1487), as amended and supplemented,
15 July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263),
16 October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992
17 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, between
18 THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, and
19 SHASTA COUNTY WATER AGENCY, hereinafter referred to as the Agency or Contractor, a
20 political subdivision of the State of California, duly organized, existing, and acting pursuant to
21 the laws thereof;

22 WITNESSETH, That:

EXPLANATORY RECITALS

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

30 [2nd] WHEREAS, the United States constructed Shasta Dam and Reservoir, Keswick
31 Dam and Reservoir, and Whiskeytown Dam and Reservoir, hereinafter collectively referred to as
32 the Project facilities, which will be used in part for the furnishing of water to the Agency
33 pursuant to the terms of this Contract; and

34 [3rd] WHEREAS, the rights to Project Water were acquired by the United States
35 pursuant to California law for operation of the Project; and

36 [4th] WHEREAS, the Agency and the United States entered into Contract
37 No. 14-06-200-3367A, as amended, which established terms for the delivery to the Agency of up
38 to 5,000 acre-feet per year of Project Water from the Project facilities from June 30, 1967,
39 through December 31, 2004, hereinafter referred to as the "Existing Contract," and

40 [4.1] WHEREAS, the County of Shasta and the United States entered into Contract
41 No. 14-06-200-1307A, hereinafter referred to as the Keswick Contract, which established terms
42 for the delivery to the Agency of up to 500 acre-feet per year of Project Water from the Trinity
43 River Division from September 16, 1964, through June 31, 2004, to the County Service Area
44 No. 25 - Keswick; and

45 [4.2] WHEREAS, the Agency and the County of Shasta desire to merge the
46 Existing Contract and the Keswick Contract into a single contract identified as Contract
47 No. 14-06-200-3367A-LTR1 and the United States is willing to consent to such merger; and

48 [5th] WHEREAS, the United States and the Agency have, pursuant to subsection
49 3404(c)(3) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into a
50 binding agreement identified as Binding Agreement No. 14-06-200-3367-BA, which sets out the
51 terms pursuant to which the Contractor agreed to renew the Existing Contract before its
52 expiration data after completion of a programmatic environmental impact statement and other
53 appropriate environmental documentation and negotiation of a renewal contract, and which also
54 sets out the consequences of a subsequent decision not to renew; and

55 [5.1] WHEREAS, the Agency and Centerville Community Services District entered
56 into a partial assignment on April 11, 2001, identified as Contract No. 14-06-200-3367X, to
57 permanently assign to Centerville Community Services District 2,900 acre-feet of the Project
58 Water made available to the Contractor pursuant to the Existing Contract; and

59 [5.2] WHEREAS, the Agency and Mountain Gate Community Services District entered
60 into a partial assignment on February 22, 2005, identified as Contract No. 14-06-200-3367Z, to
61 permanently assign to Mountain Gate Community Services District 1,000 acre-feet of the Project
62 Water made available to the Contractor pursuant to the Existing Contract; and

63 [5.3] WHEREAS, the Agency and Bella Vista Water District entered into a partial
64 assignment on February 25, 2005, identified as Contract No. 14-06-200-3367Y, to permanently
65 assign to Bella Vista Water District 578 acre-feet of the Project Water made available to the
66 Contractor pursuant to the Existing Contract; and

67 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the
68 Existing Contract following completion of appropriate environmental documentation, including a
69 programmatic environmental impact statement (PEIS) pursuant to the National Environmental
70 Policy Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the
71 CVPIA and the potential renewal of all existing contracts for Project Water; and

72 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
73 environmental review necessary to provide for long-term renewal of the Existing Contract; and

74 [8th] WHEREAS, the Agency has requested the long-term renewal of the Existing
75 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws
76 of the State of California, for water service from the Project; and

77 [9th] WHEREAS, the United States has determined that the Agency has fulfilled all of
78 its obligations under the Existing Contract; and

79 [10th] WHEREAS, the Agency has demonstrated to the satisfaction of the Contracting
80 Officer that the Agency has utilized the Project Water supplies available to it for reasonable and
81 beneficial use and, based upon a needs analysis cooperatively prepared by the Contracting
82 Officer and the Agency, has demonstrated projected future demand for water use that exceeds
83 the Contract Total to be made available to it pursuant to this Contract; and

84 [11th] WHEREAS, water obtained from the Project has been relied upon by urban and
85 agricultural areas within California for more than 50 years, and is considered by the Agency as
86 an essential portion of its water supply; and

87 [12th] WHEREAS, the economies of regions within the Project, including the Agency's,
88 depend upon the continued availability of water, including water service from the Project; and

89 [12.1] WHEREAS, the Agency has made and will continue to make substantial capital
90 investments in diversion and treatment facilities, and requires a consistent, predictable quality of
91 raw water in order to meet Safe Drinking Water Act requirements for its municipal customers,
92 and to provide a consistent and predictable quality of water for its industrial customers; and

93 [13th] WHEREAS, the Secretary intends through coordination, cooperation, and
94 partnerships to pursue measures to improve water supply, water quality, and reliability of the
95 Project for all Project purposes; and

96 [13.1] WHEREAS, the Agency is located in the region of the Redding Groundwater
97 Basin, and it is the desire of both the United States and the Agency to facilitate the cooperative
98 efforts of local water service agencies to develop the Redding Groundwater Basin for
99 conjunctive management and use with Project Water supplies, to maximize the reasonable
100 beneficial use of water for the water service agencies and their customers in the region; and

101 [14th] WHEREAS, the mutual goals of the United States and the Agency include: to
102 provide for reliable Project Water supplies; to control costs of those supplies; to achieve
103 repayment of the Project as required by law; to guard reasonably against Project Water
104 shortages; to achieve a reasonable balance among competing demands for use of Project Water;
105 and to comply with all applicable environmental statutes, all consistent with the legal obligations
106 of the United States relative to the Project; and

107 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
108 relationship in order to achieve their mutual goals; and

109 [16th] WHEREAS, the United States and the Agency are willing to enter into this
110 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

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

113 DEFINITIONS

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

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

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

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

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

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

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

- 133 (g) "CVPIA" shall mean the Central Valley Project Improvement Act, Title
134 XXXIV of the Act of October 30, 1992 (106 Stat. 4706);
- 135 (h) Omitted;
- 136 (i) Omitted;
- 137 (j) "Full Cost Rate" shall mean an annual rate as determined by the
138 Contracting Officer that shall amortize the expenditures for construction properly allocable to the
139 Project irrigation or M&I functions, as appropriate, of facilities in service including all O&M
140 deficits funded, less payments, over such periods as may be required under Federal Reclamation
141 law, or applicable contract provisions. Interest will accrue on both the construction expenditures
142 and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the
143 date incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated
144 in accordance with subsections 202(3)(B) and (3)(C) of the Reclamation Reform Act of
145 October 12, 1982 (96 Stat. 1263), as amended, hereinafter referred to as RRA. The Full Cost
146 Rate includes actual operation, maintenance, and replacement costs consistent with Section 426.2
147 of the Rules and Regulations for the RRA;
- 148 (k) Omitted;
- 149 (l) Omitted;
- 150 (m) Omitted;
- 151 (n) Omitted;
- 152 (o) "Municipal and Industrial (M&I) Water" shall mean Project Water and
153 Replaced Water made available to the Contractor for purposes other than the commercial
154 production of agricultural crops or livestock;

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

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

160 (r) Omitted;

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

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

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

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

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

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

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

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

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

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

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

191 (dd) "Project Reservoirs" shall mean Shasta Reservoir, Keswick Reservoir, and
192 Whiskeytown Reservoir; and

193 (ee) "Replaced Water" shall mean water diverted from the Sacramento River
194 or a tributary stream located in Shasta County at a time when the Agency or its Subcontractors
195 would not otherwise be entitled to make such diversion; and

196 (ff) "Subcontractor or Subcontractors" shall mean an individual, group of
197 individuals, or legal entities who contract with the Agency to divert and use water made
198 available to the Agency under this Contract.

TERM OF CONTRACT

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2. (a) This Contract shall be effective March 1, 2005, through February 28, 2045, and supersedes the Existing Contract. In the event the Agency wishes to renew this Contract beyond February 28, 2045, the Agency shall submit a request for renewal in writing to the Contracting Officer no later than two years prior to the date this Contract expires.

(b) Omitted.

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

(d) The Contracting Officer shall make a determination ten years after the date of execution of this Contract, and every five years thereafter during the term of this Contract, of whether a conversion to a contract under subsection (c)(1) of Section 9 of the Reclamation Project Act of 1939 can be accomplished. The Contracting Officer anticipates that during the term of this Contract, all authorized Project construction expected to occur will have occurred, and on that basis the Contracting Officer agrees upon such completion to allocate all costs that are properly assignable to the Contractor, and agrees further that, at any time after such allocation is made, and subject to satisfaction of the condition set out in this subdivision, this Contract shall, at the request of the Contractor, be converted to a contract under said subsection 9(c)(1), of the Reclamation Project Act of 1939, subject to applicable Federal law and under

222 stated terms and conditions mutually agreeable to the Contractor and the Contracting Officer. A
223 condition for such conversion to occur shall be a determination by the Contracting Officer that,
224 account being taken of the amount credited to return by the Contractor as provided for under
225 Federal Reclamation law, the remaining amount of construction costs assignable for ultimate
226 return by the Contractor can probably be repaid to the United States within the term of a contract
227 under said subsection 9(c)(1). If the remaining amount of costs that are properly assignable to
228 the Contractor cannot be determined during the term of this Contract, the Contracting Officer
229 shall notify the Contractor, and provide the reason(s) why such a determination could not be
230 made. Further, the Contracting Officer shall make such a determination as soon thereafter as
231 possible so as to permit, upon request of the Contractor and satisfaction of the condition set out
232 above, conversion to a contract under said subsection 9(c)(1). In the event such determination of
233 costs has not been made at a time which allows conversion of this Contract during the term of
234 this Contract or the Contractor has not requested conversion of this Contract within such term,
235 the parties shall incorporate in any subsequent renewal contract as described in subdivision (c) of
236 this Article a provision that carries forth in substantially identical terms the provisions of this
237 subdivision.

238 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE AGENCY

239 3. (a) During each Year, consistent with all applicable State water rights,
240 permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of
241 this Contract, the Contracting Officer shall make available for delivery to the Agency 1,022 acre-
242 feet of Project Water for M&I purposes; Provided, That the United States shall not be
243 responsible for the maintenance of water levels in Project Reservoirs in order to permit the
244 Agency and its Subcontractors to withdraw water therefrom; Provided, further, That in no event
245 shall the United States at any time be obligated to furnish water at the point or points of delivery

246 on the Spring Creek Power Conduit at a rate in excess of 1,250 gallons per minute. The facilities
247 of the Contractor shall include devices satisfactory to the Contracting Officer which will limit the
248 rate of flow to the Contractor to 1,250 gallons per minute. The United States shall not be
249 responsible for maintaining or limiting the heads or pressures at which the water is delivered on
250 the Spring Creek Power Conduit. Water Delivered to the Agency in accordance with this
251 subdivision shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7 of this
252 Contract; Provided, That Project Water made available from Project Reservoirs for direct
253 diversion by the Agency and its Subcontractors shall be used for M&I purposes only; Provided,
254 further, That Replaced Water may be taken by the Agency and its Subcontractors for M&I
255 purposes from the existing flow in the Sacramento River or a tributary stream located in Shasta
256 County pursuant to the terms hereof. If the Agency or its Subcontractors desire to divert water
257 during a period when not otherwise entitled to do so under a water right permit or license, the
258 Agency or its Subcontractors may do so without objection by the United States contingent upon
259 the Agency's making appropriate payment to the United States in the manner set forth in Article
260 7 hereof. To the extent necessary to satisfy third parties below Project Reservoirs having a valid
261 claim, the United States will replace from such Project Reservoirs all water taken by the Agency
262 and its Subcontractors to the extent of water available for such replacement, as conclusively
263 determined by the Contracting Officer. If the United States determines that there is no water
264 available for such replacement during any period of time, it shall notify the Agency in advance
265 of the period of such unavailability. For the purposes of this Contract, Replaced Water shall be
266 considered to be all such water taken each Year during the period from June 15 through
267 September 30, and for the purpose of payment such water shall be deemed to have been
268 furnished from the Project. The Agency shall determine the quantities of Replaced Water in
269 accordance with the procedures established in Article 5 of this Contract.

270 (1) The United States assumes no responsibility and makes no
271 representation with respect to the availability of water in the Sacramento River or a tributary

272 stream located in Shasta County. Replaced Water may be taken if and when available; Provided,
273 That the Agency and its Subcontractors shall hold the United States harmless if the diversion of
274 Replaced Water impairs an existing water right which has a point of diversion upstream from
275 Project storage facilities.

276 (b) Because the capacity of the Project to deliver Project Water has been
277 constrained in recent years and may be constrained in the future due to many factors including
278 hydrologic conditions and implementation of Federal and State laws, the likelihood of the
279 Agency actually receiving the amount of Project Water set out in subdivision (a) of this Article
280 in any given Year is uncertain. The Contracting Officer's modeling referenced in the PEIS
281 projected that the Contract Total set forth in this Contract will not be available to the Agency in
282 many years. During the most recent five years, the Recent Historic Average of water made
283 available to the Agency was 894 acre-feet. Nothing in subdivision (b) of this Article shall affect
284 the rights and obligations of the parties under any provision of this Contract.

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

287 (d) The Agency shall make reasonable and beneficial use of all water
288 furnished pursuant to this Contract. Groundwater recharge programs (direct, indirect, or in lieu),
289 groundwater banking programs, surface water storage programs, and other similar programs
290 utilizing Project Water or other water furnished pursuant to this Contract conducted within the
291 Agency's Service Area which are consistent with applicable State law and result in use
292 consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge
293 program(s) is (are) described in the Agency's water conservation plan submitted pursuant to
294 Article 26 of this Contract; Provided, further, That such water conservation plan demonstrates
295 sufficient lawful uses exist in the Agency's Service Area so that using a long-term average, the
296 quantity of Delivered Water is demonstrated to be reasonable for such uses and in compliance
297 with Federal Reclamation law. Groundwater recharge programs, groundwater banking

298 programs, surface water storage programs, and other similar programs utilizing Project Water or
299 other water furnished pursuant to this Contract conducted outside the Agency's Service Area
300 may be permitted upon written approval of the Contracting Officer, which approval will be based
301 upon environmental documentation, Project Water rights, and Project operational concerns. The
302 Contracting Officer will address such concerns in regulations, policies, or guidelines.

303 (e) The Agency shall comply with requirements applicable to the Agency in
304 biological opinion(s) prepared as a result of a consultation regarding the execution of this
305 Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA), as
306 amended, that are within the Agency's legal authority to implement. The Existing Contract,
307 which evidences in excess of 36 years of diversions for M&I purposes of the quantities of water
308 provided in subdivision (a) of Article 3 of this Contract, will be considered in developing an
309 appropriate baseline for biological assessment(s) prepared pursuant to the ESA, and any other
310 needed environmental review. Nothing herein shall be construed to prevent the Agency from
311 challenging or seeking judicial relief in a court of competent jurisdiction with respect to any
312 biological opinion or other environmental documentation referred to in this Article.

313 (f) As soon as possible following each declaration of Water Made Available
314 under Article 4 of this Contract, the Contracting Officer will make a determination whether
315 Project Water, or other water available to the Project, can be made available to the Agency in
316 addition to the Contract Total under Article 3 of this Contract during the Year without adversely
317 impacting other Project Contractors. At the request of the Agency, the Contracting Officer will
318 consult with the Agency prior to making such a determination. If the Contracting Officer
319 determines that Project Water, or other water available to the Project, can be made available to
320 the Agency, the Contracting Officer will announce the availability of such water and shall so
321 notify the Agency as soon as practical. The Contracting Officer will thereafter meet with the
322 Agency and other Project Contractors capable of taking such water to determine the most
323 equitable and efficient allocation of such water. If the Agency requests the delivery of any

324 quantity of such water, the Contracting Officer shall make such water available to the Agency in
325 accordance with applicable statutes, regulations, guidelines, and policies.

326 (g) The Agency may request permission to reschedule for use during the
327 subsequent Year some or all of the Water Made Available to the Agency during the current Year,
328 referred to as "carryover." The Agency may request permission to use during the current Year a
329 quantity of Project Water which may be made available by the United States to the Agency
330 during the subsequent Year, referred to as "preuse." The Contracting Officer's written approval
331 may permit such uses in accordance with applicable statutes, regulations, guidelines, and
332 policies.

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

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

343 (j) The Contracting Officer shall make reasonable efforts to protect the water
344 rights necessary for the Project and to provide the water available under this Contract. The
345 Contracting Officer shall not object to participation by the Agency, in the capacity and to the
346 extent permitted by law, in administrative proceedings related to the Project Water rights;
347 Provided, That the Contracting Officer retains the right to object to the substance of the
348 Agency's position in such a proceeding; Provided further, That in such proceedings the

349 Contracting Officer shall recognize the Agency has a legal right under the terms of this Contract
350 to use Project Water.

351 TIME FOR DELIVERY OF WATER

352 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer
353 shall announce the Contracting Officer's expected declaration of the Water Made Available.
354 Such declaration will be expressed in terms of both Water Made Available and the Recent
355 Historic Average and will be updated monthly, and more frequently if necessary, based on then-
356 current operational and hydrologic conditions and a new declaration with changes, if any, to the
357 Water Made Available will be made. The Contracting Officer shall provide forecasts of Project
358 operations and the basis of the estimate, with relevant supporting information, upon the written
359 request of the Agency. Concurrently with the declaration of the Water Made Available, the
360 Contracting Officer shall provide the Agency with the updated Recent Historic Average.

361 (b) On or before each March 1 and at such other times as necessary, the
362 Agency shall submit to the Contracting Officer a written schedule, satisfactory to the Contracting
363 Officer, showing the monthly quantities of Project Water and/or Replaced Water to be delivered
364 by the United States to the Agency pursuant to this Contract for the Year commencing on such
365 March 1. The Contracting Officer shall use all reasonable means to deliver Project Water and/or
366 Replaced Water according to the approved schedule for the Year commencing on such March 1.

367 (c) The Agency shall not schedule Project Water and/or Replaced Water in
368 excess of the quantity of Project Water and/or Replaced Water the Agency intends to put to
369 reasonable and beneficial use within the Agency's Service Area or to sell, transfer, or exchange
370 pursuant to Article 9 of this Contract during any Year.

371 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
372 Contract, the United States shall deliver Project Water and/or Replaced Water to the Agency in
373 accordance with the initial schedule submitted by the Agency pursuant to subdivision (b) of this
374 Article, or any written revision(s), satisfactory to the Contracting Officer, thereto submitted

375 within a reasonable time prior to the date(s) on which the requested change(s) is/are to be
376 implemented.

377 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

378 5. (a) Project Water and/or Replaced Water scheduled pursuant to subdivision
379 (b) of Article 4 of this Contract shall be delivered to the Agency at the downstream end of the
380 metering equipment installed by the United States approximately at Station 170+62.0 of the
381 Spring Creek Power Conduit and any additional point or points of delivery either on Project
382 facilities or another location or locations mutually agreed to in writing by the Contracting Officer
383 and the Contractor.

384 (b) Omitted.

385 (c) Omitted.

386 (d) All Water Delivered to the Agency pursuant to this Contract shall be
387 measured and recorded with equipment furnished, installed, operated, and maintained by the
388 Agency at the point or points of delivery established pursuant to subdivision (a) of this Article.
389 Upon the request of either party to this Contract, the Contracting Officer shall investigate the
390 accuracy of such measurements and shall take any necessary steps to adjust any errors appearing
391 therein. For any period of time when accurate measurements have not been made, the
392 Contracting Officer shall consult with the Agency prior to making a final determination of the
393 quantity delivered for that period of time.

394 (e) (1) The construction, operation, and maintenance of all pumps,
395 pipelines, storage tanks, distribution lines, and other facilities, hereinafter referred to as the
396 facilities, required to take, measure, convey, and distribute water and the expense thereof shall be
397 the responsibility of the Agency. The facilities may be installed, operated, and maintained on or
398 across property of the United States in the area of the turnout(s) described in subdivision (a) of
399 this Article subject to such restrictions and regulations as to type, location, method of
400 installation, and operation and maintenance as may be promulgated by the Contracting Officer.

401 (e) (2) The Contracting Officer shall not be responsible for the control,
402 carriage, handling, use, disposal, or distribution of Water Delivered to the Agency pursuant to
403 this Contract beyond the delivery points specified in subdivision (a) of this Article. The Agency
404 shall indemnify the United States, its officers, employees, agents, and assigns on account of
405 damage or claim of damage of any nature whatsoever for which there is legal responsibility,
406 including property damage, personal injury, or death arising out of or connected with the control,
407 carriage, handling, use, disposal, or distribution of such Water Delivered beyond such delivery
408 points, except for any damage or claim arising out of (i) acts or omissions of the Contracting
409 Officer or any of its officers, employees, agents, or assigns with the intent of creating the
410 situation resulting in any damage or claim, (ii) willful misconduct of the Contracting Officer or
411 any of its officers, employees, agents, or assigns, (iii) negligence of the Contracting Officer or
412 any of its officers, employees, agents, or assigns, or (iv) damage or claims resulting from a
413 malfunction of facilities owned and/or operated by the United States.

414 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S SERVICE AREA

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

427 Agency shall include a summary of all its annual surface water deliveries in the annual report
428 described in subdivision (c) of Article 26.

429 (b) To the extent the information has not otherwise been provided, upon
430 execution of this Contract, the Agency shall provide to the Contracting Officer a written report
431 describing the measurement devices or water measuring methods being used or to be used to
432 implement subdivision (a) of this Article and identifying the M&I service connections or
433 alternative measurement programs approved by the Contracting Officer, at which such
434 measurement devices or water measuring methods are being used, and, if applicable, identifying
435 the locations at which such devices and/or methods are not yet being used including a time
436 schedule for implementation at such locations. The Contracting Officer shall advise the Agency
437 in writing within 60 days as to the adequacy and necessary modifications, if any, of the
438 measuring devices or water measuring methods identified in the Agency's report and if the
439 Contracting Officer does not respond in such time, they shall be deemed adequate. If the
440 Contracting Officer notifies the Agency that the measuring devices or methods are inadequate,
441 the parties shall within 60 days following the Contracting Officer's response, negotiate in good
442 faith the earliest practicable date by which the Agency shall modify said measuring devices
443 and/or measuring methods as required by the Contracting Officer to ensure compliance with
444 subdivision (a) of this Article.

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

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

451 (e) The Agency shall inform the Contracting Officer on or before the 20th
452 calendar day of each month of the quantity of M&I Water taken during the preceding month.

453 RATES AND METHOD OF PAYMENT FOR WATER

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

464 (b) The Contracting Officer shall notify the Agency of the Rates, Charges,
465 and Tiered Pricing Component as follows:

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

474 (2) Prior to October 1 of each Calendar Year, the Contracting Officer
475 shall make available to the Agency an estimate of the Rates and Tiered Pricing Component for
476 Project Water for the following Year and the computations and cost allocations upon which those
477 Rates are based. The Agency shall be allowed not less than two months to review and comment
478 on such computations and cost allocations. By December 31 of each Calendar Year, the

479 Contracting Officer shall provide the Agency with the final Rates and Tiered Pricing Component
480 to be in effect for the upcoming Year, and such notification shall revise Exhibit "B."

481 (c) At the time the Agency submits the initial schedule for the delivery of
482 Project Water and Replaced Water for each Year pursuant to subdivision (b) of Article 4 of this
483 Contract, the Agency shall make an advance payment to the United States equal to the total
484 amount payable pursuant to the applicable Rate(s) set under subdivision (a) of this Article, for
485 the Project Water and Replaced Water scheduled to be delivered pursuant to this Contract during
486 the first two calendar months of the Year. Before the end of the first month and before the end
487 of each calendar month thereafter, the Agency shall make an advance payment to the United
488 States, at the Rate(s) set under subdivision (a) of this Article, for the Water Scheduled to be
489 delivered pursuant to this Contract during the second month immediately following.

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

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

515 (e) The Agency shall pay for any Water Delivered under subdivision (a), (f),
516 or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to
517 applicable statutes, associated regulations, any applicable provisions of guidelines or ratesetting
518 policies; Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this
519 Contract shall be no more than the otherwise applicable Rate for M&I Water under subdivision
520 (a) of this Article.

521 (f) Payments to be made by the Agency to the United States under this
522 Contract may be paid from any revenues available to the Agency.

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

527 (h) The Contracting Officer shall keep its accounts pertaining to the
528 administration of the financial terms and conditions of its long-term contracts, in accordance
529 with applicable Federal standards, so as to reflect the application of Project costs and revenues.
530 The Contracting Officer shall, each Year upon request of the Agency, provide to the Agency a

531 detailed accounting of all Project and Agency expense allocations, the disposition of all Project
532 and Agency revenues, and a summary of all water delivery information. The Contracting Officer
533 and the Agency shall enter into good faith negotiations to resolve any discrepancies or disputes
534 relating to accountings, reports, or information.

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

542 (j) (1) Beginning at such time as deliveries of Project Water and Replaced
543 Water in a Year exceed 80 percent of the Contract Total, then before the end of the month
544 following the month of delivery the Agency shall make an additional payment to the United
545 States equal to the applicable Tiered Pricing Component. The Tiered Pricing Component for the
546 amount of Water Delivered in excess of 80 percent of the Contract Total, but less than or equal
547 to 90 percent of the Contract Total, shall equal one-half of the difference between the Rate
548 established under subdivision (a) of this Article and the M&I Full Cost Water Rate. The Tiered
549 Pricing Component for the amount of Water Delivered which exceeds 90 percent of the Contract
550 Total shall equal the difference between (i) the Rate established under subdivision (a) of this
551 Article and (ii) the M&I Full Cost Water Rate.

552 (2) Omitted

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

555 Agency transfers to others but shall not include Project Water transferred and delivered to the
556 Agency nor shall it include the additional water provided to the Agency under the provisions of
557 subdivision (f) of Article 3 of this Contract.

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

566 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the
567 CVPIA, the Rates for Project Water transferred by the Agency shall be the Agency's Rates
568 adjusted upward or downward to reflect the changed costs, if any, incurred by the Contracting
569 Officer in the delivery of the transferred Project Water to the transferee's point of delivery in
570 accordance with the then applicable Project ratesetting policy. If the Agency is receiving lower
571 Rates and Charges because of inability to pay and is transferring Project Water to another entity
572 whose Rates and Charges are not adjusted due to inability to pay, the Rates and Charges for
573 transferred Project Water shall not be adjusted to reflect the Agency's inability to pay.

574 (m) Omitted.

575 (n) Omitted.

576 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

577 8. The Agency and the Contracting Officer concur that, as of the effective date of
578 this Contract, the Agency has no non-interest bearing O&M deficits and shall have no further
579 liability therefor.

580

581 SALES, TRANSFERS, OR EXCHANGES OF WATER

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

593 (b) In order to facilitate efficient water management by means of water
594 transfers of the type historically carried out among Project Contractors located within the same
595 geographical area and to allow the Agency to participate in an accelerated water transfer program
596 during the term of this Contract, the Contracting Officer shall prepare, as appropriate, all
597 necessary environmental documentation including, but not limited to, documents prepared
598 pursuant to NEPA and ESA analyzing annual transfers within such geographical areas, and the
599 Contracting Officer shall determine whether such transfers comply with applicable law.
600 Following the completion of the environmental documentation, such transfers addressed in such
601 documentation shall be conducted with advance notice to the Contracting Officer, but shall not
602 require prior written approval by the Contracting Officer. Such environmental documentation
603 and the Contracting Officer's compliance determination shall be reviewed every five years and
604 updated, as necessary, prior to the expiration of the then-existing five-year period. All
605 subsequent environmental documentation shall include an alternative to evaluate not less than the
606 quantity of Project Water historically transferred within the same geographical area.

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

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

623 APPLICATION OF PAYMENTS AND ADJUSTMENTS

624 10. (a) The amount of any overpayment by the Agency of the Agency's O&M,
625 capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities
626 of the Agency arising out of this Contract then due and payable. Overpayments of more than
627 \$1,000 shall be refunded at the Agency's request. In lieu of a refund, any amount of such
628 overpayment, at the option of the Agency, may be credited against amounts to become due to the
629 United States by the Agency. With respect to overpayment, such refund or adjustment shall
630 constitute the sole remedy of the Agency or anyone having or claiming to have the right to the
631 use of any of the Project Water supply provided for herein. All credits and refunds of
632 overpayments shall be made within 30 days of the Contracting Officer obtaining direction as to

633 how to credit or refund such overpayment in response to the notice to the Agency that it has
634 finalized the accounts for the Year in which the overpayment was made.

635 (b) All advances for miscellaneous costs incurred for work requested by the
636 Agency pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs when
637 the work has been completed. If the advances exceed the actual costs incurred, the difference
638 will be refunded to the Agency. If the actual costs exceed the Agency's advances, the Agency
639 will be billed for the additional costs pursuant to Article 25.

640 TEMPORARY REDUCTIONS--RETURN FLOWS

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

646 (b) The Contracting Officer may temporarily discontinue or reduce the
647 quantity of Water Delivered to the Agency as herein provided for the purposes of investigation,
648 inspection, maintenance, repair, or replacement of any of the Project facilities or any part thereof
649 necessary for the delivery of Project Water to the Agency, but so far as feasible the Contracting
650 Officer will give the Agency due notice in advance of such temporary discontinuance or
651 reduction, except in case of emergency, in which case no notice need be given; Provided, That
652 the United States shall use its best efforts to avoid any discontinuance or reduction in such
653 service. Upon resumption of service after such reduction or discontinuance, and if requested by
654 the Agency, the United States will, if possible, deliver the quantity of Project Water which would
655 have been delivered hereunder in the absence of such discontinuance or reduction.

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

662 CONSTRAINTS ON THE AVAILABILITY OF WATER

663 12. (a) In its operation of the Project, the Contracting Officer will use all
664 reasonable means to guard against a Condition of Shortage in the quantity of water to be made
665 available to the Agency pursuant to this Contract. In the event the Contracting Officer
666 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the
667 Agency of said determination as soon as practicable.

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

673 (c) Omitted.

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

677 (e) By entering into this Contract, the Contractor does not waive any legal
678 rights or remedies it may have to file or participate in any administrative or judicial proceeding

679 contesting (i) the sufficiency of the manner in which any Project M&I Water Shortage Policy
680 adopted after the effective date of this Contract was promulgated; (ii) the substance of such a
681 policy; or (iii) the applicability of such a policy. By agreeing to the foregoing, the Contracting
682 Officer does not waive any legal defenses or remedies that it may then have to assert in such a
683 proceeding.

684 13. Omitted.

685 RULES AND REGULATIONS

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

690 WATER AND AIR POLLUTION CONTROL

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

694 QUALITY OF WATER

695 16. (a) Project facilities used to deliver Project Water to the Agency pursuant to
696 this Contract shall be operated and maintained to enable the United States to deliver Project
697 Water to the Agency in accordance with the water quality standards specified in subsection 2(b)
698 of the Act of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October 27,
699 1986 (100 Stat. 3050) or other existing Federal laws. The United States is under no obligation to
700 construct or furnish water treatment facilities to maintain or to improve the quality of Water
701 Delivered to the Agency pursuant to this Contract. The United States does not warrant the
702 quality of Water Delivered to the Agency pursuant to this Contract.

703 (b) The O&M of Project facilities shall be performed in such manner as is
704 practicable to maintain the quality of raw water made available through such facilities at the

705 highest level reasonably attainable as determined by the Contracting Officer. The Contractor
706 shall be responsible for compliance with all State and Federal water quality standards applicable
707 to surface and subsurface agricultural drainage discharges generated through the use of Federal
708 or Contractor facilities or Project Water provided by the Contractor within the Contractor's
709 Service Area.

710 WATER ACQUIRED BY THE CONTRACTOR
711 OTHER THAN FROM THE UNITED STATES

- 712 17. (a) Omitted.
- 713 (b) Water or water rights now owned or hereafter acquired by the Agency,
714 other than from the United States, may be stored, conveyed, and/or diverted through Project
715 facilities, subject to the completion of appropriate environmental documentation, with the
716 approval of the Contracting Officer and the execution of any contract determined by the
717 Contracting Officer to be necessary, consistent with the following provisions:
- 718 (1) The Agency may introduce non-Project water into Project facilities
719 and deliver said water to lands within the Agency's Service Area, including Ineligible Lands,
720 subject to payment to the United States of an appropriate rate as determined by the applicable
721 Project ratesetting policy, the RRA, and the Project use power policy, if such Project use power
722 policy is applicable, each as amended, modified, or superseded from time to time.
- 723 (2) Delivery of such non-Project water in and through Project facilities
724 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project
725 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water
726 available to other Project Contractors; (iii) interfere with the delivery of contractual water
727 entitlements to any other Project Contractors; or (iv) interfere with the physical maintenance of
728 the Project facilities.
- 729 (3) The United States shall not be responsible for control, care, or
730 distribution of the non-Project water before it is introduced into or after it is delivered from the

731 Project facilities. The Agency hereby releases and agrees to defend and indemnify the United
732 States and its respective officers, agents, and employees, from any claim for damage to persons
733 or property, direct or indirect, resulting from the acts of the Agency, its officers', employees',
734 agents', or assigns', act(s) in (i) extracting or diverting non-Project water from any source, or (ii)
735 diverting such non-Project water into Project facilities.

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

739 (5) After Project purposes are met, as determined by the Contracting
740 Officer, the United States and the Agency shall share priority to utilize the remaining capacity of
741 the facilities declared to be available by the Contracting Officer for conveyance and
742 transportation of non-Project water prior to any such remaining capacity being made available to
743 non-Project contractors.

744 OPINIONS AND DETERMINATIONS

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

755 (b) The Contracting Officer shall have the right to make determinations
756 necessary to administer this Contract that are consistent with the provisions of this Contract, the

757 laws of the United States and of the State of California, and the rules and regulations
758 promulgated by the Secretary of the Interior. Such determinations shall be made in consultation
759 with the Agency to the extent reasonably practicable.

760 COORDINATION AND COOPERATION

761 19. (a) In order to further their mutual goals and objectives, the Contracting
762 Officer and the Agency shall communicate, coordinate, and cooperate with each other, and with
763 other affected Project Contractors, in order to improve the operation and management of the
764 Project. The communication, coordination, and cooperation regarding operations and
765 management shall include, but not be limited to, any action which will or may materially affect
766 the quantity or quality of Project Water supply, the allocation of Project Water supply, and
767 Project financial matters including, but not limited to, budget issues. The communication,
768 coordination, and cooperation provided for hereunder shall extend to all provisions of this
769 Contract. Each party shall retain exclusive decision making authority for all actions, opinions,
770 and determinations to be made by the respective party.

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

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

781 (1) The Contracting Officer will, at the request of the Agency, assist in
782 the development of integrated resource management plans for the Agency. Further, the

783 Contracting Officer will, as appropriate, seek authorizations for implementation of partnerships
784 to improve water supply, water quality, and reliability.

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

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

790 (3.1) The Secretary and the Agency desire to work together to maximize
791 the reasonable beneficial use of water for their mutual benefit. As a consequence, the Secretary
792 and the Agency will work in partnership and with others in the region of the Redding
793 Groundwater Basin, including other Contractors in the Shasta and Trinity Divisions of the
794 Project, to facilitate the better integration with the region of the Redding Groundwater Basin of
795 all water supplies including, but not limited to, the better management and integration of surface
796 water and groundwater, transfers and exchanges of water, the development and better utilization
797 of surface water storage, the effective utilization of waste, seepage and return flow water, and
798 other operational and management options that may be identified in the future.

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

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

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

809

CHARGES FOR DELINQUENT PAYMENTS

810 20. (a) The Contractor shall be subject to interest, administrative and penalty
811 charges on delinquent installments or payments. When a payment is not received by the due
812 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
813 the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an
814 administrative charge to cover additional costs of billing and processing the delinquent payment.
815 When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional
816 penalty charge of six (6%) percent per year for each day the payment is delinquent beyond the
817 due date. Further, the Contractor shall pay any fees incurred for debt collection services
818 associated with a delinquent payment.

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

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

827

EQUAL OPPORTUNITY

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

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

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

843 (c) The Contractor will send to each labor union or representative of workers
844 with which it has a collective bargaining agreement or other contract or understanding, a notice,
845 to be provided by the Contracting Officer, advising the said labor union or workers'
846 representative of the Contractor's commitments under Section 202 of Executive Order 11246 of

847 September 24, 1965, and shall post copies of the notice in conspicuous places available to
848 employees and applicants for employment.

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

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

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

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

873 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

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

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

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

886 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

887 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
888 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
889 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
890 laws, as well as with their respective implementing regulations and guidelines imposed by the
891 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

906 24. Omitted.

907 AGENCY TO PAY CERTAIN MISCELLANEOUS COSTS

908 25. In addition to all other payments to be made by the Agency pursuant to this
909 Contract, the Agency shall pay to the United States, within 60 days after receipt of a bill and
910 detailed statement submitted by the Contracting Officer to the Agency for such specific items of
911 direct cost incurred by the United States for work requested by the Agency associated with this
912 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and
913 procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in
914 writing in advance by the Agency. This Article shall not apply to costs for routine contract
915 administration.

916

WATER CONSERVATION

917

26. (a) Prior to the delivery of water provided from or conveyed through

918

Federally constructed or Federally financed facilities pursuant to this Contract, the Agency shall

919

be implementing an effective water conservation and efficiency program based on the Agency's

920

water conservation plan that has been determined by the Contracting Officer to meet the

921

conservation and efficiency criteria for evaluating water conservation plans established under

922

Federal law. The water conservation and efficiency program shall contain definite water

923

conservation objectives, appropriate economically feasible water conservation measures, and

924

time schedules for meeting those objectives. Continued Project Water delivery pursuant to this

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Contract shall be contingent upon the Agency's continued implementation of such water

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conservation program. In the event the Agency's water conservation plan or any revised water

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conservation plan completed pursuant to subdivision (d) of Article 26 of this Contract have not

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yet been determined by the Contracting Officer to meet such criteria, due to circumstances which

929

the Contracting Officer determines are beyond the control of the Agency, water deliveries shall

930

be made under this Contract so long as the Agency diligently works with the Contracting Officer

931

to obtain such determination at the earliest practicable date, and thereafter the Agency

932

immediately begins implementing its water conservation and efficiency program in accordance

933

with the time schedules therein.

934

(b) Should the amount of M&I Water delivered pursuant to subdivision (a) of

935

Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Agency shall implement

936

the Best Management Practices identified by the time frames issued by the California Urban

937

Water Conservation Council for such M&I Water unless any such practice is determined by the

938

Contracting Officer to be inappropriate for the Agency.

939

(c) The Agency shall submit to the Contracting Officer a report on the status

940

of its implementation of the water conservation plan on the reporting dates specified in the then

941

existing conservation and efficiency criteria established under Federal law.

942 (d) At five-year intervals, the Agency shall revise its water conservation plan
943 to reflect the then-current conservation and efficiency criteria for evaluating water conservation
944 plans established under Federal law and submit such revised water management plan to the
945 Contracting Officer for review and evaluation. The Contracting Officer will then determine if
946 the water conservation plan meets Reclamation's then-current conservation and efficiency
947 criteria for evaluating water conservation plans established under Federal law.

948 (e) If the Agency is engaged in direct groundwater recharge, such activity
949 shall be described in the Agency's water conservation plan.

950 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

951 27. Except as specifically provided in Article 17 of this Contract, the provisions of
952 this Contract shall not be applicable to or affect non-Project water or water rights now owned or
953 hereafter acquired by the Agency or any user of such water within the Agency's Service Area.
954 Any such water shall not be considered Project Water under this Contract. In addition, this
955 Contract shall not be construed as limiting or curtailing any rights which the Agency or any
956 water user within the Agency's Service Area acquires or has available under any other contract
957 pursuant to Federal Reclamation law.

958 28. Omitted.

959 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

960 29. The expenditure or advance of any money or the performance of any obligation of
961 the United States under this Contract shall be contingent upon appropriation or allotment of
962 funds. Absence of appropriation or allotment of funds shall not relieve the Agency from any
963 obligations under this Contract. No liability shall accrue to the United States in case funds are
964 not appropriated or allotted.

965 BOOKS, RECORDS, AND REPORTS

966 30. (a) The Contractor shall establish and maintain accounts and other books and
967 records pertaining to administration of the terms and conditions of this Contract, including: the
968 Contractor's financial transactions, water supply data, and Project land and right-of-way
969 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use
970 data; and other matters that the Contracting Officer may require. Reports thereon shall be
971 furnished to the Contracting Officer in such form and on such date or dates as the Contracting

972 Officer may require. Subject to applicable Federal laws and regulations, each party to this
973 Contract shall have the right during office hours to examine and make copies of the other party's
974 books and records relating to matters covered by this Contract.

975 (b) Notwithstanding the provisions of subdivision (a) of this Article, no
976 books, records, or other information shall be requested from the Agency by the Contracting
977 Officer unless such books, records, or information are reasonably related to the administration or
978 performance of this Contract. Any such request shall allow the Agency a reasonable period of
979 time within which to provide the requested books, records, or information.

980 (c) Omitted.

981 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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

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

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

990 SEVERABILITY

991 32. In the event that a person or entity who is neither (i) a party to a Project contract,
992 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii)
993 an association or other form of organization whose primary function is to represent parties to
994 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or
995 enforceability of a provision included in this Contract and said person, entity, association, or
996 organization obtains a final court decision holding that such provision is legally invalid or
997 unenforceable and the Agency has not intervened in that lawsuit in support of the plaintiff(s), the
998 parties to this Contract shall use their best efforts to (i) within 30 days of the date of such final
999 court decision identify by mutual agreement the provisions in this Contract which must be

1000 revised, and (ii) within three months thereafter promptly agree on the appropriate revision(s).
1001 The time periods specified above may be extended by mutual agreement of the parties. Pending
1002 the completion of the actions designated above, to the extent it can do so without violating any
1003 applicable provisions of law, the United States shall continue to make the quantities of Project
1004 Water specified in this Contract available to the Agency pursuant to the provisions of this
1005 Contract which were not found to be legally invalid or unenforceable in the final court decision.

1006 RESOLUTION OF DISPUTES

1007 33. Should any dispute arise concerning any provisions of this Contract, or the
1008 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to
1009 resolve the dispute. Prior to the Agency commencing any legal action, or the Contracting
1010 Officer referring any matter to Department of Justice, the party shall provide to the other party
1011 30 days' written notice of the intent to take such action; Provided, That such notice shall not be
1012 required where a delay in commencing an action would prejudice the interests of the party that
1013 intends to file suit. During the 30-day notice period, the Agency and the Contracting Officer
1014 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,
1015 nothing herein is intended to waive or abridge any right or remedy that the Agency or the United
1016 States may have.

1017 OFFICIALS NOT TO BENEFIT

1018 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1019 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1020 manner as other water users or landowners.

1021 CHANGES IN CONTRACTOR'S SERVICE AREA

1022 35. (a) While this Contract is in effect, no change may be made in the
1023 Contractor's Service Area, by inclusion or exclusion of lands, dissolution, consolidation, merger,
1024 or otherwise, except upon the Contracting Officer's written consent.

1025 (b) Within 30 days of receipt of a request for such a change, the Contracting
1026 Officer will notify the Agency of any additional information required by the Contracting Officer
1027 for processing said request, and both parties will meet to establish a mutually agreeable schedule

1028 for timely completion of the process. Such process will analyze whether the proposed change is
1029 likely to: (i) result in the use of Project Water contrary to the terms of this Contract; (ii) impair
1030 the ability of the Agency to pay for Project Water furnished under this Contract or to pay for any
1031 Federally-constructed facilities for which the Agency is responsible; and (iii) have an impact on
1032 any Project Water rights applications, permits, or licenses. In addition, the Contracting Officer
1033 shall comply with the NEPA and the ESA. The Agency will be responsible for all costs incurred
1034 by the Contracting Officer in this process, and such costs will be paid in accordance with Article
1035 25 of this Contract.

1036 FEDERAL LAWS

1037 36. By entering into this Contract, the Agency does not waive its rights to contest the
1038 validity or application in connection with the performance of the terms and conditions of this
1039 Contract of any Federal law or regulation; Provided, That the Agency agrees to comply with the
1040 terms and conditions of this Contract unless and until relief from application of such Federal law
1041 or regulation to the implementing provision of the Contract is granted by a court of competent
1042 jurisdiction.

1043 NOTICES

1044 37. Any notice, demand, or request authorized or required by this Contract shall be
1045 deemed to have been given, on behalf of the Agency, when mailed, postage prepaid, or delivered
1046 to the Area Manager, Bureau of Reclamation, Northern California Area Office, 16349 Shasta
1047 Dam Boulevard, Shasta Lake, California 96019, and on behalf of the United States, when
1048 mailed, postage prepaid, or delivered to the Shasta County Board of Supervisors, c/o of the
1049 Shasta County Water Agency, 1855 Placer Street, Redding, California 96001. The designation
1050 of the addressee or the address may be changed by notice given in the same manner as provided
1051 in this Article for other notices.

1052 CONFIRMATION OF CONTRACT

1053 38. The Contractor, after the execution of this Contract, shall furnish to the
1054 Contracting Officer evidence that pursuant to the laws of the State of California, the Contractor
1055 is a legally constituted entity and the contract is lawful, valid, and binding on the Contractor.
1056 This Contract shall not be binding on the United States until such evidence has been provided to
1057 the Contracting Officer's satisfaction.

RESALE OF WATER

1058
1059 39. The Agency may enter into contracts with Subcontractors for the resale and
1060 distribution of water furnished pursuant to this Contract within the Agency=s Service Area.
1061 Each such Subcontractor shall be subject to the obligations and limitations imposed, and to the
1062 rights granted, by this Contract and shall so provide. The terms and conditions of each
1063 subcontract shall be approved by the Contracting Officer prior to the execution of such
1064 subcontract, which approval shall be limited to a determination that the subcontract is consistent
1065 with the provisions of this Contract. Nothing herein or therein contained shall be deemed in any
1066 way to release the Contractor from its primary liability to the United States hereunder with
1067 respect to each and all of the obligations undertaken by the Contractor in this Contract.

1068 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of
1069 the day and year first above written.

1070 THE UNITED STATES OF AMERICA

1071 By: *[Signature]*
1072 Regional Director, Mid-Pacific Region
1073 Bureau of Reclamation

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

1074 (SEAL)

1075 SHASTA COUNTY WATER AGENCY

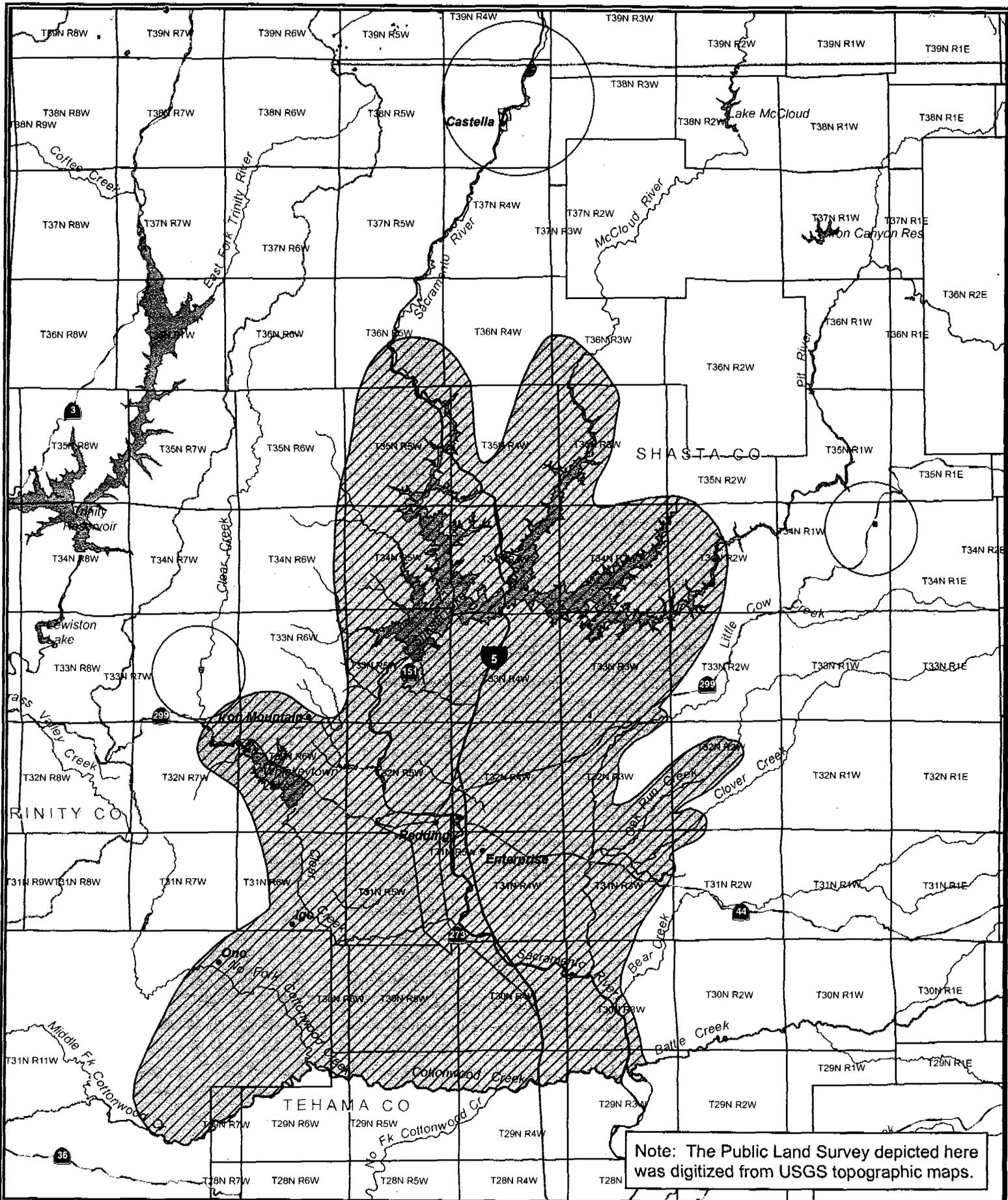
1076 By: *David A. Kehoe* 5/03/05
1077 David A. Kehoe
1078 Chairman, Board of Directors

1078 Attest:

1079 By: *Alinda K. Tracy*
1080 County Clerk and Ex-Officio Clerk
1081 of the Board of Directors

1082 (H:\public\Willows Final LTRC's\2005-01-31 Shasta County Water Agency LTRC Final Draft
1083 Contract.doc)

APPROVED AS TO FORM
SHASTA COUNTY COUNSEL
[Signature]
James R. Ross
Deputy County Counsel



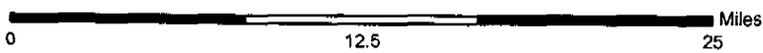
-  Contractor's Service Area
-  District Boundary

Shasta County Water Agency

Contract No. 14-06-200-3367A-LTR1

Exhibit A

Date: February 9, 2006
 File Name: N:\data\contracts\shasta_co_wa\shasta_co_wa_lr.mxd



214-202-8

EXHIBIT B

SHASTA COUNTY WATER AGENCY
2005 Water Rates and Charges per Acre-Foot

<u>M&I COST OF SERVICE RATES:</u>	<u>Shasta Reservoir</u>	<u>Spring Creek Conduit</u>
Capital Rate:	\$ 5.83	\$ 5.23
O&M Rates:		
Water Marketing	3.89	3.89
Storage	6.67	6.67
Deficit Rate:	6.31	3.29
CFO/PRF Adjustment Rate 1/	<u>1.55</u>	<u>1.74</u>
TOTAL	<u>\$24.25</u>	<u>\$20.82</u>
<u>M&I FULL COST RATE:</u>	<u>\$27.70</u>	<u>\$24.39</u>
<u>TIERED PRICING COMPONENTS:</u>		
Tiered Pricing Component >80% <=90% of Contract Total [Full Cost Rate – COS Rate / 2]	<u>\$ 1.73</u>	<u>\$ 1.79</u>
Tiered Pricing Component >90% of Contract Total [Full Cost Rate – COS Rate]	<u>\$ 3.45</u>	<u>\$ 3.57</u>
<u>CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 2/</u>		
Restoration Payments (3407(d)(2)(A))	<u>\$15.87</u>	<u>\$15.87</u>

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

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

Recent Historic Use, as defined in the CVP M&I Water Shortage Policy, is _____
 acre-feet.

WATER AGENCY RESOLUTION NO. 2005-4

RESOLUTION OF THE BOARD OF DIRECTORS OF THE SHASTA COUNTY WATER AGENCY
AUTHORIZING THE LONG-TERM RENEWAL CONTRACT

WHEREAS, Shasta County Water Agency entered into Contract Number 14-06-200-3367A with the United States Bureau of Reclamation for 5,000 acre-feet of Central Valley Project Water;

WHEREAS, Shasta County Water Agency entered into Binding Agreement Number 14-06-200-3367A-BA with the United States Bureau of Reclamation to renew the existing contract;

WHEREAS, Shasta County Water Agency assigned 2,900 acre-feet to Centerville Community Services District and has 2,100 acre-feet remaining in contract Number 14-06-200-3367A;

WHEREAS, Shasta County Water Agency assigned 1,000 acre-feet to Mountain Gate Community Services District and has 1,100 acre-feet remaining in contract Number 14-06-200-3367A;

WHEREAS, Shasta County Water Agency assigned 578 acre-feet to Bella Vista Water District and has 522 acre-feet remaining in contract Number 14-06-200-3367A;

WHEREAS, County Service Area No. 25 - Keswick assigned 500 acre-feet to Shasta County Water Agency in Contract Number 14-06-200-1307A; and

WHEREAS, Shasta County Water Agency entered into Interim Renewal Contract Number 14-06-200-3367A-IR1 with the United States Bureau of Reclamation for continuous service of Central Valley Project water.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Shasta County Water Agency authorizes the Chairman to sign the Long-Term Renewal Contract Number 14-06-200-1367-A-LTR1.

PASSED AND ADOPTED this 3rd day of May 2005, by the following vote:

AYES: Hawes, Hartman, Clarke, Kehoe, and Cibula
NOES: None
ABSENT: None
ABSTAIN: None


DAVID A. KEHOE, CHAIRMAN
Board of Directors
Shasta County Water Agency
State of California

ATTEST:
H. DOUGLAS LATIMER
Clerk of the Board
Shasta County Water Agency

By 
Deputy

This instrument is a correct copy
of the original on file in this office.

ATTEST: MAY 09 2005

Clerk of the Board
Supervisors of the County of Shasta, State of California
BY 