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5 UNITED STATES
6 DEPARTMENT OF THE INTERIOR
7 BUREAU OF RECLAMATION
8 Central Valley Project, California

9 INTERIM RENEWAL CONTRACT AMONG THE UNITED STATES,
10 THE DEPARTMENT OF WATER RESOURCES
11 OF THE STATE OF CALIFORNIA,
12 AND
13 HILLS VALLEY IRRIGATION DISTRICT
14 PROVIDING FOR PROJECT WATER SERVICE

15 THIS CONTRACT, made this 20th day of May, 2005, in
16 pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
17 supplementary thereto, including, but not limited to, the acts of August 26, 1937 (50 Stat. 844), as
18 amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July
19 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), as amended
20 and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter
21 referred to as Federal Reclamation law, among THE UNITED STATES OF AMERICA,
22 hereinafter referred to as the United States, THE DEPARTMENT OF WATER RESOURCES OF
23 THE STATE OF CALIFORNIA, hereinafter referred to as DWR, and HILLS VALLEY
24 IRRIGATION DISTRICT, hereinafter referred to as the Contractor, a public agency of the State
25 of California, duly organized, existing, and acting pursuant to the laws thereof, with its principal
26 place of business in Visalia, California;

27 WITNESSETH, That:

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EXPLANATORY RECITALS

WHEREAS, the United States, DWR, and the Contractor entered into an interim renewal contract identified as Contract No. 14-06-200-8466A-IR5, hereinafter referred to as the Interim Renewal Contract, which provided for the continued water service to the Contractor following expiration of Contract No. 14-06-200-8466A; and

WHEREAS, the United States, DWR, and the Contractor have entered into successive renewals of the Interim Renewal Contract, the most recent of which is Contract No. 14-06-200-8466A-IR8, hereinafter referred to as the Existing Interim Renewal Contract from March 1, 2004, through February 28, 2005; and

WHEREAS, the United States, DWR, and the Contractor have made significant progress in their negotiations of a long-term renewal contract, believe that further negotiations on the long-term renewal contract would be beneficial, and mutually commit to continue to negotiate to seek to reach agreement, and the Contractor has requested a subsequent interim renewal contract pursuant to Subdivision (b)(1) of Article 2 of the Interim Renewal Contract and Article 1 of the Existing Interim Renewal Contract; and

WHEREAS, the United States has determined that the Contractor has to date fulfilled all of its obligations under the Existing Interim Renewal Contract; and

WHEREAS, the United States is willing to renew the Existing Interim Renewal Contract pursuant to the terms and conditions set forth below;

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

INCORPORATION AND REVISION OF EXISTING INTERIM RENEWAL CONTRACT

1. The terms and conditions of the Existing Interim Renewal Contract are hereby incorporated by reference into this Contract with the same force and effect as if they were included in full text with the exception of Article 1 thereof, which is revised as follows:

53 (a) The first sentence in Subdivision (a) of Article 1 of the Existing Interim
54 Renewal Contract is modified as follows: "This interim renewal contract shall be effective from
55 March 1, 2005, and shall remain in effect through February 28, 2006, and thereafter will be
56 renewed as described in Subdivision (a) of Article 2 of the Interim Renewal Contract."

57 (b) Subdivision (b) of Article 1 of the Existing Interim Renewal Contract is
58 amended by deleting the date "February 15, 2005," and replacing same with the date
59 "February 15, 2006."

60 (c) Subdivision (c) of Article 1 of the Existing Interim Renewal Contract is
61 amended by deleting the dates "February 1, 2005," "February 15, 2005," and "February 28,
62 2005," and replacing same with the dates "February 1, 2006," "February 15, 2006," and
63 "February 28, 2006," respectively.

64 IN WITNESS WHEREOF, the parties hereto have executed this interim renewal contract
65 as of the day and year first above written.

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THE UNITED STATES OF AMERICA

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

By:

Regional Director, Mid-Pacific Region
Bureau of Reclamation

71 Approved as to Legal Form and
72 Sufficiency:

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Chief Counsel
Department of Water Resources

THE DEPARTMENT OF WATER RESOURCES
OF THE STATE OF CALIFORNIA

By:

Director
Department of Water Resources

77 (SEAL)

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By:

President of the Board of Directors

80 Attest:

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Secretary

83 (H:\pub 440\Interim Renewal Contracts - Drafts, charts, etc.\CVC-Hills Valley 2005-2006
84 IRC.doc)

EXHIBIT A
HILLS VALLEY IRRIGATION DISTRICT
Water Rates and Charges

CONTRACT NO. 14-06-200-8466A-IR9

2005 Rates Per Acre-Foot

	<u>Banks Joint Point Pumping</u>		<u>Water Delivered in the Delta</u>	
	<u>Irrigation Water</u>	<u>M&I Water</u>	<u>Irrigation Water</u>	<u>M&I Water</u>
O&M AND COST-OF-SERVICE RATES:				
Capital Rates:	\$5.00	**	\$3.69	**
O&M Rates:				
Water Marketing	\$6.61		\$6.61	
Storage	\$5.93		\$5.93	
Direct Pumping (Project Use Energy)	\$3.33		\$0.00	
Deficit Rates:				
Non-Interest Bearing				
Interest Bearing	\$0.00		\$0.00	
CFO/PFR Adj. Rate: ***	\$1.66		\$1.66	
TOTAL COST-OF-SERVICE RATES:	\$22.53		\$17.89	
FULL-COST RATES:				
Section 202(3) Rate is applicable to a Qualified recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	\$28.57		\$22.28	
Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	\$30.09		\$23.38	
SURCHARGES UNDER P.L 102-575 TO RESTORATION FUND*				
Restoration Payments [3407(d)(2)(A)]	\$7.93		\$7.93	

* The surcharges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund surcharges under P.L. 102-575 are on a fiscal year basis (10/1/04-9/30/05).

** M&I Rates will be calculated if needed.

***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 that the cost be deferred.

Cross Valley Canal contract water can be pumped and delivered through the State and/or Federal side of facilities. For the 2005 long-term contractor water rate calculations, these contractors will not be allocated Conveyance and Conveyance Pumping costs. Direct pumping costs will be limited to Project Use Energy only for Dos Amigos and State Delta (Banks) Pumping Plants. If water is delivered from Millerton Lake via the Friant Kern Canal a "Special Rate" will be applied for this circumstance.

BEFORE THE BOARD OF DIRECTORS
OF THE
HILLS VALLEY IRRIGATION DISTRICT
COUNTIES OF FRESNO AND TULARE, STATE OF CALIFORNIA

RESOLUTION APPROVING THE CONTRACT)
BETWEEN THE UNITED STATES AND THE)
HILLS VALLEY IRRIGATION DISTRICT)
PROVIDING FOR WATER SERVICE)

RESOLUTION NO. 2004-5

WHEREAS, the Hills Valley Irrigation District and the United States entered into Contract No. 14-06-200-8466A, as amended, providing for water service from the Central Valley Project from May 11, 1976, until February 29, 1996, (the "Original Contract"), and

WHEREAS, such Contract was amended by the United States and the District on November 17, 1980, to include language providing for the renewal of such Contract pursuant to provisions of the Act of July 2, 1956, and

WHEREAS, the District and the Bureau of Reclamation subsequently renewed the Original Contract for multiple times for two (2) year periods or less, under the terms of interim renewal contracts which initially became effective March 1, 1996, and which expire February 28, 2005, and

WHEREAS, the District and the United States have negotiated terms and conditions of a proposed additional interim renewal contract (the "Subsequent Interim Renewal Contract") consistent with the requirements of the existing Contract, the 1956 Act and the Central Valley Project Improvement Act.

NOW, THEREFORE, BE IT RESOLVED:

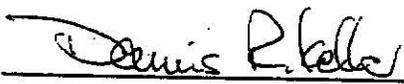
The Board of Directors of the District finds that the form and content of the attached Subsequent Interim Renewal Contract between the United States and the Hills Valley Irrigation District as designated by Contract No. 14-06-200-8466A-IR9 are acceptable to the District and the District's President is authorized to execute and deliver to the United States an agreement in substantially the form of the attached agreement. The President's authorization to execute the Contract includes authorization to execute the Contract with minor changes which do not effect substance and his execution thereof will constitute conclusive evidence of such approval. The Secretary shall attest to the execution of the agreement.

This Resolution shall take affect immediately upon its adoption passed and adopted by the Board of Directors of the Hills Valley Irrigation District on the 8th day of December, 2004, by the following vote:

AYES: Booth, Corrin and Schroeder

NOES: None

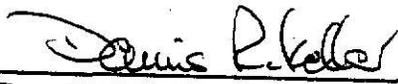
ABSENT: None


Secretary

SECRETARY'S CERTIFICATE

I, DENNIS R. KELLER, the undersigned do hereby certify:

That I am the duly elected and acting Secretary of the HILLS VALLEY IRRIGATION DISTRICT and that the foregoing Resolution was adopted on the 8th day of December, 2004.



Dennis R. Keller, Secretary

BEFORE THE BOARD OF DIRECTORS
OF THE
HILLS VALLEY IRRIGATION DISTRICT
COUNTIES OF FRESNO AND TULARE, STATE OF CALIFORNIA

RESOLUTION AUTHORIZING FILING OF)
NOTICE OF EXEMPTION PURSUANT TO)
CALIFORNIA ENVIRONMENTAL)
QUALITY ACT FOR INTERIM RENEWAL)
WATER SERVICE CONTRACT)
_____)

RESOLUTION NO. 2004-4

WHEREAS, the Hills Valley Irrigation District and the United States entered into Contract No. 14-06-200-8466A, as amended, providing for water service from the Central Valley Project from May 11, 1976, until February 29, 1996, (the "Original Contract"); and

WHEREAS, the Original Contract was succeeded by Interim Renewal Contract Nos. 14-06-200-8466A-IR1, 14-06-200-8466A-IR2, 14-06-200-8466A-IR3, 14-06-200-8466A-IR4, 14-06-200-8466A-IR5, 14-06-200-8466A-IR6, 14-06-200-8466A-IR7 and 14-06-200-8466A-IR8, the most recent of which expires on February 28, 2005, (the Subsequent Interim Renewal Contracts); and

WHEREAS, the District has fully utilized, for reasonable and beneficial use, all water provided under the Original Contract and the Subsequent Interim Renewal Contracts by receiving and delivering water to lands within the District's boundaries by transfer and exchange for irrigation purposes and there is continuing need for such water; and

WHEREAS, it is imperative to the District and its landowners that the District renew the water service contract with the United States of America pursuant to the Act of Congress of July 2, 1956, (70 Stat. 483) and the Act of Congress of October 30, 1992, (96 Stat. 1262), in order to

provide for continued delivery of the same quantity of water to lands within the District's boundaries for a term of one year pursuant to the proposed Interim Renewal Contract (Contract No. 14-06-200-8466A-IR9 (the "Interim Renewal Contract")), which contract has been approved this date; and

WHEREAS, water available under the Interim Renewal Contract will be diverted through the same State Water Project and Central Valley Project facilities as the water provided under the Original Contract and the Subsequent Interim Renewal Contracts; and

WHEREAS, no expansion of water service will occur under the Interim Renewal Contract, as the District will distribute water received through District distribution systems and will provide water under such renewal to the same lands within the boundaries of the District; and

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

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

NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS:

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

Section 2. Approval of the Interim Renewal Contract is statutorily exempt from further

compliance with CEQA as provided in Title 14 of the California Code of Regulations ("CFR"), Section 15261, because it is merely the continuation of a project approved, funded and fully operated prior to May 11, 1976, and no modification or alteration in the Central Valley Project, the District distribution system or the amount of water delivered is proposed.

Section 3. Insofar as the Interim Renewal Contract calls for changes in rates, such changes are statutorily exempt from further compliance with CEQA as provided in Title 14 CFR Section 15273(a).

Section 4. Approval of the Interim Renewal Contract is categorically exempt from further proceedings under CEQA pursuant to Title 14 CFR Section 15301, because it merely provides for continued operation of an existing facility.

Section 5. Approval of the Interim Renewal Contract will not create any effects on the environment which make categorical exemptions inapplicable pursuant to Title 14 CFR 15300.2.

Section 6. The Secretary of the District is hereby authorized and directed to prepare and file a Notice of Exemption with the County Clerk of Tulare County for the District's Interim Renewal Contract for Central Valley Project Water Service, in accordance with Section 15062(b) of Title 14 of the California Code of Regulations.

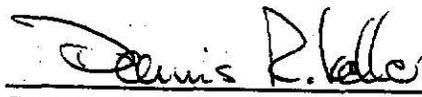
Section 7. The District's officers, staff and consultants are hereby authorized and directed to take all additional actions that they deem necessary or appropriate to carry out the intent of this Resolution and to ensure continued water service to the District and its water users.

This Resolution shall take affect immediately upon its adoption passed and adopted by the Board of Directors of the Hills Valley Irrigation District on the 8th day of December, 2004, by the following vote:

AYES: Booth, Corrin and Schroeder

NOES: None

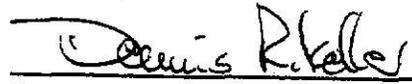
ABSENT: None


Secretary

SECRETARY'S CERTIFICATE

I, DENNIS R. KELLER, the undersigned do hereby certify:

That I am the duly elected and acting Secretary of the HILLS VALLEY IRRIGATION DISTRICT and that the foregoing Resolution was adopted on the 8th day of December, 2004.


Dennis R. Keller, Secretary