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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 RAG GULCH WATER 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),
18 as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented,
19 July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), as
20 amended and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively
21 hereinafter referred to as Federal Reclamation law, among THE UNITED STATES OF
22 AMERICA, hereinafter referred to as the United States, THE DEPARTMENT OF WATER
23 RESOURCES OF THE STATE OF CALIFORNIA, hereinafter referred to as DWR, and RAG
24 GULCH WATER DISTRICT, hereinafter referred to as the Contractor, a public agency of the
25 State of California, duly organized, existing, and acting pursuant to the laws thereof, with its
26 principal place of business in Bakersfield, California;

27 WITNESSETH, That:

28 EXPLANATORY RECITALS

29 WHEREAS, the United States, DWR, and the Contractor entered into an interim
30 renewal contract identified as Contract No. 14-06-200-8367A-IR5, hereinafter referred to as the
31 Interim Renewal Contract, which provided for the continued water service to the Contractor
32 following expiration of Contract No. 14-06-200-8367A; and

33 WHEREAS, the United States, DWR, and the Contractor have entered into
34 successive renewals of the Interim Renewal Contract, the most recent of which is Contract
35 No. 14-06-200-8367A-IR8, hereinafter referred to as the Existing Interim Renewal Contract
36 from March 1, 2004, through February 28, 2005; and

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

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

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

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

49 INCORPORATION AND REVISION OF EXISTING INTERIM RENEWAL CONTRACT

50 1. The terms and conditions of the Existing Interim Renewal Contract are hereby
51 incorporated by reference into this Contract with the same force and effect as if they were
52 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."

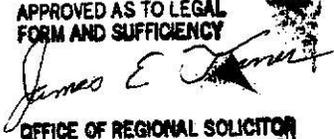
60 (c) Subdivision (c) of Article 1 of the Existing Interim Renewal Contract is
61 amended by deleting the dates "February 1, 2005," "February 15, 2005," and "February 28,
62 2005," and replacing same with the dates "February 1, 2006," "February 15, 2006," and
63 "February 28, 2006," respectively.

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

66

THE UNITED STATES OF AMERICA

APPROVED AS TO LEGAL
FORM AND SUFFICIENCY



OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

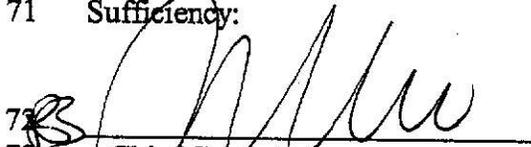
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By:



Regional Director, Mid-Pacific Region
Bureau of Reclamation

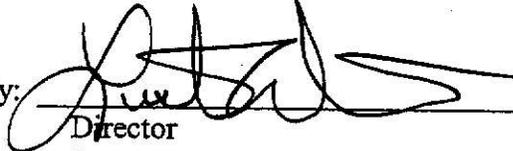
70 Approved as to Legal Form and
71 Sufficiency:



72
73 Chief Counsel
74 Department of Water Resources

THE DEPARTMENT OF WATER RESOURCES
OF THE STATE OF CALIFORNIA

By:



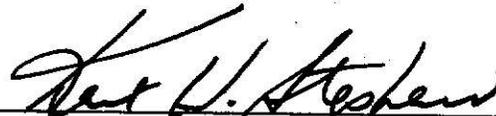
Director
Department of Water Resources

75 (SEAL)

RAG GULCH WATER DISTRICT

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By:



President of the Board of Directors

78 Attest:

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Secretary

81 (H:\pub 440\Interim Renewal Contracts - Drafts, charts, etc.\CVC-Rag Gulch 2005-2006
82 IRC.doc)

EXHIBIT A
RAG GULCH WATER DISTRICT
Water Rates and Charges

CONTRACT NO. 14-06-200-8367A-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:	\$5.43	**	\$4.01	**
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	
TOTAL COST-OF-SERVICE RATES:	\$21.30		\$16.55	
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.	\$29.36		\$22.39	
Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	\$31.93		\$24.25	
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.

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
RAG GULCH WATER DISTRICT**

RESOLUTION NO. 2005-2

**AUTHORIZING EXECUTION OF INTERIM
RENEWAL WATER SERVICE CONTRACT BETWEEN
THE UNITED STATES AND RAG GULCH-WATER DISTRICT
(CONTRACT NO. 14-06-200-8367A-IR9)**

WHEREAS, this District entered into a contract for furnishing water to the District, with the United States of America, dated November 30, 1976, Contract No. 14-06-200-8367A, which was subsequently amended; and

WHEREAS, the original Contract was renewed by that certain Interim Renewal Contract dated February 29, 1996, Contract No. 14-06-200-8367A-IR1 for a term of two years ending on February 28, 1998, which was renewed by that certain Interim Renewal Contract dated February 28, 1998, Contract No. 14-06-200-8367A-IR2 for a term of two years ending on February 28, 2000, Contract No. 14-06-200-8367A-IR3 for a term of nine months ending November 30, 2000, Contract No. 14-06-8367A-IR4 for a three-month term ending February 29, 2001, Contract No. 14-06-8367A-IR5 for a term of one year ending February 28, 2002, Contract No. 14-06-8367A-IR6 for a term of one year ending February 28, 2003; Contract No. 14-06-8367A-IR7 for a term of one year ending February 28, 2004; and Contract No. 14-06-8367A-IR8 for a term of one year ending February 28, 2005; and

WHEREAS, in the event the parties do not execute a long-term renewal contract it is in the best interest of the District that the District on an interim basis renew its water service contract with the United States of America pursuant to the Act of Congress of July 2, 1956 (70 Stat. 483) and Section 3404(c)(1) of the Central Valley Project Improvement Act, Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706) ("CVPIA"), thereby providing continued water service to lands within the District; and

WHEREAS, in connection with execution of such interim renewal contract, a Notice of Determination was made by Lower Tule River Irrigation District, who is the lead agency.

NOW, THEREFORE, BE IT RESOLVED BY THIS BOARD OF DIRECTORS THAT:

1. The foregoing findings are true and correct.

2. The President and Secretary of the District are authorized and directed to execute on behalf of the District the interim renewal contract, entitled, "Interim Renewal Contract Between the United States and the District Providing for Project Water Service," Interim Renewal Contract No. 14-06-200-8367A-IR9, substantively in the form attached hereto as Exhibit A if for any reason the District, the United States and/or the State of California are not able to or fail to execute a long-term renewal contract effective March 1, 2005.
3. The District's officers and staff are authorized and directed to do all things necessary and proper to carry out the foregoing.
4. That a certified copy of this resolution shall forthwith be prepared and transmitted by the District's Secretary to the Bureau of Reclamation.

ALL THE FOREGOING, being on motion of Director Pandol and seconded by Director C. Caratan was authorized by the following vote, to wit:

AYES: C. Caratan, Pandol, Stephens,

NOES:

ABSENT: A. Caratan , Zaninovich

ABSTAIN:

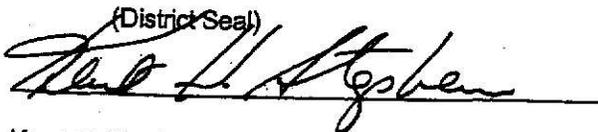
I HEREBY CERTIFY that the foregoing resolution is the resolution of said District as duly passed and adopted by said Board of Directors on the 15th day of February, 2005.

WITNESS my hand and seal of the Board of Directors this 15th day of February, 2005.



Steven C. Dalke, Assistant Secretary

(District Seal)



Kent H. Stephens, President of the Board of Directors