

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

CONTRACT BETWEEN THE UNITED STATES
AND
CHOWCHILLA WATER DISTRICT
PROVIDING FOR PROJECT WATER SERVICE FROM
BUCHANAN UNIT AND
FOR FACILITIES REPAYMENT

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1 UNITED STATES
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5 CONTRACT BETWEEN THE UNITED STATES
6 AND
7 CHOWCHILLA WATER DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE FROM
9 BUCHANAN UNIT
10 AND
11 FACILITIES REPAYMENT

12 THIS CONTRACT, made this _____ day of _____, 2010, is entered into
13 pursuant to the Act of June 17, 1902, (32 Stat. 388), and acts amendatory or supplementary thereto,
14 including but not limited to: the Act of August 26, 1937 (50 Stat. 844), as amended and
15 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70 Stat.
16 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1262), October 27, 1986 (100 Stat.
17 3050), as amended, Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), and Title X,
18 Subtitle A, of the Act of March 30, 2009 (123 Stat. 1349), also referred to as the San Joaquin River
19 Restoration Settlement Act hereinafter referred to as SJRRSA, all collectively hereinafter referred to
20 as Federal Reclamation law, between THE UNITED STATES OF AMERICA, hereinafter referred to
21 as the United States and CHOWCHILLA WATER DISTRICT, hereinafter referred to as the
22 Contractor, a public agency of the State of California, duly organized, existing, and acting pursuant to
23 the laws thereof, with its principal place of business in California;

24 WITNESSETH, That

25 EXPLANATORY RECITALS

26 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
27 Project, California, for diversion, storage, carriage, distribution and beneficial use, for flood control,

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

32 [2nd] WHEREAS, pursuant to Title II of the Flood Control Act of October 23, 1962 (76
33 Stat. 1180), and supporting documents, the United States constructed Buchanan Dam on the
34 Chowchilla River (thereby creating Eastman Lake), hereinafter collectively referred to as the
35 Buchanan Unit, which is operated by the Corps of Engineers for flood control, recreation and other
36 incidental uses; and

37 [3rd] WHEREAS, the United States and the Contractor entered into Contract Number 14-
38 06-200-3844A, as amended, providing the Contractor the right to the entire yield from the Buchanan
39 Unit available for conservation purposes from May 28, 1968 through February 28, 1994; and

40 [4th] WHEREAS, the Contractor and the United States have, pursuant to subsection
41 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into
42 interim renewal contract(s), identified as Contract Number (s) 14-06-200-3844A-IR2, IR3, IR4, IR5,
43 and IR6, which provided for the continued water service to Contractor from December 1, 2000
44 through February 28, 2001, and subsequently entered into a long-term renewal contract, identified as
45 Contract Number 14-06-200-3844A-LTR1, which provided for continued water service to Contractor
46 through February 28, 2026, which was amended January 22, 2007, and is herein referred to as the
47 "Existing Contract"; and

48 [5th] WHEREAS, pursuant to Section 8 of the Act of June 17, 1902 (32 Stat. 388), the
49 United States has acquired water rights and other rights to the flows of the Chowchilla River,
50 including without limitation the permits issued as the result of Decision 1365 by the California State
51 Water Resource Control Board pursuant to which the Contracting Officer develops, diverts, stores
52 and delivers Project Water stored or flowing through Eastman Lake in accordance with State and
53 Federal law for the benefit of the Contractor in the Buchanan Unit and for other specified Project
54 purposes; and

55 [6th] WHEREAS, the water supplied to the Contractor pursuant to this Contract is Project
56 Water developed through the exercise of the rights described in the fifth (5th) Explanatory Recital of
57 this Contract; and

58 [7th] WHEREAS, as a result of litigation entitled “Natural Resources Defense Council, et
59 al. v Kirk Rogers, et al.” No. CIV-S-88-1658LLK/GGH, certain contractors from the Friant Division
60 entered into a Stipulation of Settlement dated September 13, 2006, (the “Settlement”), which
61 settlement prescribes a Restoration Goal and a Water Management Goal and which Settlement was
62 subsequently confirmed and implemented through the SJRRSA; and

63 [8th] WHEREAS, the SJRRSA authorizes and directs the Secretary to convert the Existing
64 Contract to a repayment contract under subsection (d) of Section 9 of the Act of August 4, 1939, no
65 later than December 31, 2010, and further directs that such contract shall require the accelerated
66 repayment of the Contractors’ allocated share of construction costs, either as a lump sum payment by
67 January 31, 2011 or in annual installments by January 31, 2014, which funds will in turn be made

68 available for implementation of the Settlement and SJRRSA, and which costs otherwise would have
69 been payable through annual water rates, with full repayment by 2030; and

70 [9th] WHEREAS, such repayment of costs will assist the United States with
71 implementation of actions required under the Settlement and the SJRRSA and provide the Contractor
72 the benefits provided in Section 10010 of the SJRRSA; and

73 [10th] WHEREAS, subsection (4) of Section 1 of the Act of July 2, 1956 (1956 Act) directs
74 the Secretary to provide that the other party to any contract entered into pursuant to subsection (d) of
75 Section 9 of the Act of August 4, 1939 (repayment contract) or pursuant to subsection (e) of Section 9
76 of the Act of August 4, 1939 (water service contract) shall “have the first right (to which the rights of
77 the holders of any other type of irrigation water contract shall be subordinate) to a stated share or
78 quantity of the project’s available water supply for beneficial use on the irrigable lands within the
79 boundaries of, or owned by, the party and a permanent right to such share or quantity upon
80 completion of payment of the amount assigned for ultimate return” by the contractor subject to
81 fulfillment of all obligations under the contract; and

82 [11th] WHEREAS, among other things, this Contract includes provisions granting the
83 Contractor the permanent right to the entire yield from the Buchanan Unit available for conservation
84 purposes as described in the tenth (10th) Explanatory Recital; and

85 [12th] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting
86 Officer that the Contractor has utilized the Project Water supplies available to it for reasonable and
87 beneficial use and/or has demonstrated projected future demand for water use such that the

88 Contractor has the capability and expects to utilize fully for reasonable and beneficial use the quantity
89 of Project Water to be made available to it pursuant to this Contract; and

90 [13th] WHEREAS, water obtained from the Central Valley Project has been relied upon by
91 urban and agricultural areas within California for more than fifty (50) years and is considered by the
92 Contractor as an essential portion of its water supply; and

93 [14th] WHEREAS, the economies of regions within the Central Valley Project, including the
94 Contractor's, depend upon the continued availability of water, including water service from the
95 Central Valley Project; and

96 [15th] WHEREAS, the Secretary intends through coordination, cooperation, and partnerships
97 to pursue measures to improve water supply, water quality, and reliability of the Project for all
98 Project purposes; and

99 [16th] WHEREAS, the mutual goals of the United States and the Contractor include: to
100 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment of
101 the Central Valley Project as required by law; to guard reasonably against Project Water shortages; to
102 achieve a reasonable balance among competing demands for use of Project Water; and to comply
103 with all applicable environmental statutes, all consistent with the legal obligations of the United
104 States relative to the Central Valley Project; and

105 [17th] Omitted; and

106 [18th] Omitted; and

107 [19th] WHEREAS, the United States has determined that the Contractor has fulfilled all of
108 its obligations under the Existing Contract.

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

111 DEFINITIONS

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

114 (a) "Additional Capital Obligation" shall mean any additional construction costs
115 or other capitalized costs incurred after the effective date of this Contract or not reflected in the
116 Existing Capital Obligation as provided in Section 10010(a)(3)(B) of the SJRRSA and any amounts
117 payable by Contractor as determined through the final adjustment described and required by Section
118 10010(b) of the SJRRSA;

119 (b) "Calendar Year" shall mean the period January 1 through December 31, both
120 dates inclusive;

121 (c) "Charges" shall mean the payments required by Federal Reclamation law in
122 addition to the Rates and Tiered Pricing Components specified in this Contract as determined
123 annually by the Contracting Officer pursuant to this Contract and consistent with the SJRRSA;

124 (d) Omitted;

125 (e) Omitted;

126 (f) Omitted;

127 (g) "Contracting Officer" shall mean the Secretary of the Interior's duly
128 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law or
129 regulation;

130 (h) "Contract Total" shall mean the amount of Project Water to which the
131 Contractor is entitled under subdivision (a) of Article 3 of this Contract and is the stated share or
132 quantity of Water to which the Contractor will have a permanent right in accordance with the 1956
133 Act and the terms of this Contract, upon the Contractor's complete payment of the Repayment
134 Obligation, notwithstanding any Additional Capital Obligation that may later be established, which
135 right shall not be disturbed so long as the Contractor fulfills all of its obligations under this Contract;

136 (i) "Contractor's Service Area" shall mean the area to which the Contractor is
137 permitted to provide Project Water under this Contract as described in Exhibit "A" attached hereto,
138 which may be modified from time to time in accordance with Article 36 of this Contract without
139 amendment of this Contract;

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

142 (j2) "District Engineer" shall mean the District Engineer, United States Army
143 Corps of Engineers, or his authorized representative;

144 (k) "Eligible Lands" shall mean all lands to which Irrigation Water may be
145 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982
146 (96 Stat. 1263), as amended, hereinafter referred to as RRA;

147 (l) "Excess Lands" shall mean all lands in excess of the limitations contained in
148 Section 204 of the RRA, other than those lands exempt from acreage limitation under Federal
149 Reclamation law;

150 (m) “Existing Capital Obligation” shall mean the remaining amount of construction
151 costs of the Contractor identified in the Central Valley Project Irrigation Water Rates and/or
152 Municipal and Industrial Water Rates, respectively, dated January 25, 2007, as adjusted to reflect
153 payments not reflected in such schedule, pursuant to Section 10010(a)(3)(A) of the SJRRSA. The
154 Contracting Officer has computed the Existing Capital Obligation in a manner consistent with the
155 SJRRSA and such amount is set forth in Exhibits “C-1” and “C-2”, incorporated herein by reference;

156 (n) “Financing Costs”, for purposes of computing the reduction of certain charges
157 as specified in subdivision (c) of Article 7 of this Contract, shall mean the difference between the net
158 present value of the Existing Capital Obligation discounted using the full Treasury rate and the
159 Existing Capital Obligation discounted using one-half the Treasury Rate, as set forth in Section
160 10010(d)(3) of the SJRRRA;

161 (o) “Full Cost Rate” shall mean that water rate described in Sections 205(a)(3) or
162 202(3) of the RRA, whichever is applicable;

163 (p) “Ineligible Lands” shall mean all lands to which Irrigation Water may not be
164 delivered in accordance with Section 204 of the RRA;

165 (q) “Irrigation Full Cost Water Rate” shall have the same meaning as “full cost” as
166 that term is used in Paragraph (3) of Section 202 of the RRA;

167 (r) “Irrigation Water” shall mean water made available from the Project that is
168 used primarily in the production of agricultural crops or livestock, including domestic use incidental
169 thereto, and watering of livestock. Irrigation water shall not include water used for the purposes such
170 as the watering of landscaping or pasture for animals (e.g., horses) which are kept for personal

171 enjoyment or water delivered to landholdings operated in units of less than five (5) acres unless the
172 Contractor establishes to the satisfaction of the Contracting Officer that the use of the water delivered
173 to any such landholding is a use described in this subdivision of this Article of this Contract;

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

176 (t) Omitted;

177 (u) Omitted.

178 (v) "Municipal & Industrial (M&I) Full Cost Water Rate" shall mean the annual
179 rate, which, as determined by the Contracting Officer, shall amortize the expenditures for
180 construction allocable to Project M&I facilities in service, including, O&M deficits funded, less
181 payments, over such periods as may be required under Federal Reclamation law with interest
182 accruing from the dates such costs were first incurred plus the applicable rate for the O&M of such
183 Project facilities. Interest rates used in the calculation of the M&I Full Cost Rate shall comply with
184 the Interest Rate methodology contained in Section 202(3) (B) and (C) of the RRA;

185 (w) "Operation and Maintenance" or "O&M" shall mean normal and reasonable
186 care, control, operation, repair, replacement (other than Capital replacement), and maintenance of
187 Project facilities;

188 (x) Omitted;

189 (y) "Other Water" shall mean water from the Project other than Irrigation Water as
190 described in subdivision (r) of this Article of this Contract, which is used for a purpose that is
191 considered to be an irrigation use pursuant to State law such as the watering of landscaping or pasture

192 for animals (e.g., horse) which are kept for the personal enjoyment. For purposes of this Contract,
193 Other Water shall be paid for at Rates and Charges identical to those established for M&I water
194 pursuant to the then-existing M&I Ratesetting Policy;

195 (y2) “Prior-Rights Water” shall mean that portion of the inflow to Eastman Lake
196 which flows through or is released from Buchanan Dam in recognition of prior downstream
197 Chowchilla River water rights of the Contractor and others, subject to any necessary new water rights
198 permit or permit revisions and in accordance with any applicable agreements relating to the operation
199 of the Buchanan Unit and approved by the Contracting Officer and the State Water Resources
200 Control Board, as necessary;

201 (z) “Project” shall mean the Central Valley Project owned by the United States
202 and managed by the Department of the Interior, Bureau of Reclamation;

203 (aa) “Project Contractors” shall mean all parties who have a long-term water
204 service contract or repayment contract for Project Water from the Project with the United States
205 pursuant to Federal Reclamation law;

206 (bb) “Project Water” shall mean all water that is developed, diverted, stored, or
207 delivered by the Secretary in accordance with the statutes authorizing the Project and in accordance
208 with the terms and conditions of water rights acquired pursuant to California law;

209 (cc) “Rates” shall mean the payments determined annually by the Contracting
210 Officer in accordance with the then-existing applicable water ratesetting policies for the Project, as
211 described in subdivision (a) of Article 7 of this Contract and illustrated in Exhibit “B”, attached
212 hereto;

213 (dd) Omitted;

214 (ee) “Repayment Obligation”, as provided in subdivision (a)(2)(A) of Article 7 of
215 this Contract, shall be the Existing Capital Obligation, as defined herein, discounted by one-half of
216 the Treasury rate and computed consistent with the provisions of Section 10010(3)(A) of the
217 SJRRSA to be paid as either a lump sum payment by January 31, 2011 or in approximately equal
218 annual installments by January 31, 2014;

219 (ff) “Secretary” shall mean the Secretary of the Interior, a duly appointed
220 successor, or an authorized representative acting pursuant to any authority of the Secretary and
221 through any agency of the Department of the Interior;

222 (gg) “Settlement” shall mean the Stipulation of Settlement dated September 13,
223 2006, the Order Approving Stipulation of Settlement, and the Judgment and further orders issued by
224 the Court pursuant to the terms and conditions of the Settlement in Natural Resources Defense
225 Council, et al. v. Rodgers, et al., No. CIV-S-88-1658 LLJ/GGH;

226 (hh) “Tiered Pricing Component” shall be the incremental amount to be paid for
227 each acre-foot of Water Delivered as described in subdivision (l)(1) of Article 7 of this Contract;

228 (ii) “Water Delivered” or “Delivered Water” shall mean Project Water diverted for
229 use by the Contractor at Buchanan Dam, other than Prior-Rights Water, and for pricing purposes shall
230 be 24,000 acre-feet per Year;

231 (jj) Omitted;

232 (kk) Omitted;

233 (ll) Omitted; and

234 (mm) "Year" shall mean the period from and including March 1 of each Calendar
235 Year through the last day of February of the following Calendar Year.

236 EFFECTIVE DATE OF CONTRACT

237 2. (a) This Contract shall become effective on the date first hereinabove written and
238 shall continue so long as the Contractor is making the annual payments required herein and paying
239 any other amounts owing under this Contract and applicable law, unless it is terminated by the
240 Contracting Officer by reason of a material uncured breach by the Contractor; Provided, That the
241 Contracting Officer shall not seek to terminate this Contract by reason of an asserted material
242 uncured breach by the Contractor unless it has first provided at least sixty (60) days written notice of
243 the asserted breach to the Contractor and the Contractor has failed to cure such breach (or to
244 diligently commence curative actions satisfactory to the Contracting Officer for a breach that cannot
245 be fully cured within sixty (60) days) within the sixty (60)-day notice period; Provided further, That
246 this Contract may be terminated at any time by mutual consent of the parties hereto.

247 (b) Upon complete payment of the Repayment Obligation by the Contractor, and
248 notwithstanding any Additional Capital Obligation that may later be established, the Tiered Pricing
249 Component as that term is utilized in this Contract, the acreage limitations, reporting, and Full Cost
250 pricing provisions of Federal Reclamation law, and subdivisions (k), (l), (o) through (q), (s), and (v)
251 of Article 1, subdivisions (a)(2)(A), (l)(1), (l)(2), and (l)(3) of Article 7, Article 14, subdivision (a) of
252 Article 18, and Article 25, all of this Contract, shall no longer be applicable to the Contractor. Upon
253 complete payment of the Repayment Obligation by the Contractor, and notwithstanding any
254 Additional Capital Obligation that may later be established, the terms of this Contract shall be as

255 provided in the restated contract attached hereto as Exhibit “E”, which has been prepared solely as a
256 matter of administrative convenience. Exhibit “E” makes no substantive revisions other than those
257 required by this subdivision of this Article of this Contract. Accordingly, upon complete payment of
258 the Repayment Obligation by the Contractor, and notwithstanding any Additional Capital Obligation
259 that may later be established, the parties shall refer to Exhibit “E” as their entire agreement under this
260 Contract.

261 (c) This Contract supersedes in its entirety and is intended to replace in full the
262 Existing Contract; Provided, That if this Contract is terminated or determined to be invalid or
263 unenforceable for any reason other than a material uncured breach of this Contract by the Contractor,
264 the Existing Contract shall not be superseded and shall be in full force and effect.

265 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

266 3. (a) During each Year, consistent with all applicable State water rights, permits,
267 and licenses, Federal law, the Settlement including the SJRRSA, and subject to the provisions set
268 forth in Articles 12 and 13 of this Contract, the Contracting Officer shall make available for delivery
269 to the Contractor the entire quantity of Project Water from the Buchanan Unit for irrigation purposes.
270 The quantity of Water Delivered to the Contractor in accordance with this subdivision shall be paid
271 for pursuant to the provisions of Article 7 of this Contract.

272 (b) Upon complete payment of the Repayment Obligation by the Contractor, and
273 notwithstanding any Additional Capital Obligation that may later be established, the Contractor shall
274 have a permanent right to the Contract Total in accordance with the 1956 Act and the terms of this
275 Contract. This right shall not be disturbed so long as the Contractor fulfills all of its obligations

276 hereunder. The quantity of water made available for delivery in any given Year shall remain subject
277 to the terms and conditions of subdivision (a) of this Article of this Contract.

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

280 (d) The Contractor shall make reasonable and beneficial use of all Project Water
281 or other water furnished pursuant to this Contract. Groundwater recharge programs, groundwater
282 banking programs, surface water storage programs, and other similar programs utilizing Project
283 Water or other water furnished pursuant to this Contract conducted within the Contractor's Service
284 Area which are consistent with applicable State law and result in use consistent with applicable
285 Federal Reclamation law will be allowed; Provided, That any direct recharge program(s) is (are)
286 described in the Contractor's Water Conservation Plan submitted pursuant to Article 27 of this
287 Contract; Provided further, That such Water Conservation Plan demonstrates sufficient lawful uses
288 exist in the Contractor's Service Area so that using a long-term average, the quantity of Project Water
289 delivered pursuant to this Contract is demonstrated to be reasonable for such uses and in compliance
290 with Federal Reclamation law. Groundwater recharge programs, groundwater banking programs,
291 surface water storage programs, and other similar programs utilizing Project Water or other water
292 furnished pursuant to this Contract conducted outside the Contractor's Service Area may be permitted
293 upon written approval of the Contracting Officer, which approval will be based upon environmental
294 documentation, Project Water rights, and Project operational concerns. The Contracting Officer will
295 address such concerns in regulations, policies, or guidelines.

296 (e) The Contractor, through this Contract, shall comply with requirements
297 applicable to the Contractor in biological opinion(s) prepared as a result of the consultation regarding
298 the execution of the Existing Contract undertaken pursuant to Section 7 of the Endangered Species
299 Act of 1973, as amended, as well as the requirements of any other biological opinions applicable to
300 Project Water delivery under this Contract, that are within the Contractor's legal authority to
301 implement. The Contractor shall comply with the limitations or requirements imposed by
302 environmental documentation applicable to the Contractor and within its legal authority to implement
303 regarding specific activities. Nothing herein shall be construed to prevent the Contractor from
304 challenging or seeking judicial relief in a court of competent jurisdiction with respect to any
305 biological opinion or other environmental documentation referred to in this Article of this Contract.

306 (f) Omitted.

307 (g) Omitted.

308 (h) The Contractor's right pursuant to Federal Reclamation law and applicable
309 State law to the reasonable and beneficial use of the Contract Total pursuant to this Contract shall not
310 be disturbed so long as the Contractor shall fulfill all of its obligations under this Contract. Nothing
311 in the preceding sentence shall affect the Contracting Officer's ability to impose shortages under
312 Article 12 or Article 13 of this Contract.

313 (i) Project Water furnished to the Contractor pursuant to this Contract may be
314 delivered for purposes other than those described in subdivisions (r) and (y) of Article 1 of this
315 Contract upon written approval by the Contracting Officer in accordance with the terms and
316 conditions of such approval.

317 (j) The Contracting Officer shall make reasonable efforts to protect the water
318 rights and other rights described in the fifth (5th) Explanatory Recital of this Contract and to provide
319 the water available under this Contract. The Contracting Officer shall not object to participation by
320 the Contractor, in the capacity and to the extent permitted by law, in administrative proceedings
321 related to the water rights and other rights described in the fifth (5th) Explanatory Recital of this
322 Contract; Provided however, That the Contracting Officer retains the right to object to the substance
323 of the Contractor's position in such a proceeding. Provided further, that in such proceedings the
324 Contracting Officer shall recognize the Contractor has a legal right under the terms of this Contract to
325 use Project Water.

326 (k) Omitted.

327 (l) Omitted.

328 (m) Nothing in this Contract, nor any action or inaction of the Contractor or
329 Contracting Officer in connection with the implementation of this Contract, is intended to override,
330 modify, supersede or otherwise interfere with any term or condition of the water rights and other
331 rights referred in the fifth (5th) Explanatory Recital of this Contract.

332 (n) Omitted.

333 (o) Omitted.

334 RESERVOIR OPERATION – USE AND SALE OF WATER

335 4. (a) At the request of the Contractor, pursuant to the terms and conditions of this
336 Contract, the United States, acting through the District Engineer, shall store, regulate, and/or release
337 all flows of the Chowchilla River water at the Buchanan Unit subject to the regulation of the

338 Buchanan Unit for flood control, as conclusively determined by the District Engineer, and further
339 subject to Prior Rights Water releases and the maintenance of a minimum pool of ten thousand
340 (10,000) acre-feet of water in Eastman Lake for recreational and incidental uses.

341 (b) Project Water delivered to the Contractor pursuant to this Contract shall be
342 used as Irrigation Water or Other Water only and shall not be sold or otherwise disposed of for use
343 outside the Contractor's Service Area without the written approval of the Contracting Officer.

344 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

345 5. (a) Project Water delivered pursuant to this Contract shall be delivered to the
346 Contractor at Buchanan Dam.

347 (b) Omitted.

348 (c) The Contractor shall not deliver Project Water to land outside the Contractor's
349 Service Area unless approved in advance by the Contracting Officer. Until complete payment of the
350 Repayment Obligation by the Contractor, and notwithstanding any Additional Capital Obligation that
351 may later be established, the Contractor shall deliver Project Water in accordance with applicable
352 acreage limitations, reporting, and Full Cost pricing provisions of Federal Reclamation law and any
353 applicable land classification provisions of the associated regulations.

354 (d) Project Water delivered to the Contractor pursuant to this Contract shall be
355 measured and recorded with equipment furnished, installed, operated, and maintained by the United
356 States at the point of delivery established pursuant to subdivision (a) of this Article of this Contract.
357 Upon the request of either party to this Contract, the Contracting Officer shall investigate, or cause to
358 be investigated, the accuracy of such measurements and shall take any necessary steps to adjust any

359 errors appearing therein. For any period of time when accurate measurements have not been made,
360 the Contracting Officer shall consult with the Contractor prior to making a final determination of the
361 quantity delivered for that period of time.

362 (e) The Contracting Officer shall not be responsible for the control, carriage,
363 handling, use, disposal, or distribution of Project Water delivered to the Contractor pursuant to this
364 Contract beyond the delivery point specified in subdivision (a) of this Article of this Contract. The
365 Contractor shall indemnify the United States, its officers, employees, agents, and assigns on account
366 of damage or claim of damage of any nature whatsoever for which there is legal responsibility,
367 including property damage, personal injury, or death arising out of or connected with the control,
368 carriage, handling, use, disposal, or distribution of such Project Water beyond such delivery point,
369 except for any damage or claim arising out of: (i) acts or omissions of the Contracting Officer or any
370 of its officers, employees, agents, or assigns, with the intent of creating the situation resulting in any
371 damage or claim; (ii) willful misconduct of the Contracting Officer or any of its officers, employees,
372 agents, or assigns; (iii) negligence of the Contracting Officer or any of its officers, employees, agents,
373 or assigns; or (iv) damage or claims resulting from a malfunction of facilities owned and/or operated
374 by the United States.

375 (f) The Contractor shall maintain a surface water measurement program
376 satisfactory to the Contracting Officer to provide for the operation of the Buchanan Unit facilities
377 without interference to established rights including correlative rights easterly of the Eastside-
378 Chowchilla Canal Bypass and keep records of data obtained from such program satisfactory to the
379 Contracting Officer.

MEASUREMENT OF WATER WITHIN THE SERVICE AREA

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6. (a) The Contractor has established a measurement program satisfactory to the Contracting Officer; all surface water delivered for irrigation purposes within the Contractor's Service Area is measured at each agricultural turnout; and Other Water delivered by the Contractor is measured at each service connection. The water measuring devices or water measuring methods of comparable effectiveness must be acceptable to the Contracting Officer. The Contractor shall be responsible for installing, operating, and maintaining and repairing all such measuring devices and implementing all such water measuring methods at no cost to the United States. The Contractor shall use the information obtained from such water measuring devices or water measuring methods to ensure its proper management of the water, to bill water users for water delivered by the Contractor; and, if applicable, to record water delivered as Other Water. Nothing herein contained, however, shall preclude the Contractor from establishing and collecting any charges, assessments, or other revenues authorized by California law.

(b) To the extent the information has not otherwise been provided, upon execution of this Contract, the Contractor shall provide to the Contracting Officer a written report describing the measurement devices or water measuring methods being used or to be used to implement subdivision (a) of this Article of this Contract and identifying the agricultural turnouts and the Other Water service connections or alternative measurement programs approved by the Contracting Officer, at which such measurement devices or water measuring methods are being used, and, if applicable, identifying the locations at which such devices and/or methods are not yet being used including a time schedule for implementation at such locations. The Contracting Officer shall advise the

401 Contractor in writing within sixty (60) days as to the adequacy of, and necessary modifications, if
402 any, of the measuring devices or water measuring methods identified in the Contractor's report and if
403 the Contracting Officer does not respond in such time, they shall be deemed adequate. If the
404 Contracting Officer notifies the Contractor that the measuring devices or methods are inadequate, the
405 parties shall within sixty (60) days following the Contracting Officer's response, negotiate in good
406 faith the earliest practicable date by which the Contractor shall modify said measuring devices and/or
407 measuring methods as required by the Contracting Officer to ensure compliance with subdivision (a)
408 of this Article of this Contract.

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

412 (d) The Contractor shall inform the Contracting Officer and the State of California
413 in writing by April 30 of each Year of the annual volume of Irrigation Water and Other Water
414 delivered within the Contractor's Service Area during the previous Year.

415 (e) Omitted.

416 RATES, METHOD OF PAYMENT FOR WATER,
417 AND ACCELERATED REPAYMENT OF FACILITIES

418 7. (a) The Contractor's cost obligations for all Delivered Water shall be determined
419 in accordance with: (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and the
420 Secretary's then-existing ratesetting policy for M&I water, consistent with the SJRRSA, and such
421 ratesetting policies shall be amended, modified, or superseded only through a public notice and

422 comment procedure; (ii) applicable Federal Reclamation law and associated rules and regulations, or
423 policies; and (iii) other applicable provisions of this Contract.

424 (1) The Contractor shall pay the United States as provided for in this
425 Article of this Contract for the Delivered Water at Rates and Charges determined in accordance with
426 policies for Irrigation Water and M&I water. The Contractor's Rates shall be established to recover
427 its estimated reimbursable costs included in the O&M Component of the Rate and amounts
428 established to recover other charges and deficits, other than the construction costs. The Rates for
429 O&M costs and Charges shall be adjusted, as appropriate, in accordance with the provisions of the
430 SJRRSA.

431 (2) In accordance with the SJRRSA, the Contractor's allocable share of
432 Project construction costs will be repaid pursuant to the provisions of this Contract.

433 (A) The amount due and payable to the United States, pursuant to
434 the SJRRSA, shall be the Repayment Obligation. The Repayment Obligation has been computed by
435 the Contracting Officer in a manner consistent with the SJRRSA and is set forth, both as a lump sum
436 payment payable by January 31, 2011 and as four (4) approximately equal annual installments, which
437 amounts together with the manner in which such amounts were calculated are set forth in Exhibits
438 "C-1" and "C-2". The Repayment Obligation is due in lump sum by January 31, 2011 or in
439 approximate equal annual installments by January 31, 2014, as provided by the SJRRSA. The
440 Contractor must provide appropriate notice to the Contracting Officer in writing not later than thirty
441 (30) days prior to January 31, 2011 if electing to repay the amount due using the lump sum
442 alternative. If such notice is not provided by such date, the Contractor shall be deemed to have

443 elected the installment payment alternative, in which case, the first such payment shall be made no
444 later than May 1, 2011, the second payment shall be made no later than the first anniversary of the
445 first payment date, the third payment shall be made no later than the second anniversary of the first
446 payment date, and the final payment shall be made no later than January 31, 2014. If the installment
447 payment option is elected by the Contractor, the Contractor may pre-pay the remaining portion of the
448 Repayment Obligation by giving the Contracting Officer sixty (60) days written notice, in which
449 case, the Contracting Officer shall re-compute the remaining amount due to reflect the pre-payment
450 using the same methodology as was used to compute the initial annual installment payment amount,
451 which is illustrated in Exhibit "C-2". Upon complete payment of the Repayment Obligation by the
452 Contractor, and notwithstanding any Additional Capital Obligation that may later be established, the
453 Contractor shall be fully and permanently released from any obligation to pay and shall be deemed to
454 have fully satisfied, the Existing Capital Obligation.

455 (B) Project construction costs or other capitalized costs attributable
456 to capital additions to the Project incurred after the effective date of this Contract or that are not
457 reflected in the schedules referenced in Exhibits "C-1" and "C-2" and properly assignable to the
458 Contractor, shall be repaid as prescribed by the SJRRSA without interest except as required by law.
459 Consistent with Federal Reclamation law, interest shall continue to accrue on the M&I portion of
460 unpaid Project construction costs or other capitalized cost assigned to the Contractor until such costs
461 are paid. Increases or decreases in Project construction costs or other capitalized costs assigned to the
462 Contractor caused solely by annual adjustment of Project construction costs or other capitalized costs
463 assigned to each CVP contractor by the Secretary shall not be considered in determining the amounts

464 to be paid pursuant to this subdivision (a)(2)(B), but will be considered under subdivision (b) of this
465 Article. A separate repayment agreement shall be established by the Contractor and the Contracting
466 Officer to accomplish repayment of all additional Project construction costs or other capitalized costs
467 assigned to the Contractor within the timeframe prescribed by the SJRRSA subject to the following:

468 (1) If the collective annual Project construction costs or
469 other capitalized costs that are incurred after the effective date of this Contract and properly
470 assignable to the contractors are less than \$5,000,000, then the portion of such costs properly
471 assignable to the Contractor shall be repaid in not more than five (5) years after notification of the
472 allocation. This amount is the result of a collective annual allocation of Project construction costs to
473 the contractors exercising contract conversions; Provided, That the reference to the amount of
474 \$5,000,000 shall not be a precedent in any other context.

475 (2) If the collective annual Project construction costs or
476 other capitalized costs that are incurred after the effective date of this Contract and properly
477 assignable to the contractors are \$5,000,000 or greater, then the portion of such costs properly
478 assignable to the Contractor shall be repaid as provided by applicable Federal Reclamation law. This
479 amount is the result of a collective annual allocation of Project construction costs to the contractors
480 exercising contract conversions; Provided, That the reference to the amount of \$5,000,000 shall not
481 be a precedent in any other context.

482 (b) Consistent with Section 10010(b) of the SJRRSA, following a final cost
483 allocation by the Secretary upon completion of the construction of the Central Valley Project, the
484 amounts paid by the Contractor shall be subject to adjustment to reflect the effect of any reallocation

485 of Project construction costs or other capitalized costs assigned to the Contractor that may have
486 occurred between the determination of Contractor's Existing Capital Obligation and the final cost
487 allocation. In the event that the final cost allocation, as determined by the Secretary, indicates that
488 the costs properly assignable to the Contractor, as determined by the Contracting Officer, are greater
489 than the Existing Capital Obligation and other amounts of Project construction costs or other
490 capitalized costs paid by the Contractor, then the Contractor shall be obligated to pay the remaining
491 allocated costs. The term of such additional repayment contract shall be no less than one (1) year and
492 no more than ten (10) years, however, mutually agreeable provisions regarding the rate of repayment
493 of such amount may be developed by the parties. In the event that the final cost allocation, as
494 determined by the Secretary, indicates that the costs properly assignable to the Contractor, as
495 determined by the Contracting Officer, are less than the Existing Capital Obligation and other
496 amounts of Project construction costs or other capitalized costs paid by the Contractor, then the
497 Contracting Officer shall credit such overpayment as an offset against any outstanding or future
498 obligation of the Contractor, consistent with the SJRRSA. This Contract shall be implemented in a
499 manner consistent with Section 10010(f) of the SJRRSA.

500 (c) Prior to July 1 of each Calendar Year, the Contracting Officer shall provide the
501 Contractor an estimate of the Charges for Project Water that will be applied to the period October 1,
502 of the current Calendar Year, through September 30, of the following Calendar Year, and the basis
503 for such estimate. The Contractor shall be allowed not less than two (2) months to review and
504 comment on such estimates. On or before September 15 of each Calendar Year, the Contracting
505 Officer shall notify the Contractor in writing of the Charges to be in effect during the period October

506 1 of the current Calendar Year, through September 30 of the following Calendar Year, and such
507 notification shall revise Exhibit "B". Charges shall be subject to reduction consistent with the
508 SJRRSA based upon the average annual delivery amount agreed to by the Contracting Officer and the
509 Contractor.

510 (1) Upon complete payment of the Repayment Obligation by the
511 Contractor, and notwithstanding any Additional Capital Obligation that may later be established, for
512 the years 2020 through 2039 inclusive, outstanding or future obligations of the Contractor shall be
513 reduced consistent with Section 10010(d)(2) of the SJRRSA. The amount of such reduction in
514 outstanding or future obligations of the Contractor after October 1, 2010 has been computed by the
515 Contracting Officer, and as computed, such amount is set forth in Exhibit "D".

516 (d) Prior to October 1 of each Calendar Year, the Contracting Officer shall make
517 available to the Contractor an estimate of the Rates and Tiered Pricing Component for Project Water
518 for the following Year and the computations and cost allocations upon which those Rates are based.
519 The Contractor shall be allowed not less than two (2) months to review and comment on such
520 computations and cost allocations. By December 31 of each Calendar Year, the Contracting Officer
521 shall provide the Contractor with the final Rates and Tiered Pricing Component to be in effect for the
522 upcoming Year, and such notification shall revise Exhibit "B". The O&M component of the Rate
523 may be reduced as provided in the SJRRSA.

524 (e) Before March 1 and again before July 1 of each Year the Contractor shall pay
525 to the United States, at the Rates and Charges provided in subdivision (a) of this Article of this

526 Contract, for one-half (1/2) of the Delivered Water (i.e. 12,000 acre-feet) regardless of the quantity of
527 Irrigation Water and Other Water actually made available to the Contractor during the Year.

528 (f) Omitted.

529 (g) Omitted.

530 (h) Payments to be made by the Contractor to the United States under this
531 Contract may be paid from any revenues available to the Contractor.

532 (i) All revenues received by the United States from the Contractor relating to the
533 delivery of Project Water or the delivery of non-project water through Project facilities shall be
534 allocated and applied in accordance with Federal Reclamation law and the associated rules or
535 regulations, the then-existing Project Ratesetting policies for M&I water or Irrigation Water, and
536 consistent with the SJRRSA.

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

545 (k) The parties acknowledge and agree that the efficient administration of this
546 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,

547 policies, and procedures used for establishing Rates, Charges, Tiered Pricing Components, and/or for
548 making and allocating payments, other than those set forth in this Article of this Contract, may be in
549 the mutual best interest of the parties, it is expressly agreed that the parties may enter into
550 agreements to modify the mechanisms, policies, and procedures for any of those purposes while this
551 Contract is in effect without amending this Contract.

552 (l) (1) For tiered pricing calculation purposes, the amount of Delivered Water
553 in excess of eighty percent (80%) but less than or equal to ninety percent (90%) of Water Delivered
554 shall remain fixed at 2,400 acre-feet per Year and the applicable Tiered Pricing Component on this
555 2,400 acre-feet shall equal one-half of the difference between the Rate established under subdivision
556 (a) of this Article of this Contract and the Irrigation Full Cost Water Rate, or M&I Full Cost Water
557 Rate, whichever is applicable. Likewise, the amount of Delivered Water in excess of ninety percent
558 (90%) of Water Delivered shall remain fixed at 2,400 acre-feet per Year and the applicable Tiered
559 Pricing Component on this 2,400 acre-feet shall equal the difference between (i) the Rate established
560 under subdivision (a) of this Article of this Contract and (ii) the Irrigation Full Cost Water Rate or
561 M&I Full Cost Water Rate, whichever is applicable. Before July 1 of each Year the Contractor shall
562 make payment to the United States equal to the sum of the multiplication products of the applicable
563 Tiered Pricing Component and such 2,400 acre-feet amounts.

564 (2) Subject to the Contracting Officer's written approval, the Contractor
565 may request and receive an exemption from such Tiered Pricing Components for Project Water
566 delivered pursuant to this Contract to produce a crop which the Contracting Officer determines will
567 provide significant and quantifiable habitat values for waterfowl in fields where the water is used and

568 the crops are produced; Provided, That the exemption from the Tiered Pricing Components for
569 Irrigation Water shall apply only if such habitat values can be assured consistent with the purposes of
570 CVPIA through binding agreements executed with or approved by the Contracting Officer prior to
571 use of such water.

572 (3) For purposes of determining the applicability of the Tiered Pricing
573 Components pursuant to this Article of this Contract, Water Delivered shall include Project Water
574 that the Contractor transfers to others but shall not include Project Water transferred and delivered to
575 the Contractor.

576 (m) Rates under the respective ratesetting policies will be established to recover
577 only reimbursable O&M (including any deficits) costs of the Project, as those terms are used in the
578 then-existing Project ratesetting policies, and consistent with the SJRRSA, and interest, where
579 appropriate, except in instances where a minimum Rate is applicable in accordance with the relevant
580 Project ratesetting policy. Changes of significance in practices which implement the Contracting
581 Officer's ratesetting policies will not be implemented until the Contracting Officer has provided the
582 Contractor an opportunity to discuss the nature, need, and impact of the proposed change.

583 (n) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,
584 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates adjusted
585 upward or downward to reflect the changed costs of delivery (if any) incurred by the Contracting
586 Officer in the delivery of the transferred Project Water to the transferee's point of delivery in
587 accordance with the then-existing Central Valley Project Ratesetting Policy.

588 (o) Pursuant to the Act of October 27, 1986 (100 Stat. 3050), the Contracting
589 Officer is authorized to adjust determinations of ability to pay every five (5) years.

590 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

591 8. The Contractor and the Contracting Officer concur that, as of the effective date of this
592 Contract, the Contractor has no non-interest bearing operation and maintenance deficits and therefore
593 shall have no further liability.

594 RECOVERED WATER ACCOUNT

595 9. Omitted.

596 SALES, TRANSFERS, AND EXCHANGES OF WATER

597 10. (a) The right to receive Project Water provided for in this Contract may be sold,
598 transferred, or exchanged to others for reasonable and beneficial uses within the State of California if
599 such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable
600 guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this
601 Contract may take place without the prior written approval of the Contracting Officer. No such
602 Project Water sales, transfers, or exchanges shall be approved, where approval is required, absent
603 compliance with appropriate environmental documentation including but not limited to the National
604 Environmental Policy Act and the Endangered Species Act. Such environmental documentation must
605 include, as appropriate, an analysis of groundwater impacts and economic and social effects,
606 including environmental justice, of the proposed Project Water sales, transfers and exchanges on both
607 the transferor/exchanger and transferee/exchange recipient.

608 (b) Omitted.

609 (c) Omitted.

610 (d) Omitted.

611 (e) Omitted.

612 (f) Omitted.

613 (1) Omitted.

614 (2) Omitted.

615 (3) Omitted.

616 (4) Omitted.

617 (g) Upon complete payment of the Repayment Obligation by the Contractor, and
618 notwithstanding any Additional Capital Obligation that may later be established, in the case of a sale
619 or transfer of Irrigation Water to another contractor which is otherwise subject to the acreage
620 limitations, reporting, and Full Cost pricing provisions of the RRA, such sold or transferred Irrigation
621 Water shall not be subject to such RRA provisions, however, in the case of a sale or transfer of
622 Irrigation Water to the Contractor from another contractor which is subject to RRA provisions, such
623 RRA provisions shall apply to delivery of such water.

624 APPLICATION OF PAYMENTS AND ADJUSTMENTS

625 11. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,
626 Capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of
627 the Contractor arising out of this Contract then due and payable. Overpayments of more than One
628 Thousand Dollars (\$1,000) shall be refunded at the Contractor's request. In lieu of a refund, any
629 amount of such overpayment, at the option of the Contractor, may be credited against amounts to

630 become due to the United States by the Contractor. With respect to overpayment, such refund or
631 adjustment shall constitute the sole remedy of the Contractor or anyone having or claiming to have
632 the right to the use of any of the Project Water supply provided for herein. All credits and refunds of
633 overpayments shall be made within thirty (30) days of the Contracting Officer obtaining direction as
634 to how to credit or refund such overpayment in response to the notice to the Contractor that it has
635 finalized the accounts for the Year in which the overpayment was made.

636 (b) All advances for miscellaneous costs incurred for work requested by the
637 Contractor pursuant to Article 26 of this Contract shall be adjusted to reflect the actual costs when the
638 work has been completed. If the advances exceed the actual costs incurred, the difference will be
639 refunded to the Contractor. If the actual costs exceed the Contractor's advances, the Contractor will
640 be billed for the additional costs pursuant to Article 26 of this Contract.

641 TEMPORARY REDUCTIONS—RETURN FLOWS

642 12. (a) The Contracting Officer shall make all reasonable efforts to optimize delivery
643 of the Contract Total subject to: (i) the authorized purposes and priorities of the Project; (ii) the
644 requirements of Federal law and the Settlement; and (iii) the obligations of the United States under
645 existing contracts, or renewals thereof, providing for water deliveries from the Project.

646 (b) The Contracting Officer may temporarily discontinue or reduce the quantity of
647 Project Water delivered to the Contractor pursuant to this Contract as herein provided for the
648 purposes of investigation, inspection, maintenance, repair, or replacement of any of the Project
649 facilities or any part thereof necessary for the delivery of Project Water to the Contractor, but so far
650 as feasible the Contracting Officer will give the Contractor due notice in advance of such temporary

651 discontinuance or reduction, except in case of emergency, in which case no notice need be given;
652 Provided, That the United States shall use its best efforts to avoid any discontinuance or reduction in
653 such service. Upon resumption of service after such reduction or discontinuance, and if requested by
654 the Contractor, 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 Project Water delivered to the Contractor pursuant to this Contract which escapes or is
658 discharged beyond the Contractor's Service Area; Provided, That this shall not be construed as
659 claiming for the United States any right as seepage or return flow to water being used pursuant to this
660 Contract for surface irrigation or underground storage either being put to reasonable and beneficial
661 use pursuant to this Contract within the Contractor's Service Area by the Contractor or those
662 claiming by, through, or under the Contractor. For purposes of this subdivision, groundwater
663 recharge, groundwater banking and all similar groundwater activities will be deemed to be
664 underground storage.

665 CONSTRAINTS ON THE AVAILABILITY OF WATER

666 13. If there is a reduction in total water supply because of errors in physical operations of
667 the Project, drought, other physical causes beyond the control of the Contracting Officer or actions
668 taken by the Contracting Officer to meet legal obligations then, except as provided in subdivision (a)
669 of Article 19 of this Contract, no liability shall accrue against the United States or any of its officers,
670 agents, or employees for any damage, direct or indirect, arising therefrom.

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UNAVOIDABLE GROUNDWATER PERCOLATION

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14. To the extent applicable, the Contractor shall not be deemed to have delivered

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Irrigation Water to Excess Lands and Ineligible Lands within the meaning of this Contract if such

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lands are irrigated with groundwater that reaches the underground strata as an unavoidable result of

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the delivery of Irrigation Water by the Contractor to Eligible Lands.

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ACREAGE LIMITATION

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15. (a) Notwithstanding the application of the acreage limitation provisions to

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activities referred to in subdivision (b) of this Article, subdivision (a) of Article 16, and Article 18 of

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this Contract, upon complete payment of the Repayment Obligation by the Contractor, and

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notwithstanding any Additional Capital Obligation that may later be established, the provisions of

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section 213(a) and (b) of the RRA shall apply to lands in the Contractor's Service Area, with the

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effect that acreage limitations, reporting, and Full Cost pricing provisions of the RRA shall no longer

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apply to lands in the Contractor's Service Area with respect to Project Water delivered pursuant to

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this Contract. Upon receiving the complete payment of the Repayment Obligation from the

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Contractor, Reclamation will conduct a final water district review for the purpose of determining

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compliance with the acreage limitations, reporting, and Full Cost pricing provisions of the RRA from

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the date of the last water district review until the date when payment to Reclamation of the

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Repayment Obligation is completed.

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(b) Project Water now owned or hereafter acquired by the Contractor through a

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separate contract, other than this Contract, that is subject to Federal Reclamation law, may be

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delivered to lands within the Contractor's Service Area. Upon complete payment of the Repayment

693 Obligation by the Contractor, and notwithstanding any Additional Capital Obligation that may later
694 be established, Project Water delivered pursuant to this Contract may be mixed with Project Water
695 delivered pursuant to a contract with the United States, other than this Contract, to which acreage
696 limitations, reporting, and the Full Cost pricing provisions of Federal Reclamation law apply without
697 causing the application of the acreage limitations, reporting, and the Full Cost pricing provisions of
698 Federal Reclamation law to the Project Water delivered pursuant to this Contract; Provided, The
699 terms and conditions in such other contract shall continue to apply, and if such terms and conditions
700 so require, the lands to receive Project Water under such other contract shall be properly designated
701 by the Contractor and such Project Water is to be delivered in accordance with the RRA including
702 any applicable acreage limitations, reporting, and Full Cost pricing provisions.

703 COMPLIANCE WITH FEDERAL RECLAMATION LAWS

704 16. (a) The parties agree that the delivery of irrigation water or use of Federal
705 facilities pursuant to this Contract is subject to Federal reclamation law, including but not limited to
706 the Reclamation Reform Act of 1982 (43 U.S.C. 390 *aa et seq.*), as amended and supplemented, and
707 the rules and regulations promulgated by the Secretary of the Interior under Federal reclamation law.

708 (b) The terms of this Contract are subject to the Settlement and the SJRRSA.

709 Nothing in this Contract shall be interpreted to limit or interfere with the full implementation of the
710 Settlement and the SJRRSA.

711 PROTECTION OF WATER AND AIR QUALITY

712 17. (a) Project facilities used to make available and deliver water to the Contractor
713 shall be operated and maintained in the most practical manner to maintain the quality of the water at
714 the highest level possible as determined by the Contracting Officer: *Provided, That* the United States
715 does not warrant the quality of the water delivered to the Contractor and is under no obligation to
716 furnish or construct water treatment facilities to maintain or improve the quality of water delivered to
717 the Contractor.

718 (b) The Contractor shall comply with all applicable water and air pollution laws
719 and regulations of the United States and the State of California; and shall obtain all required permits
720 or licenses from the appropriate Federal, State, or local authorities necessary for the delivery of water
721 by the Contractor; and shall be responsible for compliance with all Federal, State, and local water
722 quality standards applicable to surface and subsurface drainage and/or discharges generated through
723 the use of Federal or Contractor facilities or project water provided by the Contractor within the
724 Contractor's Project Water Service Area.

725 (c) This article shall not affect or alter any legal obligations of the Secretary to
726 provide drainage or other discharge services.

727 WATER ACQUIRED BY THE CONTRACTOR
728 OTHER THAN FROM THE UNITED STATES

729 18. (a) Until complete payment of the Repayment Obligation by the Contractor, and
730 notwithstanding any Additional Capital Obligation that may later be established, water or water rights
731 now owned or hereafter acquired by the Contractor other than from the United States and Irrigation
732 Water furnished pursuant to the terms of this Contract may be simultaneously transported through the
733 same distribution facilities of the Contractor subject to the following: (i) if the facilities utilized for
734 commingling Irrigation Water and non-project water were constructed without funds made available
735 pursuant to Federal Reclamation law, the acreage limitations, reporting, and Full Cost pricing
736 provisions of Federal Reclamation law will be applicable only to the Landholders of lands which
737 receive Irrigation Water; (ii) the eligibility of land to receive Irrigation Water must be established
738 through the certification requirements as specified in the Acreage Limitation Rules and Regulations

739 (43 CFR Part 426); and (iii) the water requirements of Eligible Lands within the Contractor's Service
740 Area can be established and the quantity of Irrigation Water to be utilized is less than or equal to the
741 quantity necessary to irrigate such Eligible Lands. The Contractor and the Contracting Officer
742 acknowledge that the Contractor's distribution system that was constructed with funds made
743 available pursuant to Federal Reclamation law was, prior to effective date of this Contract, repaid in
744 full and title to the facilities transferred to the Contractor. As such, when such facilities are utilized
745 for commingling Irrigation Water and non-project water, the acreage limitations, reporting, and Full-
746 Cost pricing provisions of Federal Reclamation law will be applicable only to the Landholders of
747 lands which receive Irrigation Water.

748 (b) Upon complete payment of the Repayment Obligation by the Contractor, and
749 notwithstanding any Additional Capital Obligation that may later be established, water or water rights
750 now owned or hereafter acquired by the Contractor other than from the United States pursuant to this
751 Contract and Irrigation Water furnished pursuant to the terms of this Contract may be simultaneously
752 transported through the same distribution facilities of the Contractor without the payment of fees to
753 the United States and without application of Federal Reclamation law to Project Water delivered
754 pursuant to this Contract or to lands which receive Project Water delivered to Contractor pursuant to
755 this Contract.

756 (c) Water or water rights now owned or hereafter acquired by the Contractor, other
757 than from the United States or adverse to the Project or its contractors (i.e., non-project water), may
758 be stored, conveyed and/or diverted through Project facilities, other than Buchanan Unit facilities,
759 subject to the completion of appropriate environmental documentation, with the approval of the

760 Contracting Officer and the execution of any contract determined by the Contracting Officer to be
761 necessary, consistent with the following provisions:

762 (1) The Contractor may introduce non-project water into Project facilities
763 and deliver said water to lands within the Contractor's Service Area, including Ineligible Lands,
764 subject to payment to the United States of an appropriate rate as determined by the Contracting
765 Officer. In addition, if electrical power is required to pump non-project water, the Contractor shall be
766 responsible for obtaining the necessary power and paying the necessary charges therefor.

767 (2) Delivery of such non-project water in and through Project facilities
768 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project purposes as
769 determined by the Contracting Officer; (ii) reduce the quantity or quality of water available to other
770 Project Contractors; (iii) interfere with the delivery of contractual water entitlements to any other
771 Project Contractors; (iv) interfere with the physical maintenance of the Project facilities; or (v) result
772 in the United States incurring any liability or unreimbursed costs or expenses thereby.

773 (3) The United States shall not be responsible for control, care or
774 distribution of the non-project water before it is introduced into or after it is delivered from the
775 Project facilities. The Contractor hereby releases and agrees to defend and indemnify the United
776 States and its officers, agents, and employees, from any claim for damage to persons or property,
777 direct or indirect, resulting from Contractor's diversion or extraction of non-project water from any
778 source.

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

782 (5) After Project purposes are met, as determined by the Contracting
783 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity of
784 the facilities declared to be available by the Contracting Officer for conveyance and transportation of
785 non-project water prior to any such remaining capacity being made available to non-project
786 contractors.

787 (d) Non-project water may be stored, conveyed and/or diverted through Buchanan
788 Unit facilities, subject to the prior completion of appropriate environmental documentation and
789 approval of the Contracting Officer without execution of a separate contract, consistent with
790 subdivisions (c)(1) through (c)(5) of this Article and any other condition determined to be appropriate
791 by the Contracting Officer.

792 OPINIONS AND DETERMINATIONS

793 19. (a) Where the terms of this Contract provide for actions to be based upon the
794 opinion or determination of either party to this Contract, said terms shall not be construed as
795 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
796 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly reserve
797 the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or
798 unreasonable opinion or determination. Each opinion or determination by either party shall be
799 provided in a timely manner. Nothing in this Article of this Contract is intended to or shall affect or

800 alter the standard of judicial review applicable under Federal law to any opinion or determination
801 implementing a specific provision of Federal law embodied in statute or regulation.

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

807 COORDINATION AND COOPERATION

808 20. (a) In order to further their mutual goals and objectives, the Contracting Officer
809 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other
810 affected Project Contractors, in order to improve the operation and management of the Project. The
811 communication, coordination, and cooperation regarding operations and management shall include,
812 but not limited to, any action which will or may materially affect the quantity or quality of Project
813 Water supply, the allocation of Project Water supply, and Project financial matters including, but not
814 limited to, budget issues. The communication, coordination, and cooperation provided for hereunder
815 shall extend to all provisions of this Contract. Each party shall retain exclusive decision making
816 authority for all actions, opinions, and determinations to be made by the respective party.

817 (b) It is the intent of the Secretary to improve water supply reliability. To carry
818 out this intent:

819 (1) The Contracting Officer will, at the request of the Contractor, assist in
820 the development of integrated resource management plans for the Contractor. Further, the

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

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

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

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

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

833 (c) Without limiting the contractual obligations of the Contracting Officer
834 hereunder, nothing in this Contract shall be construed to limit or constrain the Contracting Officer's
835 ability to communicate, coordinate, and cooperate with the Contractor or other interested
836 stakeholders or to make decisions in a timely fashion as needed to protect health, safety, physical
837 integrity of structures or facilities, or the Contracting Officer's ability to comply with applicable
838 laws.

839 CHARGES FOR DELINQUENT PAYMENTS

840 21. (a) The Contractor shall be subject to interest, administrative and penalty charges
841 on delinquent installments or payments. When a payment is not received by the due date, the
842 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.
843 When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative
844 charge to cover additional costs of billing and processing the delinquent payment. When a payment

845 is delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six
846 (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the
847 Contractor shall pay any fees incurred for debt collection services associated with a delinquent
848 payment.

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

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

857 EQUAL EMPLOYMENT OPPORTUNITY

858 22. During the performance of this Contract, the Contractor agrees as follows:

859 (a) The Contractor will not discriminate against any employee or applicant for
860 employment because of race, color, religion, sex, disability, or national origin. The Contractor will
861 take affirmative action to ensure that applicants are employed, and that employees are treated during
862 employment, without regard to their race, color, religion, sex, disability, or national origin. Such
863 action shall include, but not be limited to the following: employment, upgrading, demotion, or
864 transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of
865 compensation; and selection for training, including apprenticeship. The Contractor agrees to post in
866 conspicuous places, available to employees and applicants for employment, notices to be provided by
867 the Contracting Officer setting forth the provisions of this nondiscrimination clause.

868 (b) The Contractor will, in all solicitations or advertisements for employees placed by
869 or on behalf of the Contractor, state that all qualified applicants will receive consideration for
870 employment without regard to race, color, religion, sex, disability, or national origin.

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

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

879 (e) The Contractor will furnish all information and reports required by Executive
880 Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of
881 Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the
882 Contracting Agency and the Secretary of Labor for purposes of investigation to ascertain compliance
883 with such rules, regulations, and orders.

884 (f) In the event of the Contractor's noncompliance with the nondiscrimination clauses
885 of this contract or with any of such rules, regulations, or orders, this contract may be canceled,
886 terminated or suspended in whole or in part and the Contractor may be declared ineligible for further
887 Government contracts in accordance with procedures authorized in Executive Order 11246 of
888 September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in
889 Executive Order 11246 of September 24, 1965 or by rule, regulation, or order of the Secretary of
890 Labor, or as otherwise provided by law.

891 (g) The Contractor will include the provisions of paragraphs (1) through (7) in every
892 subcontract or purchase order unless exempted by the rules, regulations, or orders of the Secretary of
893 Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such
894 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action
895 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a
896 means of enforcing such provisions, including sanctions for noncompliance: *Provided, however,* that
897 in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor
898 or vendor as a result of such direction, the Contractor may request the United States to enter into such
899 litigation to protect the interests of the United States.

900 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

901 23. (a) The obligation of the Contractor to pay the United States as provided in this
902 Contract is a general obligation of the Contractor notwithstanding the manner in which the obligation
903 may be distributed among the Contractor's water users and notwithstanding the default of individual
904 water users in their obligations to the Contractor.

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

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

913 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

949 pursuant to 43 CFR 2.61 and 2.64 amendment requests pursuant to 43 CFR 2.72. The Contractor is
950 authorized to grant requests by individuals for access to their own records.

951 (e) The Contractor shall forward promptly to the System Manager each proposed
952 denial of access under 43 CFR 2.64; and each request for amendment of records filed under
953 43 CFR 2.71; notify the requester accordingly of such referral; and provide the System Manager with
954 information and records necessary to prepare an appropriate response to the requester. These
955 requirements do not apply to individuals seeking access to their own certification and reporting forms
956 filed with the Contractor pursuant to 43 CFR 426.18, unless the requester elects to cite the Privacy
957 Act as a basis for the request.

958 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

959 26. In addition to all other payments to be made by the Contractor pursuant to this
960 Contract, the Contractor shall pay to the United States, within sixty (60) days after receipt of a bill
961 and detailed statement submitted by the Contracting Officer to the Contractor for such specific items
962 of direct cost incurred by the United States for work requested by the Contractor associated with this
963 Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and
964 procedures. All such amounts referred to in this Article of this Contract shall not exceed the amount
965 agreed to in writing in advance by the Contractor. This Article of this Contract shall not apply to
966 costs for routine contract administration.

967 WATER CONSERVATION

968 27. (a) Prior to the delivery of water provided from or conveyed through Federally
969 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be
970 implementing an effective water conservation and efficiency program based on the Contractor's water
971 conservation plan that has been determined by the Contracting Officer to meet the conservation and
972 efficiency criteria for evaluating water conservation plans established under Federal law. The water
973 conservation and efficiency program shall contain definite water conservation objectives, appropriate

974 economically feasible water conservation measures, and time schedules for meeting those objectives.
975 Continued Project Water delivery pursuant to this Contract shall be contingent upon the Contractor's
976 continued implementation of such water conservation program. In the event the Contractor's water
977 conservation plan or any revised water conservation plan completed pursuant to subdivision (d) of
978 this Article of this Contract have not yet been determined by the Contracting Officer to meet such
979 criteria, due to circumstances which the Contracting Officer determines are beyond the control of the
980 Contractor, water deliveries shall be made under this Contract so long as the Contractor diligently
981 works with the Contracting Officer to obtain such determination at the earliest practicable date, and
982 thereafter the Contractor immediately begins implementing its water conservation and efficiency
983 program in accordance with the time schedules therein.

984 (b) Omitted.

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

988 (d) At five (5) -year intervals, the Contractor shall revise its water conservation
989 plan to reflect the then-existing conservation and efficiency criteria for evaluating water conservation
990 plans established under Federal law and submit such revised water management plan to the
991 Contracting Officer for review and evaluation. The Contracting Officer will then determine if the
992 water conservation plan meets Reclamation's then-existing conservation and efficiency criteria for
993 evaluating water conservation plans established under Federal law.

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

996 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

997 28. Except as specifically provided in Article 18 of this Contract, the provisions of this
998 Contract shall not be applicable to or affect non-project water or water rights now owned or hereafter
999 acquired by the Contractor or any user of such water within the Contractor's Service Area including,
1000 without limitation, Prior-Rights Water. Any such water shall not be considered Project Water under
1001 this Contract. In addition, this Contract shall not be construed as limiting or curtailing any rights
1002 which the Contractor or any water user within the Contractor's Service Area acquires or has available
1003 under any other contract pursuant to Federal Reclamation law.

1004 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

1005 29. Omitted.

1006 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1007 30. The expenditure or advance of any money or the performance of any obligation of the
1008 United States under this Contract shall be contingent upon appropriation or allotment of funds.
1009 Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations
1010 under this Contract. No liability shall accrue to the United States in case funds are not appropriated
1011 or allotted.

1012 BOOKS, RECORDS, AND REPORTS

1013 31. (a) The Contractor shall establish and maintain accounts and other books and
1014 records pertaining to administration of the terms and conditions of this Contract, including: the
1015 Contractor's financial transactions, water supply data, and Project land and right-of-way agreements;
1016 the water users' land-use (crop census), land ownership, land-leasing and water use data; and other
1017 matters that the Contracting Officer may require. Reports thereon shall be furnished to the
1018 Contracting Officer in such form and on such date or dates as the Contracting Officer may require.
1019 Subject to applicable Federal laws and regulations, each party to this Contract shall have the right
1020 during office hours to examine and make copies of the other party's books and records relating to
1021 matters covered by this Contract.

1022 (b) Notwithstanding the provisions of subdivision (a) of this Article of this
1023 Contract, no books, records, or other information shall be requested from the Contractor by the
1024 Contracting Officer unless such books, records, or information are reasonably related to the
1025 administration or performance of this Contract. Any such request shall allow the Contractor a
1026 reasonable period of time within which to provide the requested books, records, or information.

1027 (c) Omitted.

1028 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1029 32. (a) The provisions of this Contract shall apply to and bind the successors and
1030 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1031 therein shall be valid until approved in writing by the Contracting Officer.

1032 (b) The assignment of any right or interest in this Contract by either party shall not
1033 interfere with the rights or obligations of the other party to this Contract absent the written
1034 concurrence of said other party.

1035 (c) The Contracting Officer shall not unreasonably condition or withhold approval
1036 of any proposed assignment.

1037 SEVERABILITY

1038 33. In the event that a person or entity who is neither (i) a party to a Project contract, nor
1039 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an
1040 association or other form of organization whose primary function is to represent parties to Project
1041 contracts, brings an action in a court of competent jurisdiction challenging the legality or
1042 enforceability of a provision included in this Contract and said person, entity, association, or
1043 organization obtains a final court decision holding that such provision is legally invalid or

1044 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the
1045 parties to this Contract shall use their best efforts to (i) within thirty (30) days of the date of such final
1046 court decision identify by mutual agreement the provisions in this Contract which must be revised
1047 and (ii) within three (3) months thereafter promptly agree on the appropriate revision(s). The time
1048 periods specified above may be extended by mutual agreement of the parties. Pending the
1049 completion of the actions designated above, to the extent it can do so without violating any applicable
1050 provisions of law, the United States shall continue to make the quantities of Project Water specified
1051 in this Contract available to the Contractor pursuant to the provisions of this Contract which were not
1052 found to be legally invalid or unenforceable in the final court decision.

1053 RESOLUTION OF DISPUTES

1054 34. Should any dispute arise concerning any provisions of this Contract, or the parties'
1055 rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the
1056 dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring
1057 any matter to Department of Justice, the party shall provide to the other party thirty (30) days written
1058 notice of the intent to take such action; Provided, That such notice shall not be required where a delay
1059 in commencing an action would prejudice the interests of the party that intends to file suit. During
1060 the thirty (30) day notice period, the Contractor and the Contracting Officer shall meet and confer in
1061 an attempt to resolve the dispute. Except as specifically provided, nothing herein is intended to
1062 waive or abridge any right or remedy that the Contractor or the United States may have.

1063 OFFICIALS NOT TO BENEFIT

1064 35. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1065 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1066 manner as other water users or landowners.

1067 CHANGES IN CONTRACTOR'S SERVICE AREA

1068 36. (a) While this Contract is in effect, no change may be made in the Contractor's
1069 Service Area or boundaries, by inclusion or exclusion of lands, dissolution, consolidation, merger, or
1070 otherwise, except upon the Contracting Officer's written consent.

1071 (b) Within thirty (30) days of receipt of a request for such a change, the
1072 Contracting Officer will notify the Contractor of any additional information required by the
1073 Contracting Officer for processing said request, and both parties will meet to establish a mutually
1074 agreeable schedule for timely completion of the process. Such process will analyze whether the
1075 proposed change is likely to: (i) result in the use of Project Water contrary to the terms of this
1076 Contract; (ii) impair the ability of the Contractor to pay for Project Water furnished under this
1077 Contract or to pay for any Federally-constructed facilities for which the Contractor is responsible;
1078 and (iii) have an impact on any Project Water rights applications, permits, or licenses. In addition,
1079 the Contracting Officer shall comply with the National Environmental Policy Act and the Endangered
1080 Species Act. The Contractor will be responsible for all costs incurred by the Contracting Officer in
1081 this process, and such costs will be paid in accordance with Article 26 of this Contract.

1082 FEDERAL LAWS

1083 37. By entering into this Contract, the Contractor does not waive its rights to contest the
1084 validity or application in connection with the performance of the terms and conditions of this
1085 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the
1086 terms and conditions of this Contract unless and until relief from application of such Federal law or
1087 regulation to the implementing provision of the Contract is granted by a court of competent
1088 jurisdiction.

EMERGENCY RESERVE FUND

1089

1090

38. Omitted.

1091

1092 MEDIUM FOR TRANSMITTING PAYMENT

1093 39. (a) All payments from the Contractor to the United States under this contract
1094 shall be by the medium requested by the United States on or before the date payment is due. The
1095 required method of payment may include checks, wire transfers, or other types of payment specified
1096 by the United States.

1097 (b) Upon execution of the contract, the Contractor shall furnish the Contracting
1098 Officer with the Contractor's taxpayer's identification number (TIN). The purpose for requiring the
1099 Contractor's TIN is for collecting and reporting any delinquent amounts arising out of the
1100 Contractor's relationship with the United States.

1101 NOTICES

1102 40. Any notice, demand, or request authorized or required by this Contract shall be
1103 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered
1104 to the Area Manager, South-Central California Area Office, 1243 "N" Street, Fresno, California
1105 93721, and on behalf of the United States, when mailed, postage prepaid, or delivered to the Board of
1106 Directors of Chowchilla Water District, P.O. Box 905, Chowchilla, California 93610. The
1107 designation of the addressee or the address may be changed by notice given in the same manner as
1108 provided in this Article of this Contract for other notices.

1109 CONFIRMATION OF CONTRACT

1110 41. The Contractor, after the execution of this Contract, shall promptly provide to the
1111 Contracting Officer a decree of a court of competent jurisdiction of the State of California,
1112 confirming the execution of this Contract. The Contractor shall furnish the United States a certified
1113 copy of the final decree, the validation proceedings, and all pertinent supporting records of the court
1114 approving and confirming this Contract, and decreeing and adjudging it to be lawful, valid, and
1115 binding on the Contractor.

1116 CONTRACT DRAFTING CONSIDERATIONS

1117 42. Articles 1 through 8, Articles 10 through 15, subdivision (b) of Article 16, Articles 18
1118 through 20, subdivision (c) of Article 23, Articles 26 through 28, subdivision (b) of Article 31,
1119 subdivisions (b) and (c) of Article 32, Articles 33 through 34, subdivision (b) of Article 36, and
1120 Article 37 of this Contract have been drafted, negotiated, and reviewed by the parties hereto, each of
1121 whom is sophisticated in the matters to which this Contract pertains, and no one party shall be
1122 considered to have drafted the stated Articles.
1123

1124 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and
1125 year first above written.

THE UNITED STATES OF AMERICA

By: _____
Regional Director, Mid-Pacific Region
Bureau of Reclamation

CHOWCHILLA WATER DISTRICT

By: _____
TITLE OF AUTHORIZED SIGNATORY

Attest:

By: _____
TITLE

EXHIBIT A

Map or Description of Service Area

EXHIBIT B
CHOWCHILLA WATER DISTRICT - BUCHANAN UNIT
2010 Rates and Charges
(Per Acre-Foot)

	Irrigation Water Class 1	Other Water¹
COST-OF-SERVICE (COS) RATES		
O&M Component		
Water Marketing	\$6.01	
Storage	\$6.57	
Conveyance ²		
TOTAL COS RATES (Tier 1 Rate)	\$12.58	
IRRIGATION FULL COST RATE (RRA)		
Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	\$23.35	
Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	\$25.22	
TIERED PRICING COMPONENTS (In Addition to Total COS Rate Above)		
IRRIGATION		
<i>Tier 2 Rate</i> : >80% <=90% of Contract Total [Section 202(3) Irrigation Full Cost Rate - Irrigation COS Rate]/2 (Amount to be added to Tier 1 Rate)	\$5.39	
<i>Tier 3 Rate</i> : >90% of Contract Total [Section 202(3) Irrigation Full Cost Rate - Irrigation COS Rate] (Amount to be added to Tier 1 Rate)	\$10.77	
CHARGES AND ASSESSMENTS (Payments in addition to Rates)		
P.L. 102-575 Surcharges ³		
Restoration Fund Payments [Section 3407(d)(2)(A)]	\$9.11	
P.L. 106-377 Assessment (Trinity Public Utilities District) ⁴ [Appendix B, Section 203]	\$0.11	

EXPLANATORY NOTES

- 1 The Contractor has not projected any delivery of Other Water for the 2010 contract year. A temporary Rate will be applied upon any Other Water delivery.
- 2 Conveyance and Conveyance Pumping Operation and Maintenance costs were removed for ratesetting purposes and are to be direct billed
- 3 The surcharges were determined pursuant to Title XXXIV of P.L. 102-575. Restoration Fund surcharges under P.L. 102-575 are determined on a fiscal year basis (10/1-9/30).
- 4 The Trinity Public Utilities District Assessment is applicable to each acre-foot of water delivered from 3/1/2010-2/28/2011 and is adjusted annually.

Additional details of the rate components are available on the Internet at

<http://www.usbr.gov/mp/cvpwaterrates/ratebooks/index.html>

Exhibit C-1

Repayment Obligation - Lump Sum Option

Friant Contractor:
San Joaquin River Restoration Act

Chowchilla WD - Buchanan Unit

Existing Capital Obligation (Article 1(m))	\$ 1,878,943.15
---------------------------------------------------	------------------------

Irrigation portion of Existing Capital Obligation	\$ 1,878,943.15
----------------------------------------------------------	------------------------

20yr CMT as of :	10/01/10	4.050%
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Discount Rate (1/2 20yr CMT)	2.025%
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Discounted Irrigation Capital	\$ 1,532,471.00
--------------------------------------	------------------------

Non-Discounted M&I Portion of Existing Capital Obligation	\$ -
----------------------------------------------------------------------	-------------

Repayment Obligation - Lump Sum Option (per Article 7(a)(2)(A))	\$ 1,532,471.00
------------------------------------------------------------------------	------------------------

Year	Irrigation Portion of Allocated Capital Cost	
	Beginning Balance	Straight Line Repayment
	2011	\$ 1,878,943
2012	\$ 1,784,996	\$ 93,947
2013	\$ 1,691,049	\$ 93,947
2014	\$ 1,597,102	\$ 93,947
2015	\$ 1,503,155	\$ 93,947
2016	\$ 1,409,207	\$ 93,947
2017	\$ 1,315,260	\$ 93,947
2018	\$ 1,221,313	\$ 93,947
2019	\$ 1,127,366	\$ 93,947
2020	\$ 1,033,419	\$ 93,947
2021	\$ 939,472	\$ 93,947
2022	\$ 845,524	\$ 93,947
2023	\$ 751,577	\$ 93,947
2024	\$ 657,630	\$ 93,947
2025	\$ 563,683	\$ 93,947
2026	\$ 469,736	\$ 93,947
2027	\$ 375,789	\$ 93,947
2028	\$ 281,841	\$ 93,947
2029	\$ 187,894	\$ 93,947
2030	\$ 93,947	\$ 93,947
		\$ 1,878,943

Exhibit C-2

Repayment Obligation - Installment Payment Option

Prinant Contractor: Chowchilla WD - Buchanan Unit

Existing Capital Obligation (Article 1(m))	\$ 1,878,943.15
---------------------------------------------------	------------------------

Irrigation Portion of Existing Capital Obligation	\$ 1,878,943.15
----------------------------------------------------------	------------------------

20yr CMT - 10/1/2010	4.050%
Discount Rate (1/2 20yr CMT)	2.025%

Non-Discounted M&I Existing Capital Obligation	\$ -
-----------------------------------------------------------	-------------

Installment Schedule

	Payment Due Date	Irrigation Portion of Repayment Obligation	Non-discounted M&I Portion of Existing Capital Obligation	Repayment Obligation
1st Installment	5/1/2011	\$ 394,564.08	\$ -	\$ 394,564.08
2nd Installment	5/1/2012	\$ 394,385.32	\$ -	\$ 394,385.32
3rd Installment	5/1/2013	\$ 394,668.00	\$ -	\$ 394,668.00
4th Installment	1/31/2014	\$ 395,264.39	\$ -	\$ 395,264.39
Total Repayment Obligation - Installment Option (per Article 7(a)(2)(A)):		\$ 1,578,881.78	\$ -	\$ 1,578,881.78

Year	Irrigation Portion of Allocated Capital Cost		Discounted Capital Amount			
	Beginning Balance	Straight Line Repayment	\$394,564.08	\$394,385.32	\$394,668.00	\$395,264.39
2011	\$ 1,878,943	\$ 93,947	\$ 93,947			
2012	\$ 1,784,996	\$ 93,947	\$ 19,729	\$ 74,218		
2013	\$ 1,691,049	\$ 93,947	\$ 19,729	\$ 21,937	\$ 52,282	
2014	\$ 1,597,102	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2015	\$ 1,503,155	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2016	\$ 1,409,207	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2017	\$ 1,315,260	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2018	\$ 1,221,313	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2019	\$ 1,127,366	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2020	\$ 1,033,419	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2021	\$ 939,472	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2022	\$ 845,524	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2023	\$ 751,577	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2024	\$ 657,630	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2025	\$ 563,683	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2026	\$ 469,736	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2027	\$ 375,789	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2028	\$ 281,841	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2029	\$ 187,894	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
2030	\$ 93,947	\$ 93,947	\$ 19,729	\$ 21,937	\$ 24,567	\$ 27,714
	\$ 1,878,943	\$ 1,878,943	\$ 468,796	\$ 469,078	\$ 469,924	\$ 471,145

Exhibit D
Computation of Financing Costs Offset

Friant Contractor:
San Joaquin River Restoration Act

Chowchilla WD - Buchanan Unit

Average Annual Delivery - Forecasted for 2020-2039*	n/a
Total Projected deliveries (over 20 yr period)**	n/a
Article 7(c)	n/a
20 yr CMT as of 10/1/2010	4.050%
1/2 20 yr CMT as of 10/1/2010	2.025%
Irrigation Portion of Existing Capital Obligation	\$1,878,943
NPV at Half CMT (Repayment Obligation)	\$1,532,471
NPV at Full CMT	\$1,271,138
Financing Cost Offset: @ (Article 7(c)(1))	\$261,333
NPV of FS Reduction	\$0
Difference between Financing Cost Offset and NPV of FS Reduction	\$261,333
2020 Other Obligation Credit (FV of difference) (Art. 7(c)(1))***	(\$373,571)

Year	Irrigation portion of Allocated Capital Cost		CVPIA Friant	Reduction in Friant Surcharge			2020 Other Obligation Credit Calculation (Art.
	Beginning Balance	Straight Line Repayment	Surcharges	Surcharge Reduction per Article	Surcharge due per A/F after 7(Projected Total Annual Credit	
2011	\$ 1,878,943	\$ 93,947	n/a		n/a	n/a	\$ 261,332.76
2012	\$ 1,784,996	\$ 93,947	n/a		n/a	n/a	\$ 271,916.73
2013	\$ 1,691,049	\$ 93,947	n/a		n/a	n/a	\$ 282,929.36
2014	\$ 1,597,102	\$ 93,947	n/a		n/a	n/a	\$ 294,388.00
2015	\$ 1,503,155	\$ 93,947	n/a		n/a	n/a	\$ 306,310.71
2016	\$ 1,409,207	\$ 93,947	n/a		n/a	n/a	\$ 318,716.30
2017	\$ 1,315,260	\$ 93,947	n/a		n/a	n/a	\$ 331,624.31
2018	\$ 1,221,313	\$ 93,947	n/a		n/a	n/a	\$ 345,055.09
2019	\$ 1,127,366	\$ 93,947	n/a		n/a	n/a	\$ 359,029.82
2020	\$ 1,033,419	\$ 93,947	n/a	n/a	n/a	n/a	\$ 373,570.53
2021	\$ 939,472	\$ 93,947	n/a	n/a	n/a	n/a	
2022	\$ 845,524	\$ 93,947	n/a	n/a	n/a	n/a	
2023	\$ 751,577	\$ 93,947	n/a	n/a	n/a	n/a	
2024	\$ 657,630	\$ 93,947	n/a	n/a	n/a	n/a	
2025	\$ 563,683	\$ 93,947	n/a	n/a	n/a	n/a	
2026	\$ 469,736	\$ 93,947	n/a	n/a	n/a	n/a	
2027	\$ 375,789	\$ 93,947	n/a	n/a	n/a	n/a	
2028	\$ 281,841	\$ 93,947	n/a	n/a	n/a	n/a	
2029	\$ 187,894	\$ 93,947	n/a	n/a	n/a	n/a	
2030	\$ 93,947	\$ 93,947	n/a	n/a	n/a	n/a	
2031			n/a	n/a	n/a	n/a	
2032			n/a	n/a	n/a	n/a	
2033			n/a	n/a	n/a	n/a	
2034			n/a	n/a	n/a	n/a	
2035			n/a	n/a	n/a	n/a	
2036			n/a	n/a	n/a	n/a	
2037			n/a	n/a	n/a	n/a	
2038			n/a	n/a	n/a	n/a	
2039			n/a	n/a	n/a	n/a	
		\$ 1,878,943				n/a	

Exhibit D
Computation of Financing Costs Offset

Footnotes

*** The difference represents the amount of financing costs that are not offset through the reduced Friant Surcharge computed on this schedule. Pursuant to Section 7(c)(2), this amount shall offset the Contractor's other outstanding or future obligations. After 2020, the contractor's other obligations shall be reduced in the following order to fully offset this amount: 1) Payments or prepayments due for O&M expenses and, to the extent applicable, 2) Additional Capital Obligation.

@ Amount of reduction in Friant Surcharge is computed using FPV of Financing Costs adjusted to Yr 2020. Annual Friant Surcharge reduction to fully offset Financing costs is computed and presented on per a/f basis. Friant surcharge may be reduced up to \$3 per a/f.

Friant Surcharge (FS) Reduction Calculations

FV of Total Financing Cost for Offset	\$	388,700
Annual Credit Target	\$	(27,610)
FS Reduction w/o limit	n/a	
FS Reduction limit	n/a	

EXHIBIT E

Restated Contract¹

Irrigation and Other

Contract No. 14-06-200-3844E

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

CONTRACT BETWEEN THE UNITED STATES
AND
CHOWCHILLA WATER DISTRICT
PROVIDING FOR PROJECT WATER SERVICE FROM
BUCHANAN UNIT AND
FOR FACILITIES REPAYMENT

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6	Measurement of Water within the Service Area	
7	Rates, Method of Payment for Water, and Accelerated Repayment of Facilities	
8	Non-Interest Bearing Operation and Maintenance Deficits	
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10	Sales, Transfers, and Exchanges of Water	
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12	Temporary Reductions--Return Flows	
13	Constraints on the Availability of Water	
14	Omitted	
15	Acreage Limitation	

¹ Pursuant to subdivision (b) of Article 2 of the Contract to which this exhibit is attached, this Exhibit “E” makes no substantive revisions to the Contract to which it is attached and is prepared solely as a matter of administrative convenience. In this Exhibit “E”, references to “Contract” or “this Contract” refers to this Restated Contract.

16	Compliance With Federal Reclamation Law
17	Protection of Water and Air Quality
18	Water Acquired By the Contractor Other Than From the United States
19	Opinions and Determinations
20	Coordination and Cooperation
21	Charges for Delinquent Payments
22	Equal Employment Opportunity
23	General Obligation--Benefits Conditioned Upon Payment
24	Compliance with Civil Rights Laws and Regulations
25	Omitted
26	Contractor to Pay Certain Miscellaneous Costs
27	Water Conservation
28	Existing or Acquired Water or Water Rights
29	Omitted
30	Contingent on Appropriation or Allotment of Funds
31	Books, Records, and Reports
32	Assignment Limited--Successors and Assigns Obligated
33	Severability
34	Resolution of Disputes
35	Officials Not to Benefit
36	Changes in Contractor's Service Area
37	Federal Laws
38	Omitted
39	Medium for Transmitting Payment
40	Notices
41	Confirmation of Contract
42	Contract Drafting Considerations

Signature Page

Exhibit A	Contractor's Map or Description of Service Area
Exhibit B	Rates and Charges
Exhibit C-1	Repayment Schedule – Lump Sum Option
Exhibit C-2	Repayment Schedule – Installment Option
Exhibit D	Computation of Financing Costs Offset
Exhibit E	Omitted

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

5 CONTRACT BETWEEN THE UNITED STATES
6 AND
7 CHOWCHILLA WATER DISTRICT
8 PROVIDING FOR PROJECT WATER SERVICE FROM
9 BUCHANAN UNIT AND
10 FACILITIES REPAYMENT

11 THIS CONTRACT, made this _____ day of _____, 2010, is entered into
12 pursuant to the Act of June 17, 1902, (32 Stat. 388), and acts amendatory or supplementary thereto,
13 including but not limited to: the Act of August 26, 1937 (50 Stat. 844), as amended and
14 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70 Stat.
15 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1262), October 27, 1986 (100 Stat.
16 3050), as amended, Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), and Title X,
17 Subtitle A, of the Act of March 30, 2009 (123 Stat. 1349), also referred to as the San Joaquin River
18 Restoration Settlement Act hereinafter referred to as SJRRSA, all collectively hereinafter referred to
19 as Federal Reclamation law, between THE UNITED STATES OF AMERICA, hereinafter referred to
20 as the United States and CHOWCHILLA WATER DISTRICT, hereinafter referred to as the
21 Contractor, a public agency of the State of California, duly organized, existing, and acting pursuant to
22 the laws thereof, with its principal place of business in California;

23 WITNESSETH, That

24 EXPLANATORY RECITALS

25 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
26 Project, California, for diversion, storage, carriage, distribution and beneficial use, for flood control,

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

31 [2nd] WHEREAS, pursuant to Title II of the Flood Control Act of October 23, 1962 (76
32 Stat. 1180), and supporting documents, the United States constructed Buchanan Dam on the
33 Chowchilla River (thereby creating Eastman Lake), hereinafter collectively referred to as the
34 Buchanan Unit, which is operated by the Corps of Engineers for flood control, recreation and other
35 incidental uses; and

36 [3rd] WHEREAS, the United States and the Contractor entered into Contract Number 14-
37 06-200-3844A, as amended, providing the Contractor the right to the entire yield from the Buchanan
38 Unit available for conservation purposes from May 28, 1968 through February 28, 1994; and

39 [4th] WHEREAS, the Contractor and the United States have, pursuant to subsection
40 3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into
41 interim renewal contract(s), identified as Contract Number (s) 14-06-200-3844A-IR2, IR3, IR4, IR5,
42 and IR6, which provided for the continued water service to Contractor from December 1, 2000
43 through February 28, 2001, and subsequently entered into a long-term renewal contract, identified as
44 Contract Number 14-06-200-3844A-LTR1, which provided for continued water service to Contractor
45 through February 28, 2026, which was amended January 22, 2007, and is herein referred to as the
46 "Existing Contract"; and

47 [5th] WHEREAS, pursuant to Section 8 of the Act of June 17, 1902 (32 Stat. 388), the
48 United States has acquired water rights and other rights to the flows of the Chowchilla River,
49 including without limitation the permits issued as the result of Decision 1365 by the California State
50 Water Resource Control Board pursuant to which the Contracting Officer develops, diverts, stores
51 and delivers Project Water stored or flowing through Eastman Lake in accordance with State and
52 Federal law for the benefit of the Contractor in the Buchanan Unit and for other specified Project
53 purposes; and

54 [6th] WHEREAS, the water supplied to the Contractor pursuant to this Contract is Project
55 Water developed through the exercise of the rights described in the fifth (5th) Explanatory Recital of
56 this Contract; and

57 [7th] WHEREAS, as a result of litigation entitled “Natural Resources Defense Council, et
58 al. v Kirk Rogers, et al.” No. CIV-S-88-1658LLK/GGH, certain contractors from the Friant Division
59 entered into a Stipulation of Settlement dated September 13, 2006, (the “Settlement”), which
60 settlement prescribes a Restoration Goal and a Water Management Goal and which Settlement was
61 subsequently confirmed and implemented through the SJRRSA; and

62 [8th] WHEREAS, the SJRRSA authorizes and directs the Secretary to convert the Existing
63 Contract to a repayment contract under subsection (d) of Section 9 of the Act of August 4, 1939, no
64 later than December 31, 2010, and further directs that such contract shall require the accelerated
65 repayment of the Contractors’ allocated share of construction costs, either as a lump sum payment by
66 January 31, 2011 or in annual installments by January 31, 2014, which funds will in turn be made

67 available for implementation of the Settlement and SJRRSA, and which costs otherwise would have
68 been payable through annual water rates, with full repayment by 2030; and

69 [9th] WHEREAS, such repayment of costs will assist the United States with
70 implementation of actions required under the Settlement and the SJRRSA and provide the Contractor
71 the benefits provided in Section 10010 of the SJRRSA; and

72 [10th] WHEREAS, subsection (4) of Section 1 of the Act of July 2, 1956 (1956 Act) directs
73 the Secretary to provide that the other party to any contract entered into pursuant to subsection (d) of
74 Section 9 of the Act of August 4, 1939 (repayment contract) or pursuant to subsection (e) of Section 9
75 of the Act of August 4, 1939 (water service contract) shall “have the first right (to which the rights of
76 the holders of any other type of irrigation water contract shall be subordinate) to a stated share or
77 quantity of the project’s available water supply for beneficial use on the irrigable lands within the
78 boundaries of, or owned by, the party and a permanent right to such share or quantity upon
79 completion of payment of the amount assigned for ultimate return” by the contractor subject to
80 fulfillment of all obligations under the contract; and

81 [11th] WHEREAS, among other things, this Contract includes provisions granting the
82 Contractor the permanent right to the entire yield from the Buchanan Unit available for conservation
83 purposes as described in the tenth (10th) Explanatory Recital; and

84 [12th] WHEREAS, the Contractor has demonstrated to the satisfaction of the Contracting
85 Officer that the Contractor has utilized the Project Water supplies available to it for reasonable and
86 beneficial use and/or has demonstrated projected future demand for water use such that the

87 Contractor has the capability and expects to utilize fully for reasonable and beneficial use the quantity
88 of Project Water to be made available to it pursuant to this Contract; and

89 [13th] WHEREAS, water obtained from the Central Valley Project has been relied upon by
90 urban and agricultural areas within California for more than fifty (50) years and is considered by the
91 Contractor as an essential portion of its water supply; and

92 [14th] WHEREAS, the economies of regions within the Central Valley Project, including the
93 Contractor's, depend upon the continued availability of water, including water service from the
94 Central Valley Project; and

95 [15th] WHEREAS, the Secretary intends through coordination, cooperation, and partnerships
96 to pursue measures to improve water supply, water quality, and reliability of the Project for all
97 Project purposes; and

98 [16th] WHEREAS, the mutual goals of the United States and the Contractor include: to
99 provide for reliable Project Water supplies; to control costs of those supplies; to achieve repayment of
100 the Central Valley Project as required by law; to guard reasonably against Project Water shortages; to
101 achieve a reasonable balance among competing demands for use of Project Water; and to comply
102 with all applicable environmental statutes, all consistent with the legal obligations of the United
103 States relative to the Central Valley Project; and

104 [17th] Omitted; and

105 [18th] Omitted; and

106 [19th] WHEREAS, the United States has determined that the Contractor has fulfilled all of
107 its obligations under the Existing Contract.

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

110 DEFINITIONS

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

113 (a) "Additional Capital Obligation" shall mean any additional construction costs
114 or other capitalized costs incurred after the effective date of this Contract or not reflected in the
115 Existing Capital Obligation as provided in Section 10010(a)(3)(B) of the SJRRSA and any amounts
116 payable by Contractor as determined through the final adjustment described and required by Section
117 10010(b) of the SJRRSA;

118 (b) "Calendar Year" shall mean the period January 1 through December 31, both
119 dates inclusive;

120 (c) "Charges" shall mean the payments required by Federal Reclamation law in
121 addition to the Rates specified in this Contract as determined annually by the Contracting Officer
122 pursuant to this Contract and consistent with the SJRRSA;

123 (d) Omitted;

124 (e) Omitted;

125 (f) Omitted;

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

129 (h) "Contract Total" shall mean the amount of Project Water to which the
130 Contractor is entitled under subdivision (a) of Article 3 of this Contract and is the stated share or
131 quantity of Water to which the Contractor has a permanent right in accordance with the 1956 Act and
132 the terms of this Contract, due to the Contractor's complete payment of the Repayment Obligation,
133 notwithstanding any Additional Capital Obligation that may later be established, which right shall not
134 be disturbed so long as the Contractor fulfills all of its obligations under this Contract;

135 (i) "Contractor's Service Area" shall mean the area to which the Contractor is
136 permitted to provide Project Water under this Contract as described in Exhibit "A" attached hereto,
137 which may be modified from time to time in accordance with Article 36 of this Contract without
138 amendment of this Contract;

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

141 (j2) "District Engineer" shall mean the District Engineer, United States Army
142 Corps of Engineers, or his authorized representative;

143 (k) Omitted;

144 (l) Omitted;

145 (m) "Existing Capital Obligation" shall mean the remaining amount of construction
146 costs of the Contractor identified in the Central Valley Project Irrigation Water Rates and/or
147 Municipal and Industrial Water Rates, respectively, dated January 25, 2007, as adjusted to reflect
148 payments not reflected in such schedule, pursuant to Section 10010(a)(3)(A) of the SJRRSA. The

149 Contracting Officer has computed the Existing Capital Obligation in a manner consistent with the
150 SJRRSA and such amount is set forth in Exhibits “C-1” and “C-2”, incorporated herein by reference;

151 (n) “Financing Costs”, for purposes of computing the reduction of certain charges
152 as specified in subdivision (c) of Article 7 of this Contract, shall mean the difference between the net
153 present value of the Existing Capital Obligation discounted using the full Treasury rate and the
154 Existing Capital Obligation discounted using one-half the Treasury Rate, as set forth in Section
155 10010(d)(3) of the SJRRSA;

156 (o) Omitted;

157 (p) Omitted;

158 (q) Omitted;

159 (r) “Irrigation Water” shall mean water made available from the Project that is
160 used primarily in the production of agricultural crops or livestock, including domestic use incidental
161 thereto, and watering of livestock. Irrigation water shall not include water used for the purposes such
162 as the watering of landscaping or pasture for animals (e.g., horses) which are kept for personal
163 enjoyment or water delivered to landholdings operated in units of less than five (5) acres unless the
164 Contractor establishes to the satisfaction of the Contracting Officer that the use of the water delivered
165 to any such landholding is a use described in this subdivision of this Article of this Contract;

166 (s) Omitted;

167 (t) Omitted;

168 (u) Omitted;

169 (v) Omitted;

170 (w) "Operation and Maintenance" or "O&M" shall mean normal and reasonable
171 care, control, operation, repair, replacement (other than Capital replacement), and maintenance of
172 Project facilities;

173 (x) Omitted;

174 (y) "Other Water" shall mean water from the Project other than Irrigation Water as
175 described in subdivision (r) of this Article of this Contract, which is used for a purpose that is
176 considered to be an irrigation use pursuant to State law such as the watering of landscaping or pasture
177 for animals (e.g., horse) which are kept for the personal enjoyment. For purposes of this Contract,
178 Other Water shall be paid for at Rates and Charges identical to those established for municipal and
179 industrial water pursuant to the then-existing Municipal and Industrial Ratesetting Policy;

180 (y2) "Prior-Rights Water" shall mean that portion of the inflow to Eastman Lake
181 which flows through or is released from Buchanan Dam in recognition of prior downstream
182 Chowchilla River water rights of the Contractor and others, subject to any necessary new water rights
183 permit or permit revisions and in accordance with any applicable agreements relating to the operation
184 of the Buchanan Unit and approved by the Contracting Officer and the State Water Resources
185 Control Board, as necessary;

186 (z) "Project" shall mean the Central Valley Project owned by the United States
187 and managed by the Department of the Interior, Bureau of Reclamation;

188 (aa) "Project Contractors" shall mean all parties who have a long-term water
189 service contract or repayment contract for Project Water from the Project with the United States
190 pursuant to Federal Reclamation law;

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

194 (cc) "Rates" shall mean the payments determined annually by the Contracting
195 Officer in accordance with the then-existing applicable water ratesetting policies for the Project, as
196 described in subdivision (a) of Article 7 of this Contract and illustrated in Exhibit "B", attached
197 hereto;

198 (dd) Omitted;

199 (ee) "Repayment Obligation", as provided in subdivision (a)(2)(A) of Article 7 of
200 this Contract, shall be the Existing Capital Obligation, as defined herein, discounted by one-half of
201 the Treasury rate and computed consistent with the provisions of Section 10010(3)(A) of the
202 SJRRSA to be paid as either a lump sum payment by January 31, 2011 or in approximately equal
203 annual installments by January 31, 2014;

204 (ff) "Secretary" shall mean the Secretary of the Interior, a duly appointed
205 successor, or an authorized representative acting pursuant to any authority of the Secretary and
206 through any agency of the Department of the Interior;

207 (gg) "Settlement" shall mean the Stipulation of Settlement dated September 13,
208 2006, the Order Approving Stipulation of Settlement, and the Judgment and further orders issued by
209 the Court pursuant to the terms and conditions of the Settlement in Natural Resources Defense
210 Council, et al. v. Rodgers, et al., No. CIV-S-88-1658 LLJ/GGH;

211 (hh) Omitted;

212 (ii) "Water Delivered" or "Delivered Water" shall mean Project Water diverted for
213 use by the Contractor at Buchanan Dam, other than Prior-Rights Water, and for pricing purposes shall
214 be 24,000 acre-feet per Year;

215 (jj) Omitted;

216 (kk) Omitted;

217 (ll) Omitted; and

218 (mm) "Year" shall mean the period from and including March 1 of each Calendar
219 Year through the last day of February of the following Calendar Year.

220 EFFECTIVE DATE OF CONTRACT

221 2. (a) This Contract shall become effective on the date first hereinabove written and
222 shall continue so long as the Contractor is making the annual payments required herein and paying
223 any other amounts owing under this Contract and applicable law, unless it is terminated by the
224 Contracting Officer by reason of a material uncured breach by the Contractor; Provided, That the
225 Contracting Officer shall not seek to terminate this Contract by reason of an asserted material
226 uncured breach by the Contractor unless it has first provided at least sixty (60) days written notice of
227 the asserted breach to the Contractor and the Contractor has failed to cure such breach (or to
228 diligently commence curative actions satisfactory to the Contracting Officer for a breach that cannot
229 be fully cured within sixty (60) days) within the sixty (60)-day notice period; Provided further, That
230 this Contract may be terminated at any time by mutual consent of the parties hereto.

231 (b) The Contractor has paid the Repayment Obligation, and notwithstanding any
232 Additional Capital Obligation that may later be established, the tiered pricing component and the

233 acreage limitations, reporting, and Full Cost pricing provisions of Federal Reclamation law, shall no
234 longer be applicable to the Contractor.

235 (c) This Contract supersedes in its entirety and is intended to replace in full the
236 Existing Contract; Provided, That if this Contract is terminated or determined to be invalid or
237 unenforceable for any reason other than a material uncured breach of this Contract by the Contractor,
238 the Existing Contract shall not be superseded and shall be in full force and effect.

239 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

240 3. (a) During each Year, consistent with all applicable State water rights, permits,
241 and licenses, Federal law, the Settlement including the SJRRSA, and subject to the provisions set
242 forth in Articles 12 and 13 of this Contract, the Contracting Officer shall make available for delivery
243 to the Contractor the entire quantity of Project Water from the Buchanan Unit for irrigation purposes.
244 The quantity of Water Delivered to the Contractor in accordance with this subdivision shall be paid
245 for pursuant to the provisions of Article 7 of this Contract.

246 (b) The Contractor has paid the Repayment Obligation, and notwithstanding any
247 Additional Capital Obligation that may later be established, the Contractor has a permanent right to
248 the Contract Total in accordance with the 1956 Act and the terms of this Contract. This right shall
249 not be disturbed so long as the Contractor fulfills all of its obligations hereunder. The quantity of
250 water made available for delivery in any given Year shall remain subject to the terms and conditions
251 of subdivision (a) of this Article of this Contract.

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

254 (d) The Contractor shall make reasonable and beneficial use of all Project Water
255 or other water furnished pursuant to this Contract. Groundwater recharge programs, groundwater
256 banking programs, surface water storage programs, and other similar programs utilizing Project
257 Water or other water furnished pursuant to this Contract conducted within the Contractor's Service
258 Area which are consistent with applicable State law and result in use consistent with applicable
259 Federal Reclamation law will be allowed; Provided, That any direct recharge program(s) is (are)
260 described in the Contractor's Water Conservation Plan submitted pursuant to Article 27 of this
261 Contract; Provided further, That such Water Conservation Plan demonstrates sufficient lawful uses
262 exist in the Contractor's Service Area so that using a long-term average, the quantity of Project Water
263 delivered, pursuant to this Contract, is demonstrated to be reasonable for such uses and in compliance
264 with Federal Reclamation law. Groundwater recharge programs, groundwater banking programs,
265 surface water storage programs, and other similar programs utilizing Project Water or other water
266 furnished pursuant to this Contract conducted outside the Contractor's Service Area may be permitted
267 upon written approval of the Contracting Officer, which approval will be based upon environmental
268 documentation, Project Water rights, and Project operational concerns. The Contracting Officer will
269 address such concerns in regulations, policies, or guidelines.

270 (e) The Contractor, through this Contract, shall comply with requirements
271 applicable to the Contractor in biological opinion(s) prepared as a result of the consultation regarding
272 the execution of the Existing Contract undertaken pursuant to Section 7 of the Endangered Species
273 Act of 1973, as amended, as well as the requirements of any other biological opinions applicable to
274 Project Water delivery under this Contract, that are within the Contractor's legal authority to

275 implement. The Contractor shall comply with the limitations or requirements imposed by
276 environmental documentation applicable to the Contractor and within its legal authority to implement
277 regarding specific activities. Nothing herein shall be construed to prevent the Contractor from
278 challenging or seeking judicial relief in a court of competent jurisdiction with respect to any
279 biological opinion or other environmental documentation referred to in this Article of this Contract.

280 (f) Omitted.

281 (g) Omitted.

282 (h) The Contractor's right pursuant to Federal Reclamation law and applicable
283 State law to the reasonable and beneficial use of the Contract Total pursuant to this Contract shall not
284 be disturbed so long as the Contractor shall fulfill all of its obligations under this Contract. Nothing
285 in the preceding sentence shall affect the Contracting Officer's ability to impose shortages under
286 Article 12 or Article 13 of this Contract.

287 (i) Project Water furnished to the Contractor pursuant to this Contract may be
288 delivered for purposes other than those described in subdivisions (r) and (y) of Article 1 of this
289 Contract upon written approval by the Contracting Officer in accordance with the terms and
290 conditions of such approval.

291 (j) The Contracting Officer shall make reasonable efforts to protect the water
292 rights and other rights described in the fifth (5th) Explanatory Recital of this Contract and to provide
293 the water available under this Contract. The Contracting Officer shall not object to participation by
294 the Contractor, in the capacity and to the extent permitted by law, in administrative proceedings
295 related to the water rights and other rights described in the fifth (5th) Explanatory Recital of this

296 Contract; Provided however, That the Contracting Officer retains the right to object to the substance
297 of the Contractor's position in such a proceeding. Provided further, that in such proceedings the
298 Contracting Officer shall recognize the Contractor has a legal right under the terms of this Contract to
299 use Project Water.

300 (k) Omitted.

301 (l) Omitted.

302 (m) Nothing in this Contract, nor any action or inaction of the Contractor or
303 Contracting Officer in connection with the implementation of this Contract, is intended to override,
304 modify, supersede or otherwise interfere with any term or condition of the water rights and other
305 rights referred in the fifth (5th) Explanatory Recital of this Contract.

306 (n) Omitted.

307 (o) Omitted.

308 RESERVOIR OPERATION – USE AND SALE OF WATER

309 4. (a) At the request of the Contractor, pursuant to the terms and conditions of this
310 Contract, the United States, acting through the District Engineer, shall store, regulate, and/or release
311 all flows of the Chowchilla River water at the Buchanan Unit subject to the regulation of the
312 Buchanan Unit for flood control, as conclusively determined by the District Engineer, and further
313 subject to Prior-Rights Water releases and the maintenance of a minimum pool of ten thousand
314 (10,000) acre-feet of water in Eastman Lake for recreational and incidental uses.

315 (b) Project Water delivered to the Contractor pursuant to this Contract shall be
316 used as Irrigation Water or Other Water only and shall not be sold or otherwise disposed of for use
317 outside the Contractor's Service Area without the written approval of the Contracting Officer.

318 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

319 5. (a) Project Water delivered pursuant to this Contract shall be delivered to the
320 Contractor at Buchanan Dam.

321 (b) Omitted.

322 (c) The Contractor shall not deliver Project Water to land outside the Contractor's
323 Service Area unless approved in advance by the Contracting Officer. The Contractor shall deliver
324 Project Water in accordance with applicable Federal Reclamation law.

325 (d) Project Water delivered to the Contractor pursuant to this Contract shall be
326 measured and recorded with equipment furnished, installed, operated, and maintained by the United
327 States at the point of delivery established pursuant to subdivision (a) of this Article of this Contract.
328 Upon the request of either party to this Contract, the Contracting Officer shall investigate, or cause to
329 be investigated, the accuracy of such measurements and shall take any necessary steps to adjust any
330 errors appearing therein. For any period of time when accurate measurements have not been made,
331 the Contracting Officer shall consult with the Contractor prior to making a final determination of the
332 quantity delivered for that period of time.

333 (e) The Contracting Officer shall not be responsible for the control, carriage,
334 handling, use, disposal, or distribution of Project Water delivered to the Contractor pursuant to this
335 Contract beyond the delivery point specified in subdivision (a) of this Article of this Contract. The

336 Contractor shall indemnify the United States, its officers, employees, agents, and assigns on account
337 of damage or claim of damage of any nature whatsoever for which there is legal responsibility,
338 including property damage, personal injury, or death arising out of or connected with the control,
339 carriage, handling, use, disposal, or distribution of such Project Water beyond such delivery point,
340 except for any damage or claim arising out of: (i) acts or omissions of the Contracting Officer or any
341 of its officers, employees, agents, or assigns, with the intent of creating the situation resulting in any
342 damage or claim; (ii) willful misconduct of the Contracting Officer or any of its officers, employees,
343 agents, or assigns; (iii) negligence of the Contracting Officer or any of its officers, employees, agents,
344 or assigns; or (iv) damage or claims resulting from a malfunction of facilities owned and/or operated
345 by the United States.

346 (f) The Contractor shall maintain a surface water measurement program
347 satisfactory to the Contracting Officer to provide for the operation of the Buchanan Unit facilities
348 without interference to established rights including correlative rights easterly of the Eastside-
349 Chowchilla Canal Bypass and keep records of data obtained from such program satisfactory to the
350 Contracting Officer.

351 MEASUREMENT OF WATER WITHIN THE SERVICE AREA

352 6. (a) The Contractor has established a measurement program satisfactory to the
353 Contracting Officer; all surface water delivered for irrigation purposes within the Contractor's
354 Service Area is measured at each agricultural turnout; and Other Water delivered by the Contractor is
355 measured at each service connection. The water measuring devices or water measuring methods of
356 comparable effectiveness must be acceptable to the Contracting Officer. The Contractor shall be

357 responsible for installing, operating, and maintaining and repairing all such measuring devices and
358 implementing all such water measuring methods at no cost to the United States. The Contractor shall
359 use the information obtained from such water measuring devices or water measuring methods to
360 ensure its proper management of the water, to bill water users for water delivered by the Contractor;
361 and, if applicable, to record water delivered as Other Water. Nothing herein contained, however,
362 shall preclude the Contractor from establishing and collecting any charges, assessments, or other
363 revenues authorized by California law.

364 (b) To the extent the information has not otherwise been provided, upon execution
365 of this Contract, the Contractor shall provide to the Contracting Officer a written report describing
366 the measurement devices or water measuring methods being used or to be used to implement
367 subdivision (a) of this Article of this Contract and identifying the agricultural turnouts and the Other
368 Water service connections or alternative measurement programs approved by the Contracting Officer,
369 at which such measurement devices or water measuring methods are being used, and, if applicable,
370 identifying the locations at which such devices and/or methods are not yet being used including a
371 time schedule for implementation at such locations. The Contracting Officer shall advise the
372 Contractor in writing within sixty (60) days as to the adequacy of, and necessary modifications, if
373 any, of the measuring devices or water measuring methods identified in the Contractor's report and if
374 the Contracting Officer does not respond in such time, they shall be deemed adequate. If the
375 Contracting Officer notifies the Contractor that the measuring devices or methods are inadequate, the
376 parties shall within sixty (60) days following the Contracting Officer's response, negotiate in good
377 faith the earliest practicable date by which the Contractor shall modify said measuring devices and/or

378 measuring methods as required by the Contracting Officer to ensure compliance with subdivision (a)
379 of this Article of this Contract.

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

383 (d) The Contractor shall inform the Contracting Officer and the State of California
384 in writing by April 30 of each Year of the annual volume of Irrigation Water and Other Water
385 delivered within the Contractor's Service Area during the previous Year.

386 (e) Omitted.

387 RATES, METHOD OF PAYMENT FOR WATER,
388 AND ACCELERATED REPAYMENT OF FACILITIES

389 7. (a) The Contractor's cost obligations for all Delivered Water shall be determined
390 in accordance with: (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and the
391 Secretary's then-existing ratesetting policy for municipal and industrial water, consistent with the
392 SJRRSA, and such ratesetting policies shall be amended, modified, or superseded only through a
393 public notice and comment procedure; (ii) applicable Federal Reclamation law and associated rules
394 and regulations, or policies; and (iii) other applicable provisions of this Contract.

395 (1) The Contractor shall pay the United States as provided for in this
396 Article of this Contract for the Delivered Water at Rates and Charges determined in accordance with
397 policies for Irrigation Water and municipal and industrial water. The Contractor's Rates shall be
398 established to recover its estimated reimbursable costs included in the O&M Component of the Rate
399 and amounts established to recover other charges and deficits, other than the construction costs. The

400 Rates for O&M costs and Charges shall be adjusted, as appropriate, in accordance with the provisions
401 of the SJRRSA.

402 (2) Omitted.

403 (A) Omitted.

404 (B) Project construction costs or other capitalized costs attributable
405 to capital additions to the Project incurred after the effective date of this Contract or that are not
406 reflected in the schedules referenced in Exhibits “C-1” and “C-2” and properly assignable to the
407 Contractor, shall be repaid as prescribed by the SJRRSA without interest except as required by law.
408 Consistent with Federal Reclamation law, interest shall continue to accrue on the municipal and
409 industrial portion of unpaid Project construction costs or other capitalized cost assigned to the
410 Contractor until such costs are paid. Increases or decreases in Project construction costs or other
411 capitalized costs assigned to the Contractor caused solely by annual adjustment of Project
412 construction costs or other capitalized costs assigned to each CVP contractor by the Secretary shall
413 not be considered in determining the amounts to be paid pursuant to this subdivision (a)(2)(B), but
414 will be considered under subdivision (b) of this Article. A separate repayment agreement shall be
415 established by the Contractor and the Contracting Officer to accomplish repayment of all additional
416 Project construction costs or other capitalized costs assigned to the Contractor within the timeframe
417 prescribed by the SJRRSA subject to the following:

418 (1) If the collective annual Project construction costs or
419 other capitalized costs that are incurred after the effective date of this Contract and properly
420 assignable to the contractors are less than \$5,000,000, then the portion of such costs properly

421 assignable to the Contractor shall be repaid in not more than five (5) years after notification of the
422 allocation. This amount is the result of a collective annual allocation of Project construction costs to
423 the contractors exercising contract conversions; Provided, That the reference to the amount of
424 \$5,000,000 shall not be a precedent in any other context.

425 (2) If the collective annual Project construction costs or
426 other capitalized costs that are incurred after the effective date of this Contract and properly
427 assignable to the contractors are \$5,000,000 or greater, then the portion of such costs properly
428 assignable to the Contractor shall be repaid as provided by applicable Federal Reclamation law. This
429 amount is the result of a collective annual allocation of Project construction costs to the contractors
430 exercising contract conversions; Provided, That the reference to the amount of \$5,000,000 shall not
431 be a precedent in any other context.

432 (b) Consistent with Section 10010(b) of the SJRRSA, following a final cost
433 allocation by the Secretary upon completion of the construction of the Central Valley Project, the
434 amounts paid by the Contractor shall be subject to adjustment to reflect the effect of any reallocation
435 of Project construction costs or other capitalized costs assigned to the Contractor that may have
436 occurred between the determination of Contractor's Existing Capital Obligation and the final cost
437 allocation. In the event that the final cost allocation, as determined by the Secretary, indicates that
438 the costs properly assignable to the Contractor, as determined by the Contracting Officer, are greater
439 than the Existing Capital Obligation and other amounts of Project construction costs or other
440 capitalized costs paid by the Contractor, then the Contractor shall be obligated to pay the remaining
441 allocated costs. The term of such additional repayment contract shall be no less than one (1) year and

442 no more than ten (10) years, however, mutually agreeable provisions regarding the rate of repayment
443 of such amount may be developed by the parties. In the event that the final cost allocation, as
444 determined by the Secretary, indicates that the costs properly assignable to the Contractor, as
445 determined by the Contracting Officer, are less than the Existing Capital Obligation and other
446 amounts of Project construction costs or other capitalized costs paid by the Contractor, then the
447 Contracting Officer shall credit such overpayment as an offset against any outstanding or future
448 obligation of the Contractor, consistent with the SJRRSA. This Contract shall be implemented in a
449 manner consistent with Section 10010(f) of the SJRRSA.

450 (c) Prior to July 1 of each Calendar Year, the Contracting Officer shall provide the
451 Contractor an estimate of the Charges for Project Water that will be applied to the period October 1,
452 of the current Calendar Year, through September 30, of the following Calendar Year, and the basis
453 for such estimate. The Contractor shall be allowed not less than two (2) months to review and
454 comment on such estimates. On or before September 15 of each Calendar Year, the Contracting
455 Officer shall notify the Contractor in writing of the Charges to be in effect during the period October
456 1 of the current Calendar Year, through September 30 of the following Calendar Year, and such
457 notification shall revise Exhibit "B". Charges shall be subject to reduction consistent with the
458 SJRRSA based upon the average annual delivery amount agreed to by the Contracting Officer and the
459 Contractor.

460 (1) For the years 2020 through 2039 inclusive, outstanding or future
461 obligations of the Contractor shall be reduced consistent with Section 10010(d)(2) of the SJRRSA.
462 The amount of such reduction in outstanding or future obligations of the Contractor after October 1,

463 2010 has been computed by the Contracting Officer, and as computed, such amount is set forth in
464 Exhibit "D".

465 (d) Prior to October 1 of each Calendar Year, the Contracting Officer shall make
466 available to the Contractor an estimate of the Rates for Project Water for the following Year and the
467 computations and cost allocations upon which those Rates are based. The Contractor shall be
468 allowed not less than two (2) months to review and comment on such computations and cost
469 allocations. By December 31 of each Calendar Year, the Contracting Officer shall provide the
470 Contractor with the final Rates to be in effect for the upcoming Year, and such notification shall
471 revise Exhibit "B". The O&M component of the Rate may be reduced as provided in the SJRRSA.

472 (e) Before March 1 and again before July 1 of each Year, the Contractor shall pay
473 to the United States, at the Rates and Charges provided in subdivision (a) of this Article of this
474 Contract, for one-half (1/2) of the Delivered Water (i.e. 12,000 acre-feet) regardless of the quantity of
475 Irrigation Water and Other Water actually made available to the Contractor during the Year.

476 (f) Omitted.

477 (g) Omitted.

478 (h) Payments to be made by the Contractor to the United States under this
479 Contract may be paid from any revenues available to the Contractor.

480 (i) All revenues received by the United States from the Contractor relating to the
481 delivery of Project Water or the delivery of non-project water through Project facilities shall be
482 allocated and applied in accordance with Federal Reclamation law and the associated rules or

483 regulations, the then-existing Project Ratesetting policies for municipal and industrial water or
484 Irrigation Water, and consistent with the SJRRSA.

485 (j) The Contracting Officer shall keep its accounts, pertaining to the
486 administration of the financial terms and conditions of its long-term contracts, in accordance with
487 applicable Federal standards so as to reflect the application of Project costs and revenues. The
488 Contracting Officer shall, each Year upon request of the Contractor, provide to the Contractor a
489 detailed accounting of all Project and Contractor expense allocations, the disposition of all Project
490 and Contractor revenues, and a summary of all water delivery information. The Contracting Officer
491 and the Contractor shall enter into good faith negotiations to resolve any discrepancies or disputes
492 relating to accountings, reports, or information.

493 (k) The parties acknowledge and agree that the efficient administration of this
494 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,
495 policies, and procedures used for establishing Rates, Charges, and/or for making and allocating
496 payments, other than those set forth in this Article of this Contract, may be in the mutual best interest
497 of the parties, it is expressly agreed that the parties may enter into agreements to modify the
498 mechanisms, policies, and procedures for any of those purposes while this Contract is in effect
499 without amending this Contract.

500 (l) (1) Omitted.

501 (2) Omitted.

502 (3) Omitted.

503 (m) Rates under the respective ratesetting policies will be established to recover
504 only reimbursable O&M (including any deficits) costs of the Project, as those terms are used in the
505 then-existing Project ratesetting policies, and consistent with the SJRRSA, and interest, where
506 appropriate, except in instances where a minimum Rate is applicable in accordance with the relevant
507 Project ratesetting policy. Changes of significance in practices which implement the Contracting
508 Officer's ratesetting policies will not be implemented until the Contracting Officer has provided the
509 Contractor an opportunity to discuss the nature, need, and impact of the proposed change.

510 (n) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the CVPIA,
511 the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates adjusted
512 upward or downward to reflect the changed costs of delivery (if any) incurred by the Contracting
513 Officer in the delivery of the transferred Project Water to the transferee's point of delivery in
514 accordance with the then-existing Central Valley Project Ratesetting Policy.

515 (o) Pursuant to the Act of October 27, 1986 (100 Stat. 3050), the Contracting
516 Officer is authorized to adjust determinations of ability to pay every five (5) years.

517 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

518 8. The Contractor and the Contracting Officer concur that, as of the effective date of this
519 Contract, the Contractor has no non-interest bearing operation and maintenance deficits and therefore
520 shall have no further liability.

521 RECOVERED WATER ACCOUNT

522 9. Omitted.

523

524 SALES, TRANSFERS, AND EXCHANGES OF WATER

525 10. (a) The right to receive Project Water provided for in this Contract may be sold,
526 transferred, or exchanged to others for reasonable and beneficial uses within the State of California if
527 such sale, transfer, or exchange is authorized by applicable Federal and State laws, and applicable
528 guidelines or regulations then in effect. No sale, transfer, or exchange of Project Water under this
529 Contract may take place without the prior written approval of the Contracting Officer. No such
530 Project Water sales, transfers, or exchanges shall be approved, where approval is required, absent
531 compliance with appropriate environmental documentation including but not limited to the National
532 Environmental Policy Act and the Endangered Species Act. Such environmental documentation must
533 include, as appropriate, an analysis of groundwater impacts and economic and social effects,
534 including environmental justice, of the proposed Project Water sales, transfers and exchanges on both
535 the transferor/exchanger and transferee/exchange recipient.

536 (b) Omitted.

537 (c) Omitted.

538 (d) Omitted.

539 (e) Omitted.

540 (f) Omitted.

541 (1) Omitted.

542 (2) Omitted.

543 (3) Omitted.

544 (4) Omitted.

545 (g) Notwithstanding any Additional Capital Obligation that may later be
546 established, in the case of a sale or transfer of Irrigation Water to another contractor which is
547 otherwise subject to the acreage limitations, reporting, and Full Cost pricing provisions of the
548 Reclamation Reform Act of 1982, as amended, hereinafter referred to as the RRA, such sold or
549 transferred Irrigation Water shall not be subject to such RRA provisions, however, in the case of a
550 sale or transfer of Irrigation Water to the Contractor from another contractor which is subject to RRA
551 provisions, such RRA provisions shall apply to delivery of such water.

552 APPLICATION OF PAYMENTS AND ADJUSTMENTS

553 11. (a) The amount of any overpayment by the Contractor of the Contractor's O&M,
554 Capital, and deficit (if any) obligations for the Year shall be applied first to any current liabilities of
555 the Contractor arising out of this Contract then due and payable. Overpayments of more than One
556 Thousand Dollars (\$1,000) shall be refunded at the Contractor's request. In lieu of a refund, any
557 amount of such overpayment, at the option of the Contractor, may be credited against amounts to
558 become due to the United States by the Contractor. With respect to overpayment, such refund or
559 adjustment shall constitute the sole remedy of the Contractor or anyone having or claiming to have
560 the right to the use of any of the Project Water supply provided for herein. All credits and refunds of
561 overpayments shall be made within thirty (30) days of the Contracting Officer obtaining direction as
562 to how to credit or refund such overpayment in response to the notice to the Contractor that it has
563 finalized the accounts for the Year in which the overpayment was made.

564 (b) All advances for miscellaneous costs incurred for work requested by the
565 Contractor pursuant to Article 26 of this Contract shall be adjusted to reflect the actual costs when the

566 work has been completed. If the advances exceed the actual costs incurred, the difference will be
567 refunded to the Contractor. If the actual costs exceed the Contractor's advances, the Contractor will
568 be billed for the additional costs pursuant to Article 26 of this Contract.

569 TEMPORARY REDUCTIONS—RETURN FLOWS

570 12. (a) The Contracting Officer shall make all reasonable efforts to optimize delivery
571 of the Contract Total subject to: (i) the authorized purposes and priorities of the Project; (ii) the
572 requirements of Federal law and the Settlement; and (iii) the obligations of the United States under
573 existing contracts, or renewals thereof, providing for water deliveries from the Project.

574 (b) The Contracting Officer may temporarily discontinue or reduce the quantity of
575 Project Water delivered to the Contractor pursuant to this Contract as herein provided for the
576 purposes of investigation, inspection, maintenance, repair, or replacement of any of the Project
577 facilities or any part thereof necessary for the delivery of Project Water to the Contractor, but so far
578 as feasible the Contracting Officer will give the Contractor due notice in advance of such temporary
579 discontinuance or reduction, except in case of emergency, in which case no notice need be given;
580 Provided, That the United States shall use its best efforts to avoid any discontinuance or reduction in
581 such service. Upon resumption of service after such reduction or discontinuance, and if requested by
582 the Contractor, the United States will, if possible, deliver the quantity of Project Water which would
583 have been delivered hereunder in the absence of such discontinuance or reduction.

584 (c) The United States reserves the right to all seepage and return flow water
585 derived from Project Water delivered to the Contractor pursuant to this Contract which escapes or is
586 discharged beyond the Contractor's Service Area; Provided, That this shall not be construed as

587 claiming for the United States any right as seepage or return flow to water being used pursuant to this
588 Contract for surface irrigation or underground storage either being put to reasonable and beneficial
589 use pursuant to this Contract within the Contractor's Service Area by the Contractor or those
590 claiming by, through, or under the Contractor. For purposes of this subdivision, groundwater
591 recharge, groundwater banking and all similar groundwater activities will be deemed to be
592 underground storage.

593 CONSTRAINTS ON THE AVAILABILITY OF WATER

594 13. If there is a reduction in total water supply because of errors in physical operations of
595 the Project, drought, other physical causes beyond the control of the Contracting Officer or actions
596 taken by the Contracting Officer to meet legal obligations then, except as provided in subdivision (a)
597 of Article 19 of this Contract, no liability shall accrue against the United States or any of its officers,
598 agents, or employees for any damage, direct or indirect, arising therefrom.

599 UNAVOIDABLE GROUNDWATER PERCOLATION

600 14. Omitted.

601 ACREAGE LIMITATION

602 15. (a) The Contractor has paid the Repayment Obligation, and notwithstanding any
603 Additional Capital Obligation that may later be established, the provisions of section 213(a) and (b)
604 of the RRA shall apply to lands in the Contractor's Service Area, with the effect that acreage
605 limitations, reporting, and Full Cost pricing provisions of the RRA shall no longer apply to lands in
606 the Contractor's Service Area with respect to Project Water delivered pursuant to this Contract.
607 Reclamation will conduct a final water district review for the purpose of determining compliance

608 with the acreage limitations, reporting, and Full Cost pricing provisions of the RRA from the date of
609 the last water district review until the date when payment to Reclamation of the Repayment
610 Obligation was completed.

611 (b) Project Water now owned or hereafter acquired by the Contractor through a
612 separate contract, other than this Contract, that is subject to Federal Reclamation law, may be
613 delivered to lands within the Contractor's Service Area. Notwithstanding any Additional Capital
614 Obligation that may later be established, Project Water delivered under this Contract may be mixed
615 with Project Water delivered pursuant to a contract with the United States, other than this Contract, to
616 which acreage limitations, reporting, and the Full Cost pricing provisions of Federal Reclamation law
617 apply without causing the application of the acreage limitations, reporting, and the Full Cost pricing
618 provisions of Federal Reclamation law to the Project Water delivered pursuant to this Contract;
619 Provided, The terms and conditions in such other contract shall continue to apply, and if such terms
620 and conditions so require, the lands to receive Project Water under such other contract shall be
621 properly designated by the Contractor and such Project Water is to be delivered in accordance with
622 the RRA including any applicable acreage limitations, reporting, and the Full Cost pricing provisions.

623 RULES, REGULATIONS, AND DETERMINATIONS

624 16. (a) The parties agree that the delivery of water or the use of Federal facilities
625 pursuant to this Contract is subject to Federal Reclamation law, as amended and supplemented, and
626 the rules and regulations promulgated by the Secretary of the Interior under Federal reclamation law.

627 (b) The terms of this Contract are subject to the Settlement and the SJRRSA.

628 Nothing in this Contract shall be interpreted to limit or interfere with the full implementation of the
629 Settlement and the SJRRSA.

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PROTECTION OF WATER AND AIR QUALITY

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17. (a) Project facilities used to make available and deliver water to the Contractor shall be operated and maintained in the most practical manner to maintain the quality of the water at the highest level possible as determined by the Contracting Officer: *Provided, That* the United States does not warrant the quality of the water delivered to the Contractor and is under no obligation to furnish or construct water treatment facilities to maintain or improve the quality of water delivered to the Contractor.

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(b) The Contractor shall comply with all applicable water and air pollution laws and regulations of the United States and the State of California; and shall obtain all required permits or licenses from the appropriate Federal, State, or local authorities necessary for the delivery of water by the Contractor; and shall be responsible for compliance with all Federal, State, and local water quality standards applicable to surface and subsurface drainage and/or discharges generated through the use of Federal or Contractor facilities or project water provided by the Contractor within the Contractor's Project Water Service Area.

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(c) This article shall not affect or alter any legal obligations of the Secretary to provide drainage or other discharge services.

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WATER ACQUIRED BY THE CONTRACTOR
OTHER THAN FROM THE UNITED STATES

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18. (a) Omitted.

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(b) Notwithstanding any Additional Capital Obligation that may later be

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established, water or water rights now owned or hereafter acquired by the Contractor other than from

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the United States pursuant to this Contract and Irrigation Water furnished pursuant to the terms of

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this Contract may be simultaneously transported through the same distribution facilities of the

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Contractor without the payment of fees to the United States and without application of Federal

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Reclamation law to Project Water delivered pursuant to this Contract or to lands which receive

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Project Water delivered to Contractor pursuant to this Contract.

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(c) Water or water rights now owned or hereafter acquired by the Contractor, other

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than from the United States or adverse to the Project or its contractors (i.e., non-project water), may

659 be stored, conveyed and/or diverted through Project facilities, other than Buchanan Unit facilities,
660 subject to the completion of appropriate environmental documentation, with the approval of the
661 Contracting Officer and the execution of any contract determined by the Contracting Officer to be
662 necessary, consistent with the following provisions:

663 (1) The Contractor may introduce non-project water into Project facilities
664 and deliver said water to lands within the Contractor's Service Area subject to payment to the United
665 States of an appropriate rate as determined by the Contracting Officer. In addition, if electrical power
666 is required to pump non-project water, the Contractor shall be responsible for obtaining the necessary
667 power and paying the necessary charges therefor.

668 (2) Delivery of such non-project water in and through Project facilities
669 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project purposes as
670 determined by the Contracting Officer; (ii) reduce the quantity or quality of water available to other
671 Project Contractors; (iii) interfere with the delivery of contractual water entitlements to any other
672 Project Contractors; (iv) interfere with the physical maintenance of the Project facilities; or (v) result
673 in the United States incurring any liability or unreimbursed costs or expenses thereby.

674 (3) The United States shall not be responsible for control, care or
675 distribution of the non-project water before it is introduced into or after it is delivered from the
676 Project facilities. The Contractor hereby releases and agrees to defend and indemnify the United
677 States and its officers, agents, and employees, from any claim for damage to persons or property,
678 direct or indirect, resulting from Contractor's diversion or extraction of non-project water from any
679 source.

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

683 (5) After Project purposes are met, as determined by the Contracting
684 Officer, the United States and the Contractor shall share priority to utilize the remaining capacity of
685 the facilities declared to be available by the Contracting Officer for conveyance and transportation of
686 non-project water prior to any such remaining capacity being made available to non-project
687 contractors.

688 (d) Non-project water may be stored, conveyed and/or diverted through Buchanan
689 Unit facilities, subject to the prior completion of appropriate environmental documentation and
690 approval of the Contracting Officer without execution of a separate contract, consistent with
691 subdivisions (c)(1) through (c)(5) of this Article and any other condition determined to be appropriate
692 by the Contracting Officer.

693 OPINIONS AND DETERMINATIONS

694 19. (a) Where the terms of this Contract provide for actions to be based upon the
695 opinion or determination of either party to this Contract, said terms shall not be construed as
696 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
697 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly reserve
698 the right to seek relief from and appropriate adjustment for any such arbitrary, capricious, or
699 unreasonable opinion or determination. Each opinion or determination by either party shall be
700 provided in a timely manner. Nothing in this Article of this Contract is intended to or shall affect or

701 alter the standard of judicial review applicable under Federal law to any opinion or determination
702 implementing a specific provision of Federal law embodied in statute or regulation.

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

708 COORDINATION AND COOPERATION

709 20. (a) In order to further their mutual goals and objectives, the Contracting Officer
710 and the Contractor shall communicate, coordinate, and cooperate with each other, and with other
711 affected Project Contractors, in order to improve the operation and management of the Project. The
712 communication, coordination, and cooperation regarding operations and management shall include,
713 but not limited to, any action which will or may materially affect the quantity or quality of Project
714 Water supply, the allocation of Project Water supply, and Project financial matters including, but not
715 limited to, budget issues. The communication, coordination, and cooperation provided for hereunder
716 shall extend to all provisions of this Contract. Each party shall retain exclusive decision making
717 authority for all actions, opinions, and determinations to be made by the respective party.

718 (b) It is the intent of the Secretary to improve water supply reliability. To carry
719 out this intent:

720 (1) The Contracting Officer will, at the request of the Contractor, assist in
721 the development of integrated resource management plans for the Contractor. Further, the

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

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

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

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

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

734 (c) Without limiting the contractual obligations of the Contracting Officer
735 hereunder, nothing in this Contract shall be construed to limit or constrain the Contracting Officer's
736 ability to communicate, coordinate, and cooperate with the Contractor or other interested
737 stakeholders or to make decisions in a timely fashion as needed to protect health, safety, physical
738 integrity of structures or facilities, or the Contracting Officer's ability to comply with applicable
739 laws.

740 CHARGES FOR DELINQUENT PAYMENTS

741 21. (a) The Contractor shall be subject to interest, administrative and penalty charges
742 on delinquent installments or payments. When a payment is not received by the due date, the
743 Contractor shall pay an interest charge for each day the payment is delinquent beyond the due date.
744 When a payment becomes sixty (60) days delinquent, the Contractor shall pay an administrative
745 charge to cover additional costs of billing and processing the delinquent payment. When a payment

746 is delinquent ninety (90) days or more, the Contractor shall pay an additional penalty charge of six
747 (6%) percent per year for each day the payment is delinquent beyond the due date. Further, the
748 Contractor shall pay any fees incurred for debt collection services associated with a delinquent
749 payment.

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

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

758 EQUAL EMPLOYMENT OPPORTUNITY

759 22. During the performance of this Contract, the Contractor agrees as follows:

760 (a) The Contractor will not discriminate against any employee or applicant for
761 employment because of race, color, religion, sex, disability, or national origin. The Contractor will
762 take affirmative action to ensure that applicants are employed, and that employees are treated during
763 employment, without regard to their race, color, religion, sex, disability, or national origin. Such
764 action shall include, but not be limited to the following: employment, upgrading, demotion, or
765 transfer; recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of
766 compensation; and selection for training, including apprenticeship. The Contractor agrees to post in
767 conspicuous places, available to employees and applicants for employment, notices to be provided by
768 the Contracting Officer setting forth the provisions of this nondiscrimination clause.

769 (b) The Contractor will, in all solicitations or advertisements for employees placed by
770 or on behalf of the Contractor, state that all qualified applicants will receive consideration for
771 employment without regard to race, color, religion, sex, disability, or national origin.

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

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

780 (e) The Contractor will furnish all information and reports required by Executive
781 Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of
782 Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the
783 Contracting Agency and the Secretary of Labor for purposes of investigation to ascertain compliance
784 with such rules, regulations, and orders.

785 (f) In the event of the Contractor's noncompliance with the nondiscrimination clauses
786 of this contract or with any of such rules, regulations, or orders, this contract may be canceled,
787 terminated or suspended in whole or in part and the Contractor may be declared ineligible for further
788 Government contracts in accordance with procedures authorized in Executive Order 11246 of
789 September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in
790 Executive Order 11246 of September 24, 1965 or by rule, regulation, or order of the Secretary of
791 Labor, or as otherwise provided by law.

792 (g) The Contractor will include the provisions of paragraphs (1) through (7) in every
793 subcontract or purchase order unless exempted by the rules, regulations, or orders of the Secretary of
794 Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such
795 provisions will be binding upon each subcontractor or vendor. The Contractor will take such action
796 with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a
797 means of enforcing such provisions, including sanctions for noncompliance: *Provided, however*, that
798 in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor
799 or vendor as a result of such direction, the Contractor may request the United States to enter into such
800 litigation to protect the interests of the United States.

801 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

802 23. (a) The obligation of the Contractor to pay the United States as provided in this
803 Contract is a general obligation of the Contractor notwithstanding the manner in which the obligation
804 may be distributed among the Contractor's water users and notwithstanding the default of individual
805 water users in their obligations to the Contractor.

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

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

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COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

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

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

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

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PRIVACY ACT COMPLIANCE

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25. Omitted.

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CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

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26. In addition to all other payments to be made by the Contractor pursuant to this

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Contract, the Contractor shall pay to the United States, within sixty (60) days after receipt of a bill

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and detailed statement submitted by the Contracting Officer to the Contractor for such specific items

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of direct cost incurred by the United States for work requested by the Contractor associated with this

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Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies and

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procedures. All such amounts referred to in this Article of this Contract shall not exceed the amount

843 agreed to in writing in advance by the Contractor. This Article of this Contract shall not apply to
844 costs for routine contract administration.

845 WATER CONSERVATION

846 27. (a) Prior to the delivery of water provided from or conveyed through Federally
847 constructed or Federally financed facilities pursuant to this Contract, the Contractor shall be
848 implementing an effective water conservation and efficiency program based on the Contractor's water
849 conservation plan that has been determined by the Contracting Officer to meet the conservation and
850 efficiency criteria for evaluating water conservation plans established under Federal law. The water
851 conservation and efficiency program shall contain definite water conservation objectives, appropriate
852 economically feasible water conservation measures, and time schedules for meeting those objectives.
853 Continued Project Water delivery pursuant to this Contract shall be contingent upon the Contractor's
854 continued implementation of such water conservation program. In the event the Contractor's water
855 conservation plan or any revised water conservation plan completed pursuant to subdivision (d) of
856 this Article of this Contract have not yet been determined by the Contracting Officer to meet such
857 criteria, due to circumstances which the Contracting Officer determines are beyond the control of the
858 Contractor, water deliveries shall be made under this Contract so long as the Contractor diligently
859 works with the Contracting Officer to obtain such determination at the earliest practicable date, and
860 thereafter the Contractor immediately begins implementing its water conservation and efficiency
861 program in accordance with the time schedules therein.

862 (b) Omitted.

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

866 (d) At five (5) -year intervals, the Contractor shall revise its water conservation
867 plan to reflect the then-existing conservation and efficiency criteria for evaluating water conservation
868 plans established under Federal law and submit such revised water management plan to the
869 Contracting Officer for review and evaluation. The Contracting Officer will then determine if the
870 water conservation plan meets Reclamation's then-existing conservation and efficiency criteria for
871 evaluating water conservation plans established under Federal law.

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

874 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

875 28. Except as specifically provided in Article 18 of this Contract, the provisions of this
876 Contract shall not be applicable to or affect non-project water or water rights now owned or hereafter
877 acquired by the Contractor or any user of such water within the Contractor's Service Area including,
878 without limitation, Prior-Rights Water. Any such water shall not be considered Project Water under
879 this Contract. In addition, this Contract shall not be construed as limiting or curtailing any rights
880 which the Contractor or any water user within the Contractor's Service Area acquires or has available
881 under any other contract pursuant to Federal Reclamation law.

882 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

883 29. Omitted.

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CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

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30. The expenditure or advance of any money or the performance of any obligation of the United States under this Contract shall be contingent upon appropriation or allotment of funds.

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Absence of appropriation or allotment of funds shall not relieve the Contractor from any obligations under this Contract. No liability shall accrue to the United States in case funds are not appropriated

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or allotted.

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BOOKS, RECORDS, AND REPORTS

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

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(b) Notwithstanding the provisions of subdivision (a) of this Article of this

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Contract, no books, records, or other information shall be requested from the Contractor by the

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Contracting Officer unless such books, records, or information are reasonably related to the

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administration or performance of this Contract. Any such request shall allow the Contractor a

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reasonable period of time within which to provide the requested books, records, or information.

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(c) Omitted.

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ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

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32. (a) The provisions of this Contract shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest

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therein shall be valid until approved in writing by the Contracting Officer.

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

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

915 SEVERABILITY

916 33. In the event that a person or entity who is neither (i) a party to a Project contract, nor
917 (ii) a person or entity that receives Project Water from a party to a Project contract, nor (iii) an
918 association or other form of organization whose primary function is to represent parties to Project
919 contracts, brings an action in a court of competent jurisdiction challenging the legality or
920 enforceability of a provision included in this Contract and said person, entity, association, or
921 organization obtains a final court decision holding that such provision is legally invalid or
922 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s), the
923 parties to this Contract shall use their best efforts to (i) within thirty (30) days of the date of such final
924 court decision identify by mutual agreement the provisions in this Contract which must be revised
925 and (ii) within three (3) months thereafter promptly agree on the appropriate revision(s). The time
926 periods specified above may be extended by mutual agreement of the parties. Pending the
927 completion of the actions designated above, to the extent it can do so without violating any applicable
928 provisions of law, the United States shall continue to make the quantities of Project Water specified
929 in this Contract available to the Contractor pursuant to the provisions of this Contract which were not
930 found to be legally invalid or unenforceable in the final court decision.

931 RESOLUTION OF DISPUTES

932 34. Should any dispute arise concerning any provisions of this Contract, or the parties'
933 rights and obligations thereunder, the parties shall meet and confer in an attempt to resolve the
934 dispute. Prior to the Contractor commencing any legal action, or the Contracting Officer referring
935 any matter to Department of Justice, the party shall provide to the other party thirty (30) days written
936 notice of the intent to take such action; Provided, That such notice shall not be required where a delay
937 in commencing an action would prejudice the interests of the party that intends to file suit. During
938 the thirty (30) day notice period, the Contractor and the Contracting Officer shall meet and confer in
939 an attempt to resolve the dispute. Except as specifically provided, nothing herein is intended to
940 waive or abridge any right or remedy that the Contractor or the United States may have.

941 OFFICIALS NOT TO BENEFIT

942 35. No Member of or Delegate to Congress, Resident Commissioner, or official of the
943 Contractor shall benefit from this Contract other than as a water user or landowner in the same
944 manner as other water users or landowners.

945 CHANGES IN CONTRACTOR'S SERVICE AREA

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

949 (b) Within thirty (30) days of receipt of a request for such a change, the
950 Contracting Officer will notify the Contractor of any additional information required by the
951 Contracting Officer for processing said request, and both parties will meet to establish a mutually
952 agreeable schedule for timely completion of the process. Such process will analyze whether the
953 proposed change is likely to: (i) result in the use of Project Water contrary to the terms of this

954 Contract; (ii) impair the ability of the Contractor to pay for Project Water furnished under this
955 Contract or to pay for any Federally-constructed facilities for which the Contractor is responsible;
956 and (iii) have an impact on any Project Water rights applications, permits, or licenses. In addition,
957 the Contracting Officer shall comply with the National Environmental Policy Act and the Endangered
958 Species Act. The Contractor will be responsible for all costs incurred by the Contracting Officer in
959 this process, and such costs will be paid in accordance with Article 26 of this Contract.

960 FEDERAL LAWS

961 37. By entering into this Contract, the Contractor does not waive its rights to contest the
962 validity or application in connection with the performance of the terms and conditions of this
963 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with the
964 terms and conditions of this Contract unless and until relief from application of such Federal law or
965 regulation to the implementing provision of the Contract is granted by a court of competent
966 jurisdiction.

967 EMERGENCY RESERVE FUND

968 38. Omitted.

969 MEDIUM FOR TRANSMITTING PAYMENT

970 39. (a) All payments from the Contractor to the United States under this contract
971 shall be by the medium requested by the United States on or before the date payment is due. The
972 required method of payment may include checks, wire transfers, or other types of payment specified
973 by the United States.

974 (b) Upon execution of the contract, the Contractor shall furnish the Contracting
975 Officer with the Contractor's taxpayer's identification number (TIN). The purpose for requiring the
976 Contractor's TIN is for collecting and reporting any delinquent amounts arising out of the
977 Contractor's relationship with the United States.

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979 NOTICES

980 40. Any notice, demand, or request authorized or required by this Contract shall be
981 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or delivered
982 to the Area Manager, South-Central California Area Office, 1243 "N" Street, Fresno, California
983 93721, and on behalf of the United States, when mailed, postage prepaid, or delivered to the Board of
984 Directors of Chowchilla Water District, P.O. Box 905, Chowchilla, California 93610. The
985 designation of the addressee or the address may be changed by notice given in the same manner as
986 provided in this Article of this Contract for other notices.

987 CONFIRMATION OF CONTRACT

988 41. The Contractor, after the execution of this Contract, shall promptly provide to the
989 Contracting Officer a decree of a court of competent jurisdiction of the State of California,
990 confirming the execution of this Contract. The Contractor shall furnish the United States a certified
991 copy of the final decree, the validation proceedings, and all pertinent supporting records of the court
992 approving and confirming this Contract, and decreeing and adjudging it to be lawful, valid, and
993 binding on the Contractor.

994 CONTRACT DRAFTING CONSIDERATIONS

995 42. Articles 1 through 8, Articles 10 through 15, subdivision (b) of Article 16, Articles 18
996 through 20, subdivision (c) of Article 23, Articles 26 through 28, subdivision (b) of Article 31,
997 subdivisions (b) and (c) of Article 32, Articles 33 through 34, subdivision (b) of Article 36, and
998 Article 37 of this Contract have been drafted, negotiated, and reviewed by the parties hereto, each of
999 whom is sophisticated in the matters to which this Contract pertains, and no one party shall be
1000 considered to have drafted the stated Articles.
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1002 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day and
1003 year first above written.