

Add at the end of Article 8(a):

The Contracting Officer shall adjust the amount of Project Water for which payment is required to the extent of any reduction in diversions of Project Water made in accordance with the water conservation provisions of Article 29(e).

Add to Article 29:

- (e) In order to provide incentives for water conservation, the Contractor may reduce the amount of Project Water for which payment is required under Article 8(a) in accordance with the provisions of this Article 29(e).
  - (1) On or before February 15 of any Water Year, the Contractor may file with Reclamation a Notice of Reduction in Project Water Use, which shall specify the maximum quantity of Project Water to be diverted by the Contractor for that Water Year. The Notice of Reduction in Project Water Use shall specify the maximum quantity of Project Water to be diverted by the Contractor for each month that Project Water is available under this Settlement Contract.
  - (2) If the Contractor files with Reclamation a Notice of Reduction in Project Water Use in accordance with subparagraph (1), the Contractor shall not divert Project Water in excess of the monthly quantities set forth in the Notice of Reduction in Project Water Use. If the Contractor's diversions of Project Water exceed the monthly quantities set forth in the Notice of Reduction in Project Water Use, the Contractor shall pay to Reclamation a penalty assessment in the amount of \$\_\_\_ per acre-foot of Project Water diverted in excess of the quantities set forth in the Notice.
  - (3) To the extent that the total quantity of Project Water to be diverted by the Contractor, as specified in the Notice of Reduction in Project Water Use, falls below seventy-five percent of the amount shown as Project Water in Exhibit A, the Contractor's payment obligation under Article 8(a)(1) shall be reduced to the maximum quantity of Project Water to be diverted by the Contractor as specified in the Notice.