

FEDERAL PARTICIPATION IN THE SITES PROJECT

3. The Authority and Reclamation agree that Reclamation is granted, and Reclamation shall own a [16% Base Facilities Capacity Interest and 16% Downstream Facilities Capacity Interest and Share] of the Sites Project and an ability to utilize up to 16% of Sites Water originating from the Sacramento River as described in this Agreement subject to the following:

(a) Reclamation commits to the Authority the \$798 million in federal funds appropriated prior to the Effective Date of this Agreement towards a portion of the grant and ownership of the [Base Facilities Capacity Interest and Downstream Facilities Capacity Share].

(b) Reclamation shall diligently pursue through appropriations to the Sites Project after the Effective Date of this Agreement the remaining funds necessary to pay for the Pctual Costs attributable to 16% of [Base Facilities Capacity Interest and 16% of Downstream Facilities Capacity Share] as further described in Article 9 of the Agreement.

(c) Reclamation's 16% of [Base Facilities Capacity Interest and 16% Downstream Facilities Capacity Share] shall be subject to reduction as described in Article 9 of the Agreement.

[Note: Additional provisions to be moved to the Operations Article 6]

(d) Reclamation shall make reasonable and beneficial use of Sites Water consistent with this Agreement.

(e) The Parties agree Reclamation bears the risk of loss, shortfall or reduction in Sites Water.

[Note: Add following definition – used also in Partnership Agreement]

Project Costs: Means the sum of Fixed O&M Costs, Fixed Project Costs and Variable O&M Costs payable by or credited to Reclamation under this Agreement, or each of them, as the context requires.