

Exhibit H - Allowable Costs; Approval, Documentation, and Cost Allocation

1. Purpose and Relationship of this Exhibit to Agreement

This Exhibit is incorporated into and made part of the Partnership Agreement between the Sites Project Authority ("Authority") and the United States Bureau of Reclamation ("Reclamation"). The purpose of this Exhibit is to:

- Define what constitutes Allowable Costs for purposes of determining Federal in-lieu of cash contribution to the Sites Project;
- Establish clear approval, documentation, invoicing, and audit standards applicable to such costs; and
- Provide a consistent framework for calculation, valuation, and allocation of costs, including in-kind services.

In the event of a conflict between this Exhibit H and the main body of the Agreement, the Agreement shall control with respect to cost eligibility, valuation, and approval.

2. Governing Principles

All Allowable Costs must:

1. Be necessary, reasonable, and directly allocable to the Sites Project;
2. Be directly attributable to Reclamation's providing of services to the Sites Project under the Agreement and be mutually agreed to in advance of the costs being incurred;
3. Be consistent with Federal law, including WIIN Act §4007, 2 CFR Part 200, and applicable Reclamation directives;
4. Be consistent with Generally Accepted Accounting Principles (GAAP) ; and
5. Be approved, documented, and invoiced in accordance with Section 5 of this Exhibit.

Costs not meeting all five criteria are non-allowable unless expressly approved in writing by both Parties.

3. Categories of Allowable Costs

3.1 Planning and Preconstruction Costs

Allowable planning and preconstruction costs include costs incurred to advance Sites Project permitting, feasibility-level design development for Sites Project Facilities, design for upgrades to Federal Facilities, and environmental compliance including:

- Payroll costs for directly assigned Reclamation staff performing project-specific planning and preconstruction activities, including wages and associated fringe benefits;

- Consultant, engineering, scientific, and legal services directly supporting Sites Project planning and preconstruction activities;
- Travel and subsistence expenses necessary for performance of approved planning and preconstruction tasks;
- Other project-specific costs approved in writing by the Authority in advance.

Excluded planning and preconstruction costs include general overhead, executive management costs, and costs related to Reclamation's participation in Sites Authority business activities.

3.2 Environmental and Cultural Compliance Costs

Allowable costs include:

- National Environmental Policy Act, Endangered Species Act, National Historic Preservation Act Section 106, and Fish and Wildlife Coordination Act compliance activities where Reclamation is the Federal lead or joint lead;
- Required environmental mitigation measures related to the Sites Project;
- Cultural resource studies, monitoring, and mitigation directly related to Sites Project implementation.

3.3 Permitting and Land Use Authorization Costs

Allowable costs include:

- Federal, State, and local permitting actions required for project construction or operation;
- Land use authorizations for the use of Federal facilities or lands.

3.4 Design, Engineering, and Construction-Related Costs

Allowable costs include:

- Design review and engineering services necessary to evaluate impacts to Federal Facilities;
- Construction management and inspection activities directly related to modification of Federal Facilities;
- Project management activities supporting approved scopes of work.

3.5 [Reclamation's](#) Operations and Maintenance (O&M) Costs

Allowable O&M costs [for Federal Facilities](#) include:

- [Reclamation's fFixed O&M cCosts directly associated with Federal Facilities-allocated proportionally based on Sites Project Facilities Capacity Interest;](#)
- [Reclamation's vVariable O&M cCosts directly associated with Federal Facilities-allocated based on actual use of Sites Project Facilities;](#)

- Reclamation staff costs to coordinate the use of Federal Facilities for Sites Project purposes.

3.6 In-Kind Services

Reclamation in-kind services may be credited toward its cost share if:

- The services directly offset a Sites Project cost that the Sites Authority has agreed to be performed by Reclamation;
- The value of the services is documented and calculated in accordance with 2 CFR Part 200;
- The services are not otherwise reimbursed by another Federal program; and
- The scope of the services is approved in advance by the Authority.

4. Non-Allowable Costs

Non-allowable costs include, without limitation:

- General agency overhead, executive management, or internal administrative costs not directly tied to approved project tasks;
- Costs incurred without prior approval where prior approval is required;
- Interest, financing fees, or debt service costs;
- Costs related solely to Reclamation's general water rights administration and the operation of federal facilities for moving CVP water.;
- Costs not documented in accordance with Section 3 and Section 5.2 of this Exhibit;

5. Cost Approval Process

5.1 Advance Approval

- All Allowable Costs must be agreed to by the Sites Authority in advance of being incurred.
- The Parties will meet and confer to develop and agree on estimates for Allowable Costs.
- The Sites Authority approval of Allowable Costs may be provided through updates to the Spend Plan, annual operating and capital budgeting approvals, a written task authorization issued by the Sites Authority, or formal correspondence of agreement between the Parties.
- Costs expected to exceed estimates or that involve new scopes of work must be approved by the Sites Authority in writing prior to costs being incurred.

5.2 Invoicing and Documentation

- Invoices shall be submitted quarterly unless otherwise agreed.
- Each invoice must include sufficient detail to independently verify:
 - Scope of work;
 - Labor categories and hours;

- Applicable rates and valuation methodology;
- Allocation basis to the Sites Project.

5.3 Review and Dispute Resolution

- The Authority shall review invoices for compliance within 30 days.
- Undisputed amounts shall be credited to Reclamation project cost share; disputed amounts shall be identified with written explanation.
- Disputes shall be resolved pursuant to the Agreement's dispute resolution provisions.

7. Records, Audit, and Retention

- Each Party shall maintain records sufficient to support claimed Allowable Costs.
- Records shall be retained for the longer of: (i) applicable statutory requirements, or (ii) seven (7) years following final reconciliation.
- Subject to applicable Federal laws and regulations, each Party to this Agreement shall have the right during office hours to examine and make copies of the other Party's books and records relating to costs associated with this Agreement.