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 ("Agreement") between the Sites Authority and Reclamation. The purpose of this Exhibit is to:

- Define what constitutes Allowable Costs for purposes of determining Federal In-kind Services for the Sites Project;
- Establish clear documentation, invoicing, and audit standards applicable to such costs; and
- Provide a consistent framework for calculation, valuation, and allocation of costs consistent with 2 CFR Part 200 subpart e.

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

After execution of the Agreement, 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 subpart e, 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 Pre-construction Costs

Allowable planning and pre-construction 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:

- Fully burdened payroll costs for directly assigned Reclamation staff performing project-specific planning and pre-construction activities, including wages and associated fringe benefits;

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

Excluded planning and pre-construction costs include executive management costs, and general overhead and participation in business activities not expressly contemplated otherwise in this Exhibit.

3.2 Project Management

Allowable Costs include:

- Coordination of In-Kind Services and support service activities related to approved scopes of work.

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; and
- 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; and
- Land use authorizations for the use of ~~Federal~~ 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~~ federal facilities;
- Construction management and inspection activities directly related to modification of ~~Federal~~ federal facilities; and
- Non-potable water service during construction.

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

Allowable O&M costs for ~~Federal~~ federal ~~Facilities~~ facilities include:

- Reclamation's new fixed O&M costs directly associated with ~~Federal~~ federal facilities and the Sites Project;
- Reclamation's new variable O&M costs directly associated with ~~Federal~~ federal facilities and the Sites Project;
- Coordination, assessment, and accounting performed by Reclamation for Sites Project Facilities operations as described in ~~the Operations Agreement~~Exhibit G to this Agreement and consistent with the Sites Water Right;
- Reclamation's participation in future Biological Opinions and any needed coordination for fulfilling the Sites Project's IL4 Refuge water delivery commitments; and
- Any costs Reclamation pays directly to the ~~operating entity~~Operating Non-Federal Entity if the Authority ~~incurs a Delinquent Payment Amount~~is determined to be in default.

3.6 Other Allowable Costs

Additional In-Kind Services may be credited toward Reclamation's Sites Project Costs if:

- The services directly offset a Sites Project Cost that the Sites Authority has agreed to be performed by Reclamation;
- The scope of the services is approved in advance by the Authority.

4. Non-Allowable Costs

Non-allowable costs include, without limitation:

- Executive management, or internal administrative costs not directly tied to Sites Project tasks;
- Costs incurred without prior approval where prior approval is required;
- 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. Estimates will be updated as needed.
- The Sites Authority's 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. The Sites Authority is required to approve any Allowable Costs to the extent such costs and services are required by Federal law.
- 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 unless the scope of work is required by Federal law.

5.2 Invoicing and Documentation

- Invoices shall be submitted quarterly unless otherwise agreed upon.
- Costs will be trued-up to actual costs on an annual basis, and the Parties will meet to confer on whether such costs will be considered Allowable Costs, consistent with this Exhibit.
- Each invoice must include sufficient detail to independently verify:
    - Scope of work;
    - Labor categories and hours;
    - Applicable rates;
    - List of deliverables accomplished;
    - 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's share of Sites Project Costs; disputed amounts shall be identified with written explanation.
- Disputes shall be resolved pursuant to the Agreement's Article 12, Dispute Resolution, provision.

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.