

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

LONG-TERM RENEWAL CONTRACT BETWEEN THE UNITED STATES
AND
CORNING WATER DISTRICT
PROVIDING FOR PROJECT WATER SERVICE
FROM THE SACRAMENTO RIVER DIVISION

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Exhibit A - Map of Contractor's Boundaries

Exhibit B - Rates and Charges

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THIS CONTRACT, made this 25th day of February, 2005, in

pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto, including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), all collectively hereinafter referred to as Federal Reclamation law, between THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, and CORNING WATER DISTRICT, hereinafter referred to as the Contractor, a public agency of the State of California, duly organized, existing, and acting pursuant to the laws thereof;

WITNESSETH, That:

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EXPLANATORY RECITALS

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[1st] WHEREAS, the United States has constructed and is operating the Central Valley

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Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for

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flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection

25

and restoration, generation and distribution of electric energy, salinity control, navigation and

26

other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River,

27

and the San Joaquin River and their tributaries; and

28

[2nd] WHEREAS, the United States constructed the Red Bluff Diversion Dam, and the

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Coming Canal and related delivery facilities including pumping plants, hereinafter collectively

30

referred to as the Canal Facilities, which will be used in part for the furnishing of water to the

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Contractor pursuant to the terms of this Contract; and

32

[3rd] WHEREAS, the rights to Project Water were acquired by the United States

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pursuant to California law for operation of the Project; and

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[4th] WHEREAS, the Contractor and the United States entered into Contract

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No. 14-06-200-6575, as amended on March 9, 1962, and August 4, 1971, which established

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terms for the delivery to the Contractor of Central Valley Project Water from the Canal Facilities

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from August 1, 1957, through February 28, 1995, and under which the initial date of water

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delivery to the Contractor was April 15, 1961; and

39

[5th] WHEREAS, the Contractor and the United States have pursuant to subsection

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3404(c)(1) of the Central Valley Project Improvement Act (CVPIA), subsequently entered into

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interim renewal contract(s) identified as Contract No(s). 14-06-200-6575-IR1, 14-06-200-6575-

42

IR2, 14-06-200-6575-IR3, 14-06-200-6575-IR4, 14-06-200-6575-IR5, 14-06-200-6575-IR6,

43 14-06-200-6575-IR7, and 14-06-200-6575-IR8, the current of which is hereinafter referred to as
44 the “Existing Contract,” which provided for the continued water service to the Contractor from
45 March 1, 2004, through February 28, 2006; and

46 [6th] WHEREAS, Section 3404(c) of the CVPIA provides for long-term renewal of the
47 Existing Contract following completion of appropriate environmental documentation, including a
48 programmatic environmental impact statement (PEIS) pursuant to the National Environmental
49 Policy Act (NEPA), analyzing the direct and indirect impacts and benefits of implementing the
50 CVPIA and the potential renewal of all existing contracts for Project Water; and

51 [7th] WHEREAS, the United States has completed the PEIS and all other appropriate
52 environmental review necessary to provide for long-term renewal of the Existing Contract; and

53 [8th] WHEREAS, the Contractor has requested the long-term renewal of the Existing
54 Contract, pursuant to the terms of the Existing Contract, Federal Reclamation law, and the laws
55 of the State of California, for water service from the Project; and

56 [9th] WHEREAS, the United States has determined that the Contractor has fulfilled all
57 of its obligations under the Existing Contract; and

58 [10th] WHEREAS, the Contractor has demonstrated to the satisfaction of the
59 Contracting Officer that the Contractor has utilized the Project Water supplies available to it for
60 reasonable and beneficial use and, based upon a needs analysis cooperatively prepared by the
61 Contracting Officer and the Contractor, has demonstrated projected future demand for water use
62 that exceeds the Contract Total to be made available to it pursuant to this Contract; and

63 [11th] WHEREAS, water obtained from the Project has been relied upon by urban and
64 agricultural areas within California for more than 50 years, and is considered by the Contractor
65 as an essential portion of its water supply; and

66 [12th] WHEREAS, the economies of regions within the Project, including the
67 Contractor's, depend upon the continued availability of water, including water service from the
68 Central Valley Project; and

69 [13th] WHEREAS, the Secretary intends through coordination, cooperation, and
70 partnerships to pursue measures to improve water supply, water quality, and reliability of the
71 Project for all Project purposes; and

72 [14th] WHEREAS, the mutual goals of the United States and the Contractor include: to
73 provide for reliable Project Water supplies; to control costs of those supplies; to achieve
74 repayment of the Project as required by law; to guard reasonably against Project Water
75 shortages; to achieve a reasonable balance among competing demands for use of Project Water;
76 and to comply with all applicable environmental statutes, all consistent with the legal obligations
77 of the United States relative to the Project; and

78 [15th] WHEREAS, the parties intend by this Contract to develop a more cooperative
79 relationship in order to achieve their mutual goals; and

80 [16th] WHEREAS, the United States and the Contractor are willing to enter into this
81 Contract pursuant to Federal Reclamation law on the terms and conditions set forth below;

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

84 DEFINITIONS

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

87 (a) "Calendar Year" shall mean the period January 1 through December 31,
88 both dates inclusive;

89 (b) "Charges" shall mean the payments required by Federal Reclamation law
90 in addition to the Rates and Tiered Pricing Component specified in this Contract as determined
91 annually by the Contracting Officer pursuant to this Contract;

92 (c) "Condition of Shortage" shall mean a condition respecting the Project
93 during any Year such that the Contracting Officer is unable to deliver sufficient water to meet the
94 Contract Total;

95 (d) "Contracting Officer" shall mean the Secretary of the Interior's duly
96 authorized representative acting pursuant to this Contract or applicable Federal Reclamation law
97 or regulation;

98 (e) "Contract Total" shall mean the maximum amount of water to which the
99 Contractor is entitled under subdivision (a) of Article 3 of this Contract;

100 (f) "Contractor's Boundaries" shall mean the area to which the Contractor is
101 permitted to provide Project Water under this Contract as described in Exhibit "A" attached
102 hereto, which may be modified from time to time in accordance with Article 35 of this Contract
103 without amendment of this Contract;

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

106 (h) "Eligible Lands" shall mean all lands to which Irrigation Water may be
107 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982
108 (96 Stat. 1263), as amended, hereinafter referred to as RRA;

109 (i) "Excess Lands" shall mean all lands in excess of the limitations contained
110 in Section 204 of the RRA, other than those lands exempt from acreage limitation under Federal
111 Reclamation law;

112 (j) "Full Cost Rate" shall mean an annual rate as determined by the
113 Contracting Officer that shall amortize the expenditures for construction properly allocable to the
114 Project Irrigation or M&I functions, as appropriate, of facilities in service including all O&M
115 deficits funded, less payments, over such periods as may be required under Federal Reclamation
116 law, or applicable contract provisions. Interest will accrue on both the construction expenditures
117 and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the
118 date incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated
119 in accordance with subsections 202(3)(B) and (3)(C) of the RRA. The Full Cost Rate includes
120 actual operation, maintenance, and replacement costs consistent with Section 426.2 of the Rules
121 and Regulations for the RRA. The Full Cost Rate used to compute the Tiered Pricing
122 Component defined in subdivision (y) of this Article does not include the costs associated with
123 the Contractor's Irrigation Water distribution works constructed by the United States. However,
124 the Irrigation Full Cost Water Rate defined in subdivision (l) of this Article does include such
125 costs;

126 (k) "Ineligible Lands" shall mean all lands to which Irrigation Water may not
127 be delivered in accordance with Section 204 of the RRA;

128 (l) "Irrigation Full Cost Water Rate" shall mean the Full Cost Rate applicable
129 to the delivery of Irrigation Water;

130 (m) "Irrigation Water" shall mean water made available from the Project that
131 is used primarily in the production of agricultural crops or livestock, including domestic use
132 incidental thereto, and watering of livestock;

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

135 (o) “Municipal and Industrial (M&I) Water” shall mean Project Water, other
136 than Irrigation Water, made available to the Contractor. M&I Water shall include water used for
137 human use and purposes such as the watering of landscaping or pasture for animals (e.g., horses)
138 which are kept for personal enjoyment or water delivered to land holdings operated in units of
139 less than five acres unless the Contractor establishes to the satisfaction of the Contracting Officer
140 that the use of water delivered to any such landholding is a use described in subdivision (m) of
141 this Article;

142 (p) “M&I Full Cost Water Rate” shall mean the Full Cost Rate applicable to
143 the delivery of M&I Water;

144 (q) “Operation and Maintenance” or “O&M” shall mean normal and
145 reasonable care, control, operation, repair, replacement (other than capital replacement), and
146 maintenance of Project facilities;

147 (r) “Operating Non-Federal Entity” shall mean the Tehama-Colusa Canal
148 Authority, its successors or assigns, a non-Federal entity which has the obligation to operate and
149 maintain all or a portion of the Canal Facilities pursuant to an agreement with the United States,
150 and which may have funding obligations with respect thereto;

151 (s) “Project” shall mean the Central Valley Project owned by the United
152 States and managed by the Department of the Interior, Bureau of Reclamation;

153 (t) “Project Contractors” shall mean all parties who have water service
154 contracts for Project Water from the Project with the United States pursuant to Federal
155 Reclamation law;

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

159 (v) "Rates" shall mean the payments determined annually by the Contracting
160 Officer in accordance with the then-current applicable water ratesetting policies for the Project,
161 as described in subdivision (a) of Article 7 of this Contract;

162 (w) "Recent Historic Average" shall mean the most recent five-year average of
163 the final forecast of Water Made Available to the Contractor pursuant to this Contract or its
164 preceding contract(s);

165 (x) "Secretary" shall mean the Secretary of the Interior, a duly appointed
166 successor, or an authorized representative acting pursuant to any authority of the Secretary and
167 through any agency of the Department of the Interior;

168 (y) "Tiered Pricing Component" shall be the incremental amount to be paid
169 for each acre-foot of Water Delivered as described in subdivision (j) of Article 7 of this Contract;

170 (z) "Water Delivered" or "Delivered Water" shall mean Project Water
171 diverted for use by the Contractor at the point(s) of delivery approved by the Contracting
172 Officer;

173 (aa) "Water Made Available" shall mean the estimated amount of Project
174 Water that can be delivered to the Contractor for the upcoming Year as declared by the
175 Contracting Officer, pursuant to subdivision (a) of Article 4 of this Contract;

176 (bb) "Water Scheduled" shall mean Project Water made available to the
177 Contractor for which times and quantities for delivery have been established by the Contractor
178 and Contracting Officer, pursuant to subdivision (b) of Article 4 of this Contract; and

179 (cc) "Year" shall mean the period from and including March 1 of each
180 Calendar Year through the last day of February of the following Calendar Year.

181 TERM OF CONTRACT

182 2. (a) This Contract shall be effective March 1, 2005, through February 28,
183 2030, and supersedes the Existing Contract. In the event the Contractor wishes to renew this
184 Contract beyond February 28, 2030, the Contractor shall submit a request for renewal in writing
185 to the Contracting Officer no later than two years prior to the date this Contract expires. The
186 renewal of this Contract insofar as it pertains to the furnishing of Irrigation Water to the
187 Contractor shall be governed by subdivision (b) of this Article, and the renewal of this Contract
188 insofar as it pertains to the furnishing of M&I Water to the Contractor shall be governed by
189 subdivision (c) of this Article.

190 (b) (1) Under terms and conditions of a renewal contract that are mutually
191 agreeable to the parties hereto, and upon a determination by the Contracting Officer that at the
192 time of contract renewal the conditions set forth in subdivision (b)(2) of this Article are met, and
193 subject to Federal and State law, this Contract, insofar as it pertains to the furnishing of Irrigation
194 Water to the Contractor, shall be renewed for a period of 25 years.

195 (2) The conditions which must be met for this Contract to be renewed
196 are: (i) the Contractor has prepared a water conservation plan that has been determined by the
197 Contracting Officer in accordance with Article 26 of this Contract to meet the conservation and
198 efficiency criteria for evaluating such plans established under Federal law; (ii) the Contractor is
199 implementing an effective water conservation and efficiency program based on the Contractor's
200 water conservation plan as required by Article 26 of this Contract; (iii) the Contractor is
201 maintaining all water measuring devices and implementing all water measurement methods as

202 approved by the Contracting Officer pursuant to Article 6 of this Contract; (iv) the Contractor
203 has reasonably and beneficially used the Project Water supplies made available to it and, based
204 on projected demands, is reasonably anticipated and expects to fully utilize for reasonable and
205 beneficial use the quantity of Project Water to be made available to it pursuant to such renewal;
206 (v) the Contractor is complying with all terms and conditions of this Contract; and (vi) the
207 Contractor has the physical and legal ability to deliver Project Water.

208 (3) The terms and conditions of the renewal contract described in
209 subdivision (b)(1) of this Article and any subsequent renewal contracts shall be developed
210 consistent with the parties' respective legal rights and obligations, and in consideration of all
211 relevant facts and circumstances, as those circumstances exist at the time of renewal, including,
212 without limitation, the Contractor's need for continued delivery of Project Water; environmental
213 conditions affected by implementation of the Contract to be renewed, and specifically changes in
214 those conditions that occurred during the life of the Contract to be renewed; the Secretary's
215 progress toward achieving the purposes of the CVPIA as set out in Section 3402 and in
216 implementing the specific provisions of the CVPIA; and current and anticipated economic
217 circumstances of the region served by the Contractor.

218 (c) This Contract, insofar as it pertains to the furnishing of M&I Water to the
219 Contractor, shall be renewed for successive periods of up to 40 years each, which periods shall
220 be consistent with then-existing Reclamation-wide policy, under terms and conditions mutually
221 agreeable to the parties and consistent with Federal and State law. The Contractor shall be
222 afforded the opportunity to comment to the Contracting Officer on the proposed adoption and
223 application of any revised policy applicable to the delivery of M&I Water that would limit the

224 term of any subsequent renewal contract with the Contractor for the furnishing of M&I Water to
225 less than 40 years.

226 (d) The Contracting Officer shall make a determination ten years after the
227 date of execution of this Contract, and every five years thereafter during the term of this
228 Contract, of whether a conversion of the relevant portion of this Contract to a contract under said
229 subsection 9(d) of the Reclamation Project Act of 1939 can be accomplished pursuant to the Act
230 of July 2, 1956 (70 Stat. 483). The Contracting Officer shall also make a determination ten years
231 after the date of execution of this Contract and every five years thereafter during the term of this
232 Contract of whether a conversion of the relevant portion of this Contract to a contract under
233 subsection 9(c)(1) of the Reclamation Project Act of 1939 can be accomplished.

234 Notwithstanding any provision of this Contract, the Contractor reserves and shall have all rights
235 and benefits under the Act of July 2, 1956 (70 Stat. 483). The Contracting Officer anticipates
236 that during the term of this Contract, all authorized Project construction expected to occur will
237 have occurred, and on that basis the Contracting Officer agrees upon such completion to allocate
238 all costs that are properly assignable to the Contractor, and agrees further that, at any time after
239 such allocation is made, and subject to satisfaction of the condition set out in this subdivision,
240 this Contract shall, at the request of the Contractor, be converted to a contract under subsection
241 9(d) or 9(c)(1), whichever is applicable, of the Reclamation Project Act of 1939, subject to
242 applicable Federal law and under stated terms and conditions mutually agreeable to the
243 Contractor and the Contracting Officer. A condition for such conversion to occur shall be a
244 determination by the Contracting Officer that, account being taken of the amount credited to
245 return by the Contractor as provided for under Federal Reclamation law, the remaining amount
246 of construction costs assignable for ultimate return by the Contractor can probably be repaid to

247 the United States within the term of a contract under said subsection 9(d) or 9(c)(1), whichever is
248 applicable. If the remaining amount of costs that are properly assignable to the Contractor
249 cannot be determined during the term of this Contract, the Contracting Officer shall notify the
250 Contractor, and provide the reason(s) why such a determination could not be made. Further, the
251 Contracting Officer shall make such a determination as soon thereafter as possible so as to
252 permit, upon request of the Contractor and satisfaction of the condition set out above, conversion
253 to a contract under subsection 9(d) or 9(c)(1), whichever is applicable. In the event such
254 determination of costs has not been made at a time which allows conversion of this Contract
255 during the term of this Contract or the Contractor has not requested conversion of this Contract
256 within such term, the parties shall incorporate in any subsequent renewal contract as described in
257 subdivision (b) of this Article a provision that carries forth in substantially identical terms the
258 provisions of this subdivision.

259 WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTOR

260 3. (a) During each Year, consistent with all applicable State water rights,
261 permits, and licenses, Federal law, and subject to the provisions set forth in Articles 11 and 12 of
262 this Contract, the Contracting Officer shall make available for delivery to the Contractor 23,000
263 acre-feet of Project Water for irrigation and M&I purposes. Water Delivered to the Contractor in
264 accordance with this subdivision shall be scheduled and paid for pursuant to the provisions of
265 Articles 4 and 7 of this Contract.

266 (b) Because the capacity of the Project to deliver Project Water has been
267 constrained in recent years and may be constrained in the future due to many factors including
268 hydrologic conditions and implementation of Federal and State laws, the likelihood of the
269 Contractor actually receiving the amount of Project Water set out in subdivision (a) of this

270 Article in any given Year is uncertain. The Contracting Officer's modeling referenced in the
271 PEIS projected that the Contract Total set forth in this Contract will not be available to the
272 Contractor in many years. During the most recent five years, the Recent Historic Average of
273 water made available to the Contractor was 21,160 acre-feet. Nothing in subdivision (b) of this
274 Article shall affect the rights and obligations of the parties under any provision of this Contract.

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

277 (d) The Contractor shall make reasonable and beneficial use of all water
278 furnished pursuant to this Contract. Groundwater recharge programs (direct, indirect, or in lieu),
279 groundwater banking programs, surface water storage programs, and other similar programs
280 utilizing Project Water or other water furnished pursuant to this Contract conducted within the
281 Contractor's Boundaries which are consistent with applicable State law and result in use
282 consistent with Federal Reclamation law will be allowed; Provided, That any direct recharge
283 program(s) is (are) described in the Contractor's water conservation plan submitted pursuant to
284 Article 26 of this Contract; Provided, further, That such water conservation plan demonstrates
285 sufficient lawful uses exist in the Contractor's Boundaries so that using a long-term average, the
286 quantity of Delivered Water is demonstrated to be reasonable for such uses and in compliance
287 with Federal Reclamation law. Groundwater recharge programs, groundwater banking
288 programs, surface water storage programs, and other similar programs utilizing Project Water or
289 other water furnished pursuant to this Contract conducted outside the Contractor's Boundaries
290 may be permitted upon written approval of the Contracting Officer, which approval will be based
291 upon environmental documentation, Project Water rights, and Project operational concerns. The
292 Contracting Officer will address such concerns in regulations, policies, or guidelines.

293 (e) The Contractor shall comply with requirements applicable to the
294 Contractor in biological opinion(s) prepared as a result of a consultation regarding the execution
295 of this Contract undertaken pursuant to Section 7 of the Endangered Species Act of 1973 (ESA),
296 as amended, that are within the Contractor's legal authority to implement. The Existing
297 Contract, which evidences in excess of 42 years of diversions for irrigation and/or M&I purposes
298 of the quantities of water provided in subdivision (a) of Article 3 of this Contract, will be
299 considered in developing an appropriate baseline for biological assessment(s) prepared pursuant
300 to the ESA, and any other needed environmental review. Nothing herein shall be construed to
301 prevent the Contractor from challenging or seeking judicial relief in a court of competent
302 jurisdiction with respect to any biological opinion or other environmental documentation referred
303 to in this Article.

304 (f) As soon as possible following each declaration of Water Made Available
305 under Article 4 of this Contract, the Contracting Officer will make a determination whether
306 Project Water, or other water available to the Project, can be made available to the Contractor in
307 addition to the Contract Total under Article 3 of this Contract during the Year without adversely
308 impacting other Project Contractors. At the request of the Contractor, the Contracting Officer
309 will consult with the Contractor prior to making such a determination. If the Contracting Officer
310 determines that Project Water, or other water available to the Project, can be made available to
311 the Contractor, the Contracting Officer will announce the availability of such water and shall so
312 notify the Contractor as soon as practical. The Contracting Officer will thereafter meet with the
313 Contractor and other Project Contractors capable of taking such water to determine the most
314 equitable and efficient allocation of such water. If the Contractor requests the delivery of any

315 quantity of such water, the Contracting Officer shall make such water available to the Contractor
316 in accordance with applicable statutes, regulations, guidelines, and policies.

317 (g) The Contractor may request permission to reschedule for use during the
318 subsequent Year some or all of the Water Made Available to the Contractor during the current
319 Year referred to as "carryover." The Contractor may request permission to use during the
320 current Year a quantity of Project Water which may be made available by the United States to
321 the Contractor during the subsequent Year referred to as "preuse." The Contracting Officer's
322 written approval may permit such uses in accordance with applicable statutes, regulations,
323 guidelines, and policies.

324 (h) The Contractor's right pursuant to Federal Reclamation law and applicable
325 State law to the reasonable and beneficial use of Water Delivered pursuant to this Contract
326 during the term thereof and any subsequent renewal contracts, as described in Article 2 of this
327 Contract, during the terms thereof shall not be disturbed so long as the Contractor shall fulfill all
328 of its obligations under this Contract and any renewals thereof. Nothing in the preceding
329 sentence shall affect the Contracting Officer's ability to impose shortages under Article 11 or
330 subdivision (b) of Article 12 of this Contract or applicable provisions of any subsequent renewal
331 contracts.

332 (i) Project Water furnished to the Contractor pursuant to this Contract may be
333 delivered for other than irrigation or M&I purposes upon written approval by the Contracting
334 Officer in accordance with the terms and conditions of such approval.

335 (j) The Contracting Officer shall make reasonable efforts to protect the water
336 rights necessary for the Project and to provide the water available under this Contract. The
337 Contracting Officer shall not object to participation by the Contractor, in the capacity and to the

338 extent permitted by law, in administrative proceedings related to the Project Water rights;
339 Provided, That the Contracting Officer retains the right to object to the substance of the
340 Contractor's position in such a proceeding; Provided further, That in such proceedings the
341 Contracting Officer shall recognize the Contractor has a legal right under the terms of this
342 Contract to use Project Water.

343 TIME FOR DELIVERY OF WATER

344 4. (a) On or about February 20 of each Calendar Year, the Contracting Officer
345 shall announce the Contracting Officer's expected declaration of the Water Made Available.
346 Such declaration will be expressed in terms of both Water Made Available and the Recent
347 Historic Average and will be updated monthly, and more frequently if necessary, based on then-
348 current operational and hydrologic conditions and a new declaration with changes, if any, to the
349 Water Made Available will be made. The Contracting Officer shall provide forecasts of Project
350 operations and the basis of the estimate, with relevant supporting information, upon the written
351 request of the Contractor. Concurrently with the declaration of the Water Made Available, the
352 Contracting Officer shall provide the Contractor with the updated Recent Historic Average.

353 (b) On or before each March 1 and at such other times as necessary, the
354 Contractor shall submit to the Contracting Officer a written schedule, satisfactory to the
355 Contracting Officer, showing the monthly quantities of Project Water to be delivered by the
356 United States to the Contractor pursuant to this Contract for the Year commencing on such
357 March 1. The Contracting Officer shall use all reasonable means to deliver Project Water
358 according to the approved schedule for the Year commencing on such March 1.

359 (c) The Contractor shall not schedule Project Water in excess of the quantity
360 of Project Water the Contractor intends to put to reasonable and beneficial use within the

361 Contractor's Boundaries or to sell, transfer, or exchange pursuant to Article 9 of this Contract
362 during any Year.

363 (d) Subject to the conditions set forth in subdivision (a) of Article 3 of this
364 Contract, the United States shall deliver Project Water to the Contractor in accordance with the
365 initial schedule submitted by the Contractor pursuant to subdivision (b) of this Article, or any
366 written revision(s), satisfactory to the Contracting Officer, thereto submitted within a reasonable
367 time prior to the date(s) on which the requested change(s) is/are to be implemented.

368 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

369 5. (a) Project Water scheduled pursuant to subdivision (b) of Article 4 of this
370 Contract shall be delivered to the Contractor at approved turnouts on the Canal Facilities and any
371 additional point or points of delivery either on Project facilities or another location or locations
372 mutually agreed to in writing by the Contracting Officer and the Contractor. The United States
373 shall furnish such power as may be necessary to pump Project Water at the existing Corning
374 Canal side pumping plants and at existing relift stations at heads and elevations sufficient to
375 irrigate by gravity all areas within the Contractor's Boundaries below elevation 380 (MSL).

376 (b) The Contracting Officer, either directly or through its written agreement(s)
377 with the Operating Non-Federal Entity/Entities shall make all reasonable efforts to maintain
378 sufficient flows and levels of water in Project facilities to deliver Project Water to the Contractor
379 at specific turnouts established pursuant to subdivision (a) of this Article. The parties
380 acknowledge that it may be necessary from time to time to shut down some or all of Project
381 facilities for maintenance or emergencies. Except in the case of emergency, the Contracting
382 Officer shall consult with the Contractor to schedule the shutdown at such times and for such
383 duration as will allow for the work to be accomplished completely and efficiently, and with a

384 minimum of disruption of water service to the Contractor. In this regard, shutdowns will, to the
385 extent reasonably possible, be limited to the months of December and January.

386 (c) The Contractor shall deliver Irrigation Water in accordance with any
387 applicable land classification provisions of Federal Reclamation law and the associated
388 regulations. The Contractor shall not deliver Project Water to land outside the Contractor's
389 Boundaries unless approved in advance by the Contracting Officer.

390 (d) All Water Delivered to the Contractor pursuant to this Contract shall be
391 measured and recorded with equipment furnished, installed, operated, and maintained by the
392 United States, or the Operating Non-Federal Entity/Entities at the point or points of delivery
393 established pursuant to subdivision (a) of this Article. Upon the request of either party to this
394 Contract, the Contracting Officer shall investigate, or cause to be investigated by the responsible
395 Operating Non-Federal Entity/Entities, the accuracy of such measurements and shall take any
396 necessary steps to adjust any errors appearing therein. For any period of time when accurate
397 measurements have not been made, the Contracting Officer shall consult with the Contractor and
398 the responsible Operating Non-Federal Entity/Entities prior to making a final determination of
399 the quantity delivered for that period of time.

400 (e) Neither the Contracting Officer nor any Operating Non-Federal
401 Entity/Entities shall be responsible for the control, carriage, handling, use, disposal, or
402 distribution of Water Delivered to the Contractor pursuant to this Contract beyond the delivery
403 points specified in subdivision (a) of this Article. The Contractor shall indemnify the United
404 States, its officers, employees, agents, and assigns on account of damage or claim of damage of
405 any nature whatsoever for which there is legal responsibility, including property damage,
406 personal injury, or death arising out of or connected with the control, carriage, handling, use,

407 disposal, or distribution of such Water Delivered beyond such delivery points, except for any
408 damage or claim arising out of (i) acts or omissions of the Contracting Officer or any of its
409 officers, employees, agents, or assigns, including Operating Non-Federal Entity/Entities, with the
410 intent of creating the situation resulting in any damage or claim, (ii) willful misconduct of the
411 Contracting Officer or any of its officers, employees, agents, or assigns, including Operating
412 Non-Federal Entity/Entities, (iii) negligence of the Contracting Officer or any of its officers,
413 employees, agents, or assigns including the Operating Non-Federal Entity/Entities, or
414 (iv) damage or claims resulting from a malfunction of facilities owned and/or operated by the
415 United States or responsible Operating Non-Federal Entity/Entities.

416 MEASUREMENT OF WATER WITHIN THE CONTRACTOR'S BOUNDARIES

417 6. (a) The Contractor has established a measuring program satisfactory to the
418 Contracting Officer. The Contractor shall ensure that all surface water delivered for irrigation
419 purposes within the Contractor's Boundaries is measured at each agricultural turnout and such
420 water delivered for M&I purposes is measured at each M&I service connection. The water
421 measuring devices or water measuring methods of comparable effectiveness must be acceptable
422 to the Contracting Officer. The Contractor shall be responsible for installing, operating, and
423 maintaining and repairing all such measuring devices and implementing all such water
424 measuring methods at no cost to the United States. The Contractor shall use the information
425 obtained from such water measuring devices or water measuring methods to ensure its proper
426 management of the water, to bill water users for water delivered by the Contractor; and, if
427 applicable, to record water delivered for M&I purposes by customer class as defined in the
428 Contractor's water conservation plan provided for in Article 26 of this Contract. Nothing herein
429 contained, however, shall preclude the Contractor from establishing and collecting any charges,

430 assessments, or other revenues authorized by California law. The Contractor shall include a
431 summary of all its annual surface water deliveries in the annual report described in subdivision
432 (c) of Article 26.

433 (b) To the extent the information has not otherwise been provided, upon
434 execution of this Contract, the Contractor shall provide to the Contracting Officer a written
435 report describing the measurement devices or water measuring methods being used or to be used
436 to implement subdivision (a) of this Article and identifying the agricultural turnouts and the M&I
437 service connections or alternative measurement programs approved by the Contracting Officer,
438 at which such measurement devices or water measuring methods are being used, and, if
439 applicable, identifying the locations at which such devices and/or methods are not yet being used
440 including a time schedule for implementation at such locations. The Contracting Officer shall
441 advise the Contractor in writing within 60 days as to the adequacy and necessary modifications,
442 if any, of the measuring devices or water measuring methods identified in the Contractor's report
443 and if the Contracting Officer does not respond in such time, they shall be deemed adequate. If
444 the Contracting Officer notifies the Contractor that the measuring devices or methods are
445 inadequate, the parties shall within 60 days following the Contracting Officer's response,
446 negotiate in good faith the earliest practicable date by which the Contractor shall modify said
447 measuring devices and/or measuring methods as required by the Contracting Officer to ensure
448 compliance with subdivision (a) of this Article.

449 (c) All new surface water delivery systems installed within the Contractor's
450 Boundaries after the effective date of this Contract shall also comply with the measurement
451 provisions described in subdivision (a) of this Article.

452 (d) The Contractor shall inform the Contracting Officer and the State of
453 California in writing by April 30 of each Year of the monthly volume of surface water delivered
454 within the Contractor's Boundaries during the previous Year.

455 (e) The Contractor shall inform the Contracting Officer and the Operating
456 Non-Federal Entity on or before the 20th calendar day of each month of the quantity of Irrigation
457 and M&I Water taken during the preceding month.

458 RATES AND METHOD OF PAYMENT FOR WATER

459 7. (a) The Contractor shall pay the United States as provided in this Article for
460 all Delivered Water at Rates, Charges, and the Tiered Pricing Component established in
461 accordance with (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and
462 the Secretary's then-existing ratesetting policy for M&I Water. Such ratesetting policies shall be
463 amended, modified, or superseded only through a public notice and comment procedure; (ii)
464 applicable Federal Reclamation law and associated rules and regulations, or policies; and (iii)
465 other applicable provisions of this Contract. Payments shall be made by cash transaction,
466 electronic funds transfer, or any other mechanism as may be agreed to in writing by the
467 Contractor and the Contracting Officer. The Rates, Charges, and Tiered Pricing Component
468 applicable to the Contractor upon execution of this Contract are set forth in Exhibit "B," as may
469 be revised annually.

470 (b) The Contracting Officer shall notify the Contractor of the Rates, Charges,
471 and Tiered Pricing Component as follows:

472 (1) Prior to July 1 of each Calendar Year, the Contracting Officer shall
473 provide the Contractor an estimate of the Charges for Project Water that will be applied to the
474 period October 1, of the current Calendar Year, through September 30, of the following Calendar

475 Year, and the basis for such estimate. The Contractor shall be allowed not less than two months
476 to review and comment on such estimates. On or before September 15 of each Calendar Year,
477 the Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during
478 the period October 1 of the current Calendar Year, through September 30, of the following
479 Calendar Year, and such notification shall revise Exhibit "B."

480 (2) Prior to October 1 of each Calendar Year, the Contracting Officer
481 shall make available to the Contractor an estimate of the Rates and Tiered Pricing Component
482 for Project Water for the following Year and the computations and cost allocations upon which
483 those Rates are based. The Contractor shall be allowed not less than two months to review and
484 comment on such computations and cost allocations. By December 31 of each Calendar Year,
485 the Contracting Officer shall provide the Contractor with the final Rates and Tiered Pricing
486 Component to be in effect for the upcoming Year, and such notification shall revise Exhibit "B."

487 (c) At the time the Contractor submits the initial schedule for the delivery of
488 Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the
489 Contractor shall make an advance payment to the United States equal to the total amount payable
490 pursuant to the applicable Rate(s) set under subdivision (a) of this Article, for the Project Water
491 scheduled to be delivered pursuant to this Contract during the first two calendar months of the
492 Year. Before the end of the first month and before the end of each calendar month thereafter, the
493 Contractor shall make an advance payment to the United States, at the Rate(s) set under
494 subdivision (a) of this Article, for the Water Scheduled to be delivered pursuant to this Contract
495 during the second month immediately following. Adjustments between advance payments for
496 Water Scheduled and payments at Rates due for Water Delivered shall be made before the end of
497 the following month; Provided, That any revised schedule submitted by the Contractor pursuant

498 to Article 4 of this Contract which increases the amount of Water Delivered pursuant to this
499 Contract during any month shall be accompanied with appropriate advance payment, at the Rates
500 then in effect, to assure that Project Water is not delivered to the Contractor in advance of such
501 payment. In any month in which the quantity of Water Delivered to the Contractor pursuant to
502 this Contract equals the quantity of Water Scheduled and paid for by the Contractor, no
503 additional Project Water shall be delivered to the Contractor unless and until an advance
504 payment at the Rates then in effect for such additional Project Water is made. Final adjustment
505 between the advance payments for the Water Scheduled and payments for the quantities of Water
506 Delivered during each Year pursuant to this Contract shall be made as soon as practicable but no
507 later than April 30th of the following Year, or 60 days after the delivery of Project Water carried
508 over under subdivision (g) of Article 3 of this Contract if such water is not delivered by the last
509 day of February.

510 (d) The Contractor shall also make a payment in addition to the Rate(s) in
511 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
512 appropriate Tiered Pricing Component then in effect, before the end of the month following the
513 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered
514 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be
515 consistent with the quantities of Irrigation Water and M&I Water Delivered as shown in the
516 water delivery report for the subject month prepared by the Operating Non-Federal
517 Entity/Entities or, if there is no Operating Non-Federal Entity/Entities, by the Contracting
518 Officer. The water delivery report shall be deemed a bill for the payment of Charges and the
519 applicable Tiered Pricing Component for Water Delivered. Adjustment for overpayment or
520 underpayment of Charges shall be made through the adjustment of payments due to the United

521 States for Charges for the next month. Any amount to be paid for past due payment of Charges
522 and the Tiered Pricing Component shall be computed pursuant to Article 20 of this Contract.

523 (e) The Contractor shall pay for any Water Delivered under subdivision (a),
524 (f), or (g) of Article 3 of this Contract as determined by the Contracting Officer pursuant to
525 applicable statutes, associated regulations, any applicable provisions of guidelines or ratesetting
526 policies; Provided, That the Rate for Water Delivered under subdivision (f) of Article 3 of this
527 Contract shall be no more than the otherwise applicable Rate for Irrigation Water or M&I Water
528 under subdivision (a) of this Article.

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

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

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

543 (i) The parties acknowledge and agree that the efficient administration of this
544 Contract is their mutual goal. Recognizing that experience has demonstrated that mechanisms,
545 policies, and procedures used for establishing Rates, Charges, and Tiered Pricing Components,
546 and/or for making and allocating payments, other than those set forth in this Article may be in
547 the mutual best interest of the parties, it is expressly agreed that the parties may enter into
548 agreements to modify the mechanisms, policies, and procedures for any of those purposes while
549 this Contract is in effect without amending this Contract.

550 (j) (1) Beginning at such time as deliveries of Project Water in a Year
551 exceed 80 percent of the Contract Total, then before the end of the month following the month of
552 delivery the Contractor shall make an additional payment to the United States equal to the
553 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water
554 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the
555 Contract total, shall equal one-half of the difference between the Rate established under
556 subdivision (a) of this Article and the Irrigation Full Cost Water Rate or M&I Full Cost Water
557 Rate, whichever is applicable. The Tiered Pricing Component for the amount of Water delivered
558 which exceeds 90 percent of the Contract Total shall equal the difference between (i) the Rate
559 established under subdivision (a) of this Article and (ii) the Irrigation Full Cost Water Rate or
560 M&I Full Cost Water Rate, whichever is applicable. For all Water Delivered pursuant to
561 subdivision (a) of Article 3 of this Contract which is in excess of 80 percent of the Contract
562 Total, this increment shall be deemed to be divided between Irrigation Water and M&I Water in
563 the same proportion as actual deliveries of each bear to the cumulative total Water Delivered.
564 Solely for the purpose of calculating the Tiered Pricing Component, the Full Cost Rate shall not
565 include the interest component of the Contractor's water distribution system constructed by the

566 United States and covered by Repayment Contract No. 14-06-200-516-A entered into pursuant to
567 43 USC 485h(d).

568 (2) Subject to the Contracting Officer's written approval, the
569 Contractor may request and receive an exemption from such Tiered Pricing Components for
570 Project Water delivered to produce a crop which the Contracting Officer determines will provide
571 significant and quantifiable habitat values for waterfowl in fields where the water is used and the
572 crops are produced; Provided, That the exemption from the Tiered Pricing Components for
573 Irrigation Water shall apply only if such habitat values can be assured consistent with the
574 purposes of the CVPIA through binding agreements executed with or approved by the
575 Contracting Officer prior to use of such water.

576 (3) For purposes of determining the applicability of the Tiered Pricing
577 Component pursuant to this Article, Water Delivered shall include Project Water that the
578 Contractor transfers to others but shall not include Project Water transferred to the Contractor,
579 nor shall it include the additional water provided to the Contractor under the provisions of
580 subdivision (f) of Article 3 of this Contract.

581 (k) For the term of this Contract, Rates under the respective ratesetting
582 policies will be established to recover only reimbursable O&M (including any deficits) and
583 capital costs of the Project, as those terms are used in then-current Project ratesetting policies,
584 and interest, where appropriate, except in instances where a minimum Rate is applicable in
585 accordance with the relevant Project ratesetting policy. Changes of significance in practices
586 which implement the Contracting Officer's ratesetting policies will not be implemented until the
587 Contracting Officer has provided the Contractor an opportunity to discuss the nature, need, and
588 impact of the proposed change.

589 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the
590 CVPIA, the Rates for Project Water transferred by the Contractor shall be the Contractor's Rates
591 adjusted upward or downward to reflect the changed costs, if any, incurred by the Contracting
592 Officer in the delivery of the transferred Project Water to the transferee's point of delivery in
593 accordance with the then applicable Project ratesetting policy. If the Contractor is receiving
594 lower Rates and Charges because of inability to pay and is transferring Project Water to another
595 entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and Charges
596 for transferred Project Water shall not be adjusted to reflect the Contractor's inability to pay.

597 (m) Pursuant to the Act of October 27, 1986 (100 Stat. 3050), the Contracting
598 Officer is authorized to adjust determinations of ability to pay every five years.

599 (n) With respect to the Rates for M&I Water, the Contractor asserts that it is
600 not legally obligated to repay any Project deficits claimed by the United States to have accrued
601 as of the date of this Contract or deficit-related interest charges thereon. By entering into this
602 Contract, the Contractor does not waive any legal rights or remedies that it may have with
603 respect to such disputed issues. Notwithstanding the execution of this Contract, and payments
604 made hereunder, the Contractor may challenge in the appropriate administrative or judicial
605 forums: (1) the existence, computation, or imposition of any deficit charges accruing during the
606 term of the Existing Contract and any preceding interim renewal contracts, if applicable; (2)
607 interest accruing on any such deficits; (3) the inclusion of any such deficit charges or interest in
608 the Rates; (4) the application by the United States of payments made by the Contractor under its
609 Existing Contract and any preceding interim renewal contracts, if applicable; and (5) the
610 application of such payments in the Rates. The Contracting Officer agrees that the Contractor
611 shall be entitled to the benefit of any administrative or judicial ruling in favor of any other

612 Project M&I contractor on any of these issues and credits for payments heretofore made,
613 Provided That, the basis for such ruling is applicable to the Contractor.

614 NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

615 8. The Contractor and the Contracting Officer concur that, as of the effective date of
616 this Contract, the Contractor has no non-interest bearing O&M deficits and shall have no further
617 liability therefor.

618 SALES, TRANSFERS, OR EXCHANGES OF WATER

619 9. (a) The right to receive Project Water provided for in this Contract may be
620 sold, transferred, or exchanged to others for reasonable and beneficial uses within the State of
621 California if such sale, transfer, or exchange is authorized by applicable Federal and State laws,
622 and applicable guidelines or regulations then in effect. No sale, transfer, or exchange of Project
623 Water under this Contract may take place without the prior written approval of the Contracting
624 Officer, except as provided for in subdivision (b) of this Article, and no such sales, transfers, or
625 exchanges shall be approved absent all appropriate environmental documentation, including but
626 not limited to documents prepared pursuant to NEPA and ESA. Such environmental
627 documentation should include, as appropriate, an analysis of groundwater impacts and economic
628 and social effects, including environmental justice, of the proposed water transfers on both the
629 transferor and transferee.

630 (b) In order to facilitate efficient water management by means of water
631 transfers of the type historically carried out among Project Contractors located within the same
632 geographical area and to allow the Contractor to participate in an accelerated water transfer
633 program during the term of this Contract, the Contracting Officer shall prepare, as appropriate,
634 all necessary environmental documentation including, but not limited to, documents prepared

635 pursuant to NEPA and ESA, analyzing annual transfers within such geographical areas and the
636 Contracting Officer shall determine whether such transfers comply with applicable law.
637 Following the completion of the environmental documentation, such transfers addressed in such
638 documentation shall be conducted with advance notice to the Contracting Officer, but shall not
639 require prior written approval by the Contracting Officer. Such environmental documentation
640 and the Contracting Officer's compliance determination shall be reviewed every five years and
641 updated, as necessary, prior to the expiration of the then-existing five-year period. All
642 subsequent environmental documentation shall include an alternative to evaluate not less than the
643 quantity of Project Water historically transferred within the same geographical area.

644 (c) For a water transfer to qualify under subdivision (b) of this Article, such
645 water transfer must: (i) be for irrigation purposes for lands irrigated within the previous three
646 years, for M&I use, groundwater recharge, groundwater banking, similar groundwater activities,
647 surface water storage, or fish and wildlife resources; not lead to land conversion; and be
648 delivered to established cropland, wildlife refuges, groundwater basins or M&I use; (ii) occur
649 within a single Year; (iii) occur between a willing seller and a willing buyer; (iv) convey water
650 through existing facilities with no new construction or modifications to facilities and be between
651 existing Project Contractors and/or the Contractor and the United States, Department of the
652 Interior; and (v) comply with all applicable Federal, State, and local or tribal laws and
653 requirements imposed for protection of the environment and Indian Trust Assets, as defined
654 under Federal law.

655 (d) For the purpose of determining whether Section 3405(a)(1)(M) of the CVPIA
656 applies to the Contractor as a transferor or transferee of Project Water, the Contracting Officer
657 acknowledges that the Contractor is within a county, watershed, or other area of origin, as those

658 terms are utilized under California law, of water that constitutes the natural flow of the
659 Sacramento River and its tributaries above the confluence of the American and Sacramento
660 Rivers.

661 APPLICATION OF PAYMENTS AND ADJUSTMENTS

662 10. (a) The amount of any overpayment by the Contractor of the Contractor's
663 O&M, capital, and deficit (if any) obligations for the Year shall be applied first to any current
664 liabilities of the Contractor arising out of this Contract then due and payable. Overpayments of
665 more than \$1,000 shall be refunded at the Contractor's request. In lieu of a refund, any amount
666 of such overpayment, at the option of the Contractor, may be credited against amounts to become
667 due to the United States by the Contractor. With respect to overpayment, such refund or
668 adjustment shall constitute the sole remedy of the Contractor or anyone having or claiming to
669 have the right to the use of any of the Project Water supply provided for herein. All credits and
670 refunds of overpayments shall be made within 30 days of the Contracting Officer obtaining
671 direction as to how to credit or refund such overpayment in response to the notice to the
672 Contractor that it has finalized the accounts for the Year in which the overpayment was made.

673 (b) All advances for miscellaneous costs incurred for work requested by the
674 Contractor pursuant to Article 25 of this Contract shall be adjusted to reflect the actual costs
675 when the work has been completed. If the advances exceed the actual costs incurred, the
676 difference will be refunded to the Contractor. If the actual costs exceed the Contractor's
677 advances, the Contractor will be billed for the additional costs pursuant to Article 25.

678 TEMPORARY REDUCTIONS--RETURN FLOWS

679 11. (a) Subject to: (i) the authorized purposes and priorities of the Project and the
680 requirements of Federal law; and (ii) the obligations of the United States under existing

681 contracts, or renewals thereof, providing for water deliveries from the Project, the Contracting
682 Officer shall make all reasonable efforts to optimize Project Water deliveries to the Contractor as
683 provided in this Contract.

684 (b) The Contracting Officer or Operating Non-Federal Entity/Entities may
685 temporarily discontinue or reduce the quantity of Water Delivered to the Contractor as herein
686 provided for the purposes of investigation, inspection, maintenance, repair, or replacement of any
687 of the Project facilities or any part thereof necessary for the delivery of Project Water to the
688 Contractor, but so far as feasible the Contracting Officer or Operating Non-Federal Entity will
689 give the Contractor due notice in advance of such temporary discontinuance or reduction, except
690 in case of emergency, in which case no notice need be given; Provided, That the United States
691 shall use its best efforts to avoid any discontinuance or reduction in such service. Upon
692 resumption of service after such reduction or discontinuance, and if requested by the Contractor,
693 the United States will, if possible, deliver the quantity of Project Water which would have been
694 delivered hereunder in the absence of such discontinuance or reduction.

695 (c) The United States reserves the right to all seepage and return flow water
696 derived from Water Delivered to the Contractor hereunder which escapes or is discharged
697 beyond the Contractor's Boundaries; Provided, That this shall not be construed as claiming for
698 the United States any right to seepage or return flow being put to reasonable and beneficial use
699 pursuant to this Contract within the Contractor's Boundaries by the Contractor or those claiming
700 by, through, or under the Contractor.

701 CONSTRAINTS ON THE AVAILABILITY OF WATER

702 12. (a) In its operation of the Project, the Contracting Officer will use all
703 reasonable means to guard against a Condition of Shortage in the quantity of water to be made

704 available to the Contractor pursuant to this Contract. In the event the Contracting Officer
705 determines that a Condition of Shortage appears probable, the Contracting Officer will notify the
706 Contractor of said determination as soon as practicable.

707 (b) If there is a Condition of Shortage because of errors in physical operations
708 of the Project, drought, other physical causes beyond the control of the Contracting Officer or
709 actions taken by the Contracting Officer to meet legal obligations then, except as provided in
710 subdivision (a) of Article 18 of this Contract, no liability shall accrue against the United States or
711 any of its officers, agents, or employees for any damage, direct or indirect, arising therefrom.

712 (c) In any Year in which there may occur a shortage for any of the reasons
713 specified in subdivision (b) above, the Contracting Officer shall apportion the available Project
714 Water supply among the Contractor and others entitled, under existing contracts and future
715 contracts (to the extent such future contracts are permitted under subsections (a) and (b) of
716 Section 3404 of the CVPIA) and renewals thereof, to receive Project Water consistent with the
717 contractual obligations of the United States.

718 (d) Project Water furnished under this Contract will be allocated in
719 accordance with the then-existing Project M&I Water Shortage Policy. Such policy shall be
720 amended, modified, or superseded only through a public notice and comment procedure.

721 UNAVOIDABLE GROUNDWATER PERCOLATION

722 13. To the extent applicable, the Contractor shall not be deemed to have delivered
723 Irrigation Water to Excess Lands or Ineligible Lands within the meaning of this Contract if such
724 lands are irrigated with groundwater that reaches the underground strata as an unavoidable result
725 of the delivery of Irrigation Water by the Contractor to Eligible Lands.

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RULES AND REGULATIONS

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14. The parties agree that the delivery of Irrigation Water or use of Federal facilities pursuant to this Contract is subject to Federal Reclamation law, including but not limited to the Reclamation Reform Act of 1982 (43 U.S.C.390aa et seq.), as amended and supplemented, and the rules and regulations promulgated by the Secretary of the Interior under Federal Reclamation law.

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WATER AND AIR POLLUTION CONTROL

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15. The Contractor, in carrying out this Contract, 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.

QUALITY OF WATER

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16. (a) Project facilities used to deliver Project Water to the Contractor pursuant to this Contract shall be operated and maintained to enable the United States to deliver Project Water to the Contractor in accordance with the water quality standards specified in subsection 2(b) of the Act of August 26, 1937 (50 Stat. 865), as added by Section 101 of the Act of October 27, 1986 (100 Stat. 3050) or other existing Federal laws. The United States is under no obligation to construct or furnish water treatment facilities to maintain or to improve the quality of Water Delivered to the Contractor pursuant to this Contract. The United States does not warrant the quality of Water Delivered to the Contractor pursuant to this Contract.

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(b) The O&M of Project facilities shall be performed in such manner as is practicable to maintain the quality of raw water made available through such facilities at the highest level reasonably attainable as determined by the Contracting Officer. The Contractor shall be responsible for compliance with all State and Federal water quality standards applicable to surface and subsurface agricultural drainage discharges generated through the use of Federal or Contractor facilities or Project Water provided by the Contractor within the Contractor's Boundaries.

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WATER ACQUIRED BY THE CONTRACTOR
OTHER THAN FROM THE UNITED STATES

755 17. (a) Water or water rights now owned or hereafter acquired by the Contractor
756 other than from the United States and Irrigation Water furnished pursuant to the terms of this
757 Contract may be simultaneously transported through the same distribution facilities of the
758 Contractor subject to the following: (i) if the facilities utilized for commingling Irrigation Water
759 and non-Project water were constructed without funds made available pursuant to Federal
760 Reclamation law, the provisions of Federal Reclamation law will be applicable only to the
761 Landholders of lands which receive Irrigation Water; (ii) the eligibility of land to receive
762 Irrigation Water must be established through the certification requirements as specified in the
763 Acreage Limitation Rules and Regulations (43 CFR Part 426); (iii) the water requirements of
764 Eligible Lands within the Contractor's Boundaries can be established and the quantity of
765 Irrigation Water to be utilized is less than or equal to the quantity necessary to irrigate such
766 Eligible Lands; and (iv) if the facilities utilized for commingling Irrigation Water and non-
767 Project water are/were constructed with funds made available pursuant to Federal Reclamation
768 law, the non-Project water will be subject to the acreage limitation provisions of Federal
769 Reclamation law, unless the Contractor pays to the United States the incremental fee described in
770 43 CFR 426.15. In determining the incremental fee, the Contracting Officer will calculate
771 annually the cost to the Federal Government, including interest, on storing or delivering non-
772 Project water, which for purposes of this Contract shall be determined as follows: The quotient
773 shall be the unpaid distribution system costs divided by the total irrigable acreage within the
774 Contractor's Boundaries. The incremental fee per acre is the mathematical result of such
775 quotient times the interest rate determined using Section 202 (3) of the Act of October 12, 1982
776 (96 Stat. 1263). Such incremental fee will be charged to each acre of excess or full cost land

777 within the Contractor's Boundaries that receives non-Project water through Federally financed or
778 constructed facilities. The incremental fee calculation methodology will continue during the
779 term of this Contract absent the promulgation of a contrary Reclamation-wide rule, regulation, or
780 policy adopted after the Contractor has been afforded the opportunity to review and comment on
781 the proposed rule, regulation, or policy. If such rule, regulation, or policy is adopted it shall
782 supersede this provision.

783 (b) Water or water rights now owned or hereafter acquired by the Contractor,
784 other than from the United States, may be stored, conveyed, and/or diverted through Project
785 facilities, subject to the completion of appropriate environmental documentation, with the
786 approval of the Contracting Officer and the execution of any contract determined by the
787 Contracting Officer to be necessary, consistent with the following provisions:

788 (1) The Contractor may introduce non-Project water into Project
789 facilities and deliver said water to lands within the Contractor's Boundaries, including Ineligible
790 Lands, subject to payment to the United States and/or to any applicable Operating Non-Federal
791 Entity of an appropriate rate as determined by the applicable Project ratesetting policy, the RRA,
792 and the Project use power policy, if such Project use power policy is applicable, each as
793 amended, modified, or superseded from time to time.

794 (2) Delivery of such non-Project water in and through Project facilities
795 shall only be allowed to the extent such deliveries do not: (i) interfere with other Project
796 purposes as determined by the Contracting Officer; (ii) reduce the quantity or quality of water
797 available to other Project Contractors; (iii) interfere with the delivery of contractual water
798 entitlements to any other Project Contractors; or (iv) interfere with the physical maintenance of
799 the Project facilities.

800 (3) Neither the United States nor the Operating Non-Federal Entity
801 shall be responsible for control, care, or distribution of the non-Project water before it is
802 introduced into or after it is delivered from the Project facilities. The Contractor hereby releases
803 and agrees to defend and indemnify the United States and the Operating Non-Federal Entity, and
804 their respective officers, agents, and employees, from any claim for damage to persons or
805 property, direct or indirect, resulting from the acts of the Contractor, its officers', employees',
806 agents', or assigns', act(s) in (i) extracting or diverting non-Project water from any source, or (ii)
807 diverting such non-Project water into Project facilities.

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

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

816 OPINIONS AND DETERMINATIONS

817 18. (a) Where the terms of this Contract provide for actions to be based upon the
818 opinion or determination of either party to this Contract, said terms shall not be construed as
819 permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or
820 determinations. Both parties, notwithstanding any other provisions of this Contract, expressly
821 reserve the right to seek relief from and appropriate adjustment for any such arbitrary, capricious,
822 or unreasonable opinion or determination. Each opinion or determination by either party shall be

823 provided in a timely manner. Nothing in subdivision (a) of Article 18 of this Contract is
824 intended to or shall affect or alter the standard of judicial review applicable under Federal law to
825 any opinion or determination implementing a specific provision of Federal law embodied in
826 statute or regulation.

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

832 COORDINATION AND COOPERATION

833 19. (a) In order to further their mutual goals and objectives, the Contracting
834 Officer and the Contractor shall communicate, coordinate, and cooperate with each other, and
835 with other affected Project Contractors, in order to improve the operation and management of the
836 Project. The communication, coordination, and cooperation regarding operations and
837 management shall include, but not be limited to, any action which will or may materially affect
838 the quantity or quality of Project Water supply, the allocation of Project Water supply, and
839 Project financial matters including, but not limited to, budget issues. The communication,
840 coordination, and cooperation provided for hereunder shall extend to all provisions of this
841 Contract. Each party shall retain exclusive decision making authority for all actions, opinions,
842 and determinations to be made by the respective party.

843 (b) Within 120 days following the effective date of this Contract, the
844 Contractor, other affected Project Contractors, and the Contracting Officer shall arrange to meet
845 with interested Project Contractors to develop a mutually agreeable, written Project-wide

846 process, which may be amended as necessary separate and apart from this Contract. The goal of
847 this process shall be to provide, to the extent practicable, the means of mutual communication
848 and interaction regarding significant decisions concerning Project operation and management on
849 a real-time basis.

850 (c) In light of the factors referred to in subdivision (b) of Article 3 of this
851 Contract, it is the intent of the Secretary to improve water supply reliability. To carry out this
852 intent:

853 (1) The Contracting Officer will, at the request of the Contractor,
854 assist in the development of integrated resource management plans for the Contractor. Further,
855 the Contracting Officer will, as appropriate, seek authorizations for implementation of
856 partnerships to improve water supply, water quality, and reliability.

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

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

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

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

867 (d) Without limiting the contractual obligations of the Contracting Officer
868 under the other Articles of this Contract, nothing in this Article shall be construed to limit or

869 constrain the Contracting Officer's ability to communicate, coordinate, and cooperate with the
870 Contractor or other interested stakeholders or to make decisions in a timely fashion as needed to
871 protect health, safety, or the physical integrity of structures or facilities.

872 CHARGES FOR DELINQUENT PAYMENTS

873 20. (a) The Contractor shall be subject to interest, administrative and penalty
874 charges on delinquent installments or payments. When a payment is not received by the due
875 date, the Contractor shall pay an interest charge for each day the payment is delinquent beyond
876 the due date. When a payment becomes sixty (60) days delinquent, the Contractor shall pay an
877 administrative charge to cover additional costs of billing and processing the delinquent payment.
878 When a payment is delinquent ninety (90) days or more, the Contractor shall pay an additional
879 penalty charge of six (6%) percent per year for each day the payment is delinquent beyond the
880 due date. Further, the Contractor shall pay any fees incurred for debt collection services
881 associated with a delinquent payment.

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

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

890 EQUAL OPPORTUNITY

891 21. During the performance of this Contract, the Contractor agrees as follows:

892 (a) The Contractor will not discriminate against any employee or applicant for
893 employment because of race, color, religion, sex, or national origin. The Contractor will take
894 affirmative action to ensure that applicants are employed, and that employees are treated during
895 employment, without regard to their race, color, religion, sex, or national origin. Such action
896 shall include, but not be limited to, the following: Employment, upgrading, demotion, or
897 transfer; recruitment or recruitment advertising; layoff or termination, rates of payment or other
898 forms of compensation; and selection for training, including apprenticeship. The Contractor
899 agrees to post in conspicuous places, available to employees and applicants for employment,
900 notices to be provided by the Contracting Officer setting forth the provisions of this
901 nondiscrimination clause.

902 (b) The Contractor will, in all solicitations or advertisements for employees
903 placed by or on behalf of the Contractor, state that all qualified applicants will receive

904 consideration for employment without discrimination because of race, color, religion, sex, or
905 national origin.

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

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

915 (e) The Contractor will furnish all information and reports required by said
916 amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or
917 pursuant thereto, and will permit access to its books, records, and accounts by the Contracting
918 Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with
919 such rules, regulations, and orders.

920 (f) In the event of the Contractor's noncompliance with the nondiscrimination
921 clauses of this Contract or with any of the said rules, regulations, or orders, this Contract may be
922 canceled, terminated, or suspended, in whole or in part, and the Contractor may be declared
923 ineligible for further Government contracts in accordance with procedures authorized in said
924 amended Executive Order, and such other sanctions may be imposed and remedies invoked as
925 provided in said Executive Order, or by rule, regulation, or order of the Secretary of Labor, or as
926 otherwise provided by law.

927 (g) The Contractor will include the provisions of paragraphs (a) through (g) in
928 every subcontract or purchase order unless exempted by the rules, regulations, or orders of the
929 Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such
930 provisions will be binding upon each subcontractor or vendor. The Contractor will take such
931 action with respect to any subcontract or purchase order as may be directed by the Secretary of
932 Labor as a means of enforcing such provisions, including sanctions for noncompliance:
933 Provided, however, that in the event the Contractor becomes involved in, or is threatened with,
934 litigation with a subcontractor or vendor as a result of such direction, the Contractor may request
935 the United States to enter into such litigation to protect the interests of the United States.

936 GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

937 22. (a) The obligation of the Contractor to pay the United States as provided in
938 this Contract is a general obligation of the Contractor notwithstanding the manner in which the
939 obligation may be distributed among the Contractor's water users and notwithstanding the default
940 of individual water users in their obligations to the Contractor.

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

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

949 COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

950 23. (a) The Contractor shall comply with Title VI of the Civil Rights Act of 1964
951 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (P.L. 93-112, as amended), the
952 Age Discrimination Act of 1975 (42 U.S.C. 6101, et seq.) and any other applicable civil rights
953 laws, as well as with their respective implementing regulations and guidelines imposed by the
954 U.S. Department of the Interior and/or Bureau of Reclamation.

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

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

969 PRIVACY ACT COMPLIANCE

970 24. (a) The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C. 552a)
971 (the Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45 et
972 seq.) in maintaining Landholder acreage certification and reporting records, required to be
973 submitted to the Contractor for compliance with Sections 206 and 228 of the Reclamation
974 Reform Act of 1982 (96 Stat. 1266), and pursuant to 43 CFR 426.18.

975 (b) With respect to the application and administration of the criminal penalty
976 provisions of the Act (5 U.S.C. 552a(i)), the Contractor and the Contractor's employees
977 responsible for maintaining the certification and reporting records referenced in (a) above are
978 considered to be employees of the Department of the Interior. See 5 U.S.C. 552a(m).

979 (c) The Contracting Officer or a designated representative shall provide the
980 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau
981 of Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation--
982 Interior, Reclamation-31) which govern the maintenance, safeguarding, and disclosure of
983 information contained in the Landholder's certification and reporting records.

984 (d) The Contracting Officer shall designate a full-time employee of the
985 Bureau of Reclamation to be the System Manager who shall be responsible for making decisions
986 on denials pursuant to 43 CFR 2.61 and 2.64 amendment requests pursuant to 43 CFR 2.72. The
987 Contractor is authorized to grant requests by individuals for access to their own records.

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

995 CONTRACTOR TO PAY CERTAIN MISCELLANEOUS COSTS

996 25. In addition to all other payments to be made by the Contractor pursuant to this
997 Contract, the Contractor shall pay to the United States, within 60 days after receipt of a bill and
998 detailed statement submitted by the Contracting Officer to the Contractor for such specific items
999 of direct cost incurred by the United States for work requested by the Contractor associated with
1000 this Contract plus indirect costs in accordance with applicable Bureau of Reclamation policies
1001 and procedures. All such amounts referred to in this Article shall not exceed the amount agreed
1002 to in writing in advance by the Contractor. This Article shall not apply to costs for routine
1003 contract administration.

1004 WATER CONSERVATION

1005 26. (a) Prior to the delivery of water provided from or conveyed through
1006 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor
1007 shall be implementing an effective water conservation and efficiency program based on the
1008 Contractor's water conservation plan that has been determined by the Contracting Officer to meet
1009 the conservation and efficiency criteria for evaluating water conservation plans established under
1010 Federal law. The water conservation and efficiency program shall contain definite water

1011 conservation objectives, appropriate economically feasible water conservation measures, and
1012 time schedules for meeting those objectives. Continued Project Water delivery pursuant to this
1013 Contract shall be contingent upon the Contractor's continued implementation of such water
1014 conservation program. In the event the Contractor's water conservation plan or any revised water
1015 conservation plan completed pursuant to subdivision (d) of Article 26 of this Contract have not
1016 yet been determined by the Contracting Officer to meet such criteria, due to circumstances which
1017 the Contracting Officer determines are beyond the control of the Contractor, water deliveries
1018 shall be made under this Contract so long as the Contractor diligently works with the Contracting
1019 Officer to obtain such determination at the earliest practicable date, and thereafter the Contractor
1020 immediately begins implementing its water conservation and efficiency program in accordance
1021 with the time schedules therein.

1022 (b) Should the amount of M&I Water delivered pursuant to subdivision (a) of
1023 Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractor shall
1024 implement the Best Management Practices identified by the time frames issued by the California
1025 Urban Water Conservation Council for such M&I Water unless any such practice is determined
1026 by the Contracting Officer to be inappropriate for the Contractor.

1027 (c) The Contractor shall submit to the Contracting Officer a report on the
1028 status of its implementation of the water conservation plan on the reporting dates specified in the
1029 then existing conservation and efficiency criteria established under Federal law.

1030 (d) At five-year intervals, the Contractor shall revise its water conservation
1031 plan to reflect the then-current conservation and efficiency criteria for evaluating water
1032 conservation plans established under Federal law and submit such revised water management
1033 plan to the Contracting Officer for review and evaluation. The Contracting Officer will then
1034 determine if the water conservation plan meets Reclamation's then-current conservation and
1035 efficiency criteria for evaluating water conservation plans established under Federal law.

1036 (e) If the Contractor is engaged in direct groundwater recharge, such activity
1037 shall be described in the Contractor's water conservation plan.

1038 EXISTING OR ACQUIRED WATER OR WATER RIGHTS

1039 27. Except as specifically provided in Article 17 of this Contract, the provisions of
1040 this Contract shall not be applicable to or affect non-Project water or water rights now owned or
1041 hereafter acquired by the Contractor or any user of such water within the Contractor's
1042 Boundaries. Any such water shall not be considered Project Water under this Contract. In
1043 addition, this Contract shall not be construed as limiting or curtailing any rights which the
1044 Contractor or any water user within the Contractor's Boundaries acquires or has available under
1045 any other contract pursuant to Federal Reclamation law.

1046 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

1047 28. (a) The O&M of a portion of the Project facilities which serve the Contractor,
1048 and responsibility for funding a portion of the costs of such O&M, have been transferred to the
1049 Operating Non-Federal Entity by separate agreement between the United States and the
1050 Operating Non-Federal Entity. That separate agreement shall not interfere with or affect the
1051 rights or obligations of the Contractor or the United States hereunder.

1052 (b) The Contracting Officer has previously notified the Contractor in writing
1053 that the O&M of a portion of the Project facilities which serve the Contractor has been
1054 transferred to the Operating Non-Federal Entity, and therefore, the Contractor shall pay directly
1055 to the Operating Non-Federal Entity, or to any successor approved by the Contracting Officer
1056 under the terms and conditions of the separate agreement between the United States and the
1057 Operating Non-Federal Entity described in subdivision (a) of this Article, all rates, charges, or
1058 assessments of any kind, including any assessment for reserve funds, which the Operating
1059 Non-Federal Entity or such successor determines, sets, or establishes for the O&M of the portion
1060 of the Project facilities operated and maintained by the Operating Non-Federal Entity or such
1061 successor. Such direct payments to the Operating Non-Federal Entity or such successor shall not

1062 relieve the Contractor of its obligation to pay directly to the United States the Contractor's share
1063 of the Project Rates, Charges, and Tiered Pricing Component (s) except to the extent the
1064 Operating Non-Federal Entity collects payments on behalf of the United States in accordance
1065 with the separate agreement identified in subdivision (a) of this Article.

1066 (c) For so long as the O&M of any portion of the Project facilities serving the
1067 Contractor is performed by the Operating Non-Federal Entity, or any successor thereto, the
1068 Contracting Officer shall adjust those components of the Rates for Water Delivered under this
1069 Contract representing the cost associated with the activity being performed by the Operating
1070 Non-Federal Entity or its successor.

1071 (d) In the event the O&M of the Project facilities operated and maintained by
1072 the Operating Non-Federal Entity is reassumed by the United States during the term of this
1073 Contract, the Contracting Officer shall so notify the Contractor, in writing, and present to the
1074 Contractor a revised Exhibit "B" which shall include the portion of the Rates to be paid by the
1075 Contractor for Project Water under this Contract representing the O&M costs of the portion of
1076 such Project facilities which have been reassumed. The Contractor shall, thereafter, in the
1077 absence of written notification from the Contracting Officer to the contrary, pay the Rates,
1078 Charges, and Tiered Pricing Component(s) specified in the revised Exhibit "B" directly to the
1079 United States in compliance with Article 7 of this Contract.

1080 CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

1081 29. The expenditure or advance of any money or the performance of any obligation of
1082 the United States under this Contract shall be contingent upon appropriation or allotment of
1083 funds. Absence of appropriation or allotment of funds shall not relieve the Contractor from any
1084 obligations under this Contract. No liability shall accrue to the United States in case funds are
1085 not appropriated or allotted.

1086 BOOKS, RECORDS, AND REPORTS

1087 30. (a) The Contractor shall establish and maintain accounts and other books and
1088 records pertaining to administration of the terms and conditions of this Contract, including: the
1089 Contractor's financial transactions, water supply data, and Project land and right-of-way
1090 agreements; the water users' land-use (crop census), land ownership, land-leasing and water use

1091 data; and other matters that the Contracting Officer may require. Reports thereon shall be
1092 furnished to the Contracting Officer in such form and on such date or dates as the Contracting
1093 Officer may require. Subject to applicable Federal laws and regulations, each party to this
1094 Contract shall have the right during office hours to examine and make copies of the other party's
1095 books and records relating to matters covered by this Contract.

1096 (b) Notwithstanding the provisions of subdivision (a) of this Article, no
1097 books, records, or other information shall be requested from the Contractor by the Contracting
1098 Officer unless such books, records, or information are reasonably related to the administration or
1099 performance of this Contract. Any such request shall allow the Contractor a reasonable period of
1100 time within which to provide the requested books, records, or information.

1101 (c) At such time as the Contractor provides information to the Contracting
1102 Officer pursuant to subdivision (a) of this Article, a copy of such information shall be provided
1103 to the Operating Non-Federal Entity.

1104 ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED

1105 31. (a) The provisions of this Contract shall apply to and bind the successors and
1106 assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest
1107 therein shall be valid until approved in writing by the Contracting Officer.

1108 (b) The assignment of any right or interest in this Contract by either party
1109 shall not interfere with the rights or obligations of the other party to this Contract absent the
1110 written concurrence of said other party.

1111 (c) The Contracting Officer shall not unreasonably condition or withhold his
1112 approval of any proposed assignment.

1113 SEVERABILITY

1114 32. In the event that a person or entity who is neither (i) a party to a Project contract,
1115 nor (ii) a person or entity that receives Project Water from a party to a Project contract, nor
1116 (iii) an association or other form of organization whose primary function is to represent parties to
1117 Project contracts, brings an action in a court of competent jurisdiction challenging the legality or
1118 enforceability of a provision included in this Contract and said person, entity, association, or

1119 organization obtains a final court decision holding that such provision is legally invalid or
1120 unenforceable and the Contractor has not intervened in that lawsuit in support of the plaintiff(s),
1121 the parties to this Contract shall use their best efforts to (i) within 30 days of the date of such
1122 final court decision identify by mutual agreement the provisions in this Contract which must be
1123 revised, and (ii) within three months thereafter promptly agree on the appropriate revision(s).
1124 The time periods specified above may be extended by mutual agreement of the parties. Pending
1125 the completion of the actions designated above, to the extent it can do so without violating any
1126 applicable provisions of law, the United States shall continue to make the quantities of Project
1127 Water specified in this Contract available to the Contractor pursuant to the provisions of this
1128 Contract which were not found to be legally invalid or unenforceable in the final court decision.

1129 RESOLUTION OF DISPUTES

1130 33. Should any dispute arise concerning any provisions of this Contract, or the
1131 parties' rights and obligations thereunder, the parties shall meet and confer in an attempt to
1132 resolve the dispute. Prior to the Contractor commencing any legal action, or the Contracting
1133 Officer referring any matter to Department of Justice, the party shall provide to the other party
1134 30 days' written notice of the intent to take such action; Provided, That such notice shall not be
1135 required where a delay in commencing an action would prejudice the interests of the party that
1136 intends to file suit. During the 30-day notice period, the Contractor and the Contracting Officer
1137 shall meet and confer in an attempt to resolve the dispute. Except as specifically provided,
1138 nothing herein is intended to waive or abridge any right or remedy that the Contractor or the
1139 United States may have.

1140 OFFICIALS NOT TO BENEFIT

1141 34. No Member of or Delegate to Congress, Resident Commissioner, or official of the
1142 Contractor shall benefit from this Contract other than as a water user or landowner in the same
1143 manner as other water users or landowners.

1144 CHANGES IN CONTRACTOR'S BOUNDARIES

1145 35. (a) While this Contract is in effect, no change may be made in the
1146 Contractor's Boundaries, by inclusion or exclusion of lands, dissolution, consolidation, merger,
1147 or otherwise, except upon the Contracting Officer's written consent.

1148 (b) Within 30 days of receipt of a request for such a change, the Contracting
1149 Officer will notify the Contractor of any additional information required by the Contracting
1150 Officer for processing said request, and both parties will meet to establish a mutually agreeable
1151 schedule for timely completion of the process. Such process will analyze whether the proposed
1152 change is likely to: (i) result in the use of Project Water contrary to the terms of this Contract;
1153 (ii) impair the ability of the Contractor to pay for Project Water furnished under this Contract or
1154 to pay for any Federally-constructed facilities for which the Contractor is responsible; and (iii)
1155 have an impact on any Project Water rights applications, permits, or licenses. In addition, the
1156 Contracting Officer shall comply with the NEPA and the ESA. The Contractor will be
1157 responsible for all costs incurred by the Contracting Officer in this process, and such costs will
1158 be paid in accordance with Article 25 of this Contract.

1159 FEDERAL LAWS

1160 36. By entering into this Contract, the Contractor does not waive its rights to contest
1161 the validity or application in connection with the performance of the terms and conditions of this
1162 Contract of any Federal law or regulation; Provided, That the Contractor agrees to comply with
1163 the terms and conditions of this Contract unless and until relief from application of such Federal
1164 law or regulation to the implementing provision of the Contract is granted by a court of
1165 competent jurisdiction.

1166 NOTICES

1167 37. Any notice, demand, or request authorized or required by this Contract shall be
1168 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
1169 delivered to the Area Manager, Bureau of Reclamation, Northern California Area Office,
1170 16349 Shasta Dam Boulevard, Shasta Lake, California 96019, and on behalf of the
1171 United States, when mailed, postage prepaid, or delivered to the Board of Directors of the
1172 Corning Water District, P. O. Box 738, 22240 Gallagher Avenue, Corning, California 96021.

1173 The designation of the addressee or the address may be changed by notice given in the same
1174 manner as provided in this Article for other notices.

1175 CONFIRMATION OF CONTRACT

1176 38. The Contractor, after the execution of this Contract, shall promptly seek to secure
1177 a decree of a court of competent jurisdiction of the State of California, confirming the execution
1178 of this Contract. The Contractor shall furnish the United States a certified copy of the final
1179 decree, the validation proceedings, and all pertinent supporting records of the court approving
1180 and confirming this Contract, and decreeing and adjudging it to be lawful, valid, and binding on
1181 the Contractor.

1182 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of
1183 the day and year first above written.

1184 THE UNITED STATES OF AMERICA

1185 APPROVED AS TO LEGAL
1186 FORM AND SUFFICIENCY
1187 *James E. Tamm*
OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

By: *[Signature]*
Regional Director, Mid-Pacific Region
Bureau of Reclamation

1188 (SEAL)

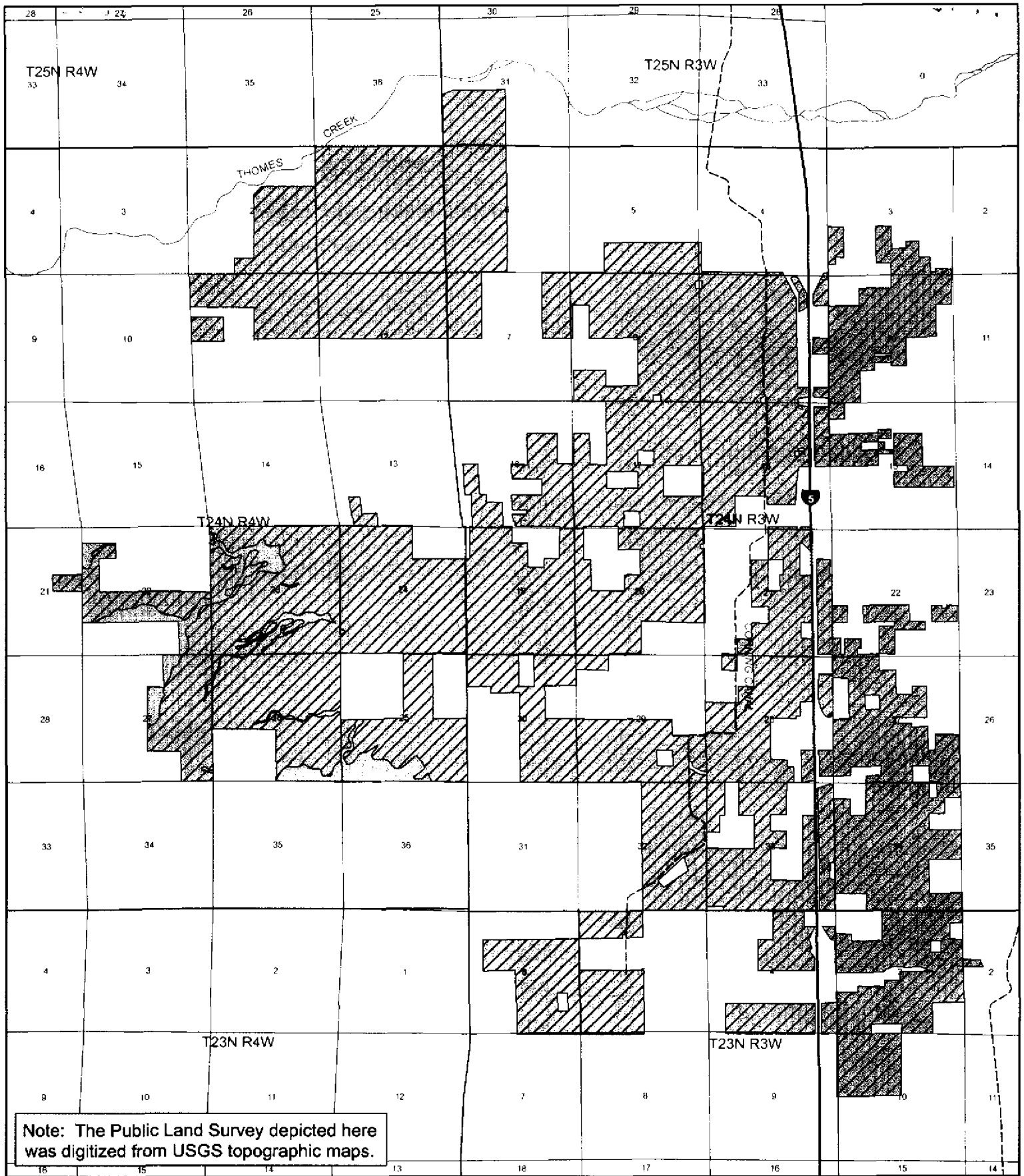
1189 CORNING WATER DISTRICT

1190 By: *[Signature]*
1191 President of the Board of Directors

1192 Attest:

1193 By: *James H. Louden*
1194 Secretary of the Board of Directors

1195 (H:\public\Willows Final LTRC\s\2005-01-31 Corning WD Final LTRC Draft.doc)





Note: The Public Land Survey depicted here was digitized from USGS topographic maps.

Corning Water District

Contract No. 14-06-200-6575-LTR1

Exhibit A

-  Contractor's Service Area
-  District Boundary



Date: October 19, 2004
 File Name: N:\districts\contracts\corning_wd\corning_ltr.mxd



602-202-1

EXHIBIT B

CORNING WATER DISTRICT
2005 Water Rates and Charges per Acre-Foot

	<u>Cost of Service</u>		<u>Calculated</u>
	<u>Irrigation</u>	<u>M&I</u>	<u>Payment Capacity 1/</u>
			<u>Irrigation</u>
<u>COST OF SERVICE RATES:</u>			
Capital Rates	\$15.35	\$50.24	\$ 0.00
O&M Rates:			
Water Marketing	6.61	3.89	6.61
Storage	5.93	6.67	5.93
Direct Pumping	2.62	2.62	2.62
Deficit Rates:			
Interest Bearing	0.00	0.00	0.00
CFO/PFR Adjustment Rate 2/	<u>2.30</u>	<u>0.00</u>	<u>2.30</u>
TOTAL	<u>\$32.81</u>	<u>\$63.42</u>	<u>\$17.46</u>
<u>FULL-COST RATES:</u>			
<u>Section 202(3)</u> Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	<u>\$63.49</u>		<u>\$63.49</u>
<u>Section 205(a)(3)</u> Rate is applicable to a Limited Recipient That did <u>not</u> receive irrigation water on or before October 1, 1981.	<u>\$82.72</u>		<u>\$82.72</u>
<u>M&I FULL-COST RATE:</u>		<u>\$94.08</u>	
<u>TIERED PRICING COMPONENTS:</u>			
Tiered Pricing Component >80% <=90% of Contract			
Total [Full Cost Rate – COS Rate / 2]	<u>\$ 8.76</u>	<u>\$15.33</u>	<u>\$16.44</u>
Tiered Pricing Component >90% of Contract			
Total [Full Cost Rate – COS Rate]	<u>\$17.52</u>	<u>\$30.66</u>	<u>\$32.87</u>
<u>CHARGES UNDER P.L. 102-575 TO THE RESTORATION FUND 4/</u>			
Restoration Payments (3407(d)(2)(A))	<u>\$ 7.93</u>	<u>\$15.87</u>	<u>\$ 0.00</u>

1/ Established pursuant to the results of the Payment Capacity Analysis for the Tehama-Colusa Water Users Association Service Area as announced by letter dated February 10, 1995.

2/ Chief Financial Officer (CFO) adjustment and Provision for Replacement (PFR) expense is being distributed over a 5-year period beginning in FY 2003 for those contractors that requested those costs be deferred.

3/ Restoration fund charges are payments in addition to the water rates and were determined pursuant to Title XXXIV of Public Law 102-575. Restoration fund charges are on a fiscal year basis (10/1 - 9/30).

Recent Historic Use, as defined in the CVP M&I Water Shortage Policy, is _____ acre-feet.

BOARD OF DIRECTORS

CORNING WATER DISTRICT
RESOLUTION NO. MAY 19, 2004

RESOLUTION APPROVING LONG-TERM RENEWAL CONTRACT
FOR WATER SERVICE BETWEEN THE UNITED STATES AND
CORNING WATER DISTRICT AND APPROVING NOTICE OF EXEMPTION
UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT

AS A BASIS AND PREMISE for this Resolution, the Board of Directors of CORNING WATER DISTRICT finds and states as follows:

1. On August 1, 1957 Water District ("District") and the United States of America entered into a contract providing for water service, designated Contract No. 14-06-200-6575 ("Original Contract").
2. Water service under the Original Contract began in April 15, 1961, and has continued uninterrupted since then.
3. The Original Contract expired on February 28, 1995.
4. In advance of the expiration of the Original Contract, the District and the United States negotiated an Interim Renewal Contract ("IRC"), in accordance with the Central Valley Project Improvement Act, pending completion of a Programmatic Environmental Impact Statement ("PEIS").
5. Upon completion of the PEIS, the United States announced its intent to negotiate a long-term renewal of the Original Contract.
6. The District and the United States engaged in a series of negotiations commencing in 1999 and completed on April 28, 2004. A copy of the proposed Long-Term Renewal Contract, designated Contract No. 14-06-200-6575-LTR1 is attached hereto and incorporated herein by this reference as Exhibit "A".

7. The form of Long-Term Renewal Contract attached hereto reflects the results of the negotiations and contains the terms and conditions that the District and the United States have tentatively agreed upon.

8. Prior to execution of the Long-Term Renewal Contract, the United States must publish the proposed contract for a 60-day public review, complete analysis of renewal of the contract under the National Environmental Policy Act and complete consultations with other federal agencies under the federal Endangered Species Act.

9. The parties intend that the Long-Term Renewal Contract will be ready for execution no later than March 1, 2005, and will be effective as of that date.

10. Prior to execution of the Long-Term Renewal Contract, the District must analyze the action under the California Environmental Quality Act ("CEQA"). The District has previously analyzed its interim renewals of the Original Contract under CEQA, and has found them to be exempt. The District believes that its execution of the Long-Term Renewal Contract is similarly exempt, for the reasons set forth in the Notice of Exemption attached hereto and incorporated herein by this reference as Exhibit "B".

NOW, THEREFORE, be it RESOLVED, ADJUDGED and ORDAINED
that:

1. CORNING WATER DISTRICT approves the *Long-Term Renewal Contract*
Between the United States and Corning Water District Providing for Project Water Service from
the Sacramento River Division, Contract No. 14-06-200-6575-LTR1.

2. Once the 60-day public review period and the United States' environmental review and ESA consultations are completed, if the United States presents the District with a Long-Term Renewal Contract that is in substantially the same form as that attached hereto as Exhibit

A, then the District's officers are authorized to execute that Long-Term Renewal Contract, without further action of this Board.

3. The Secretary shall prepare and file a Notice of Exemption under CEQA in the form attached hereto as Exhibit B with the Tehama County Clerk as soon as possible. In accordance with this finding of exemption, no fee is due under California Fish and Game Code Section 711.4.

4. The District's officers, staff and consultants are authorized and directed to do all things necessary and appropriate to carry out this Resolution and to ensure continued and uninterrupted water service to the District under its water service contract.

PASSED AND ADOPTED at a regular meeting on May 19, 2004 of the Board of Directors by the following vote:

AYES: *Hayes, Henderson, Hebrew, Hansen, Kiesel*

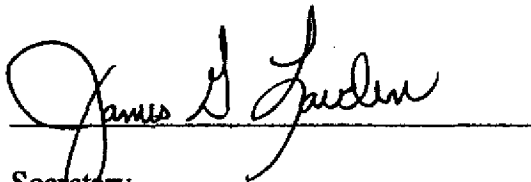
NOES: *None*

ABSENT: *None*



President

ATTEST:

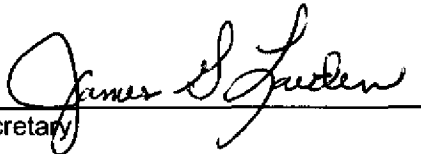


Secretary

CERTIFICATION

I James G. Lowden, the duly and regularly appointed Secretary of the CORNING WATER DISTRICT, hereby certify that the foregoing is a true, correct and exact copy of a Resolution of the Board of Directors of CORNING WATER DISTRICT, duly and regularly passed and adopted at a meeting of the said board of Directors at Corning, California, on May 19, 2004, the original of which was sent to the Department of Interior's Bureau of Reclamation on May 20, 2004 and duly and regularly entered in the official records of proceedings of the Board of Directors of CORNING WATER DISTRICT.

Dated: February 22, 2005


Secretary