

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

CONTRACT BETWEEN THE UNITED STATES
AND
SANTA CLARA VALLEY WATER DISTRICT AND
WESTLANDS WATER DISTRICT DISTRIBUTION DISTRICT NO. 1
PROVIDING FOR PROJECT WATER SERVICE
AND FACILITIES REPAYMENT
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1 THIS CONTRACT, made this ____ day of _____ 20__, in pursuance generally of
2 the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or supplementary thereto,
3 including, but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and
4 supplemented, August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70
5 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100
6 Stat. 3050), as amended Title XXXIV of the Act of October 30, 1992 (106 Stat. 4706), as
7 amended, and the Water Infrastructure Improvements for the Nation Act (Public Law 114-322,
8 130 Stat. 1628), Section 4011 (a-d) and (f) ("WIIN Act"), all collectively hereinafter referred to
9 as Federal Reclamation law, between THE UNITED STATES OF AMERICA, hereinafter
10 referred to as the United States, and SANTA CLARA VALLEY WATER DISTRICT AND
11 WESTLANDS WATER DISTRICT DISTRIBUTION DISTRICT NO. 1, hereinafter referred to
12 as the Contractors, public agencies of the State of California, duly organized, existing, and acting
13 pursuant to the laws thereof;

14 WITNESSETH, That:

EXPLANATORY RECITALS

[1st] WHEREAS, the United States has constructed and is operating the Central Valley Project, California, for diversion, storage, carriage, distribution, and beneficial use, for flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection and restoration, generation and distribution of electric energy, salinity control, navigation, and other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River, and the San Joaquin River and their tributaries; and

[2nd] WHEREAS, the United States constructed the Delta-Mendota Canal and related facilities, hereinafter collectively referred to as the Delta Division facilities, which will be used in part for the furnishing of water to the Contractors pursuant to the terms of this Contract; and

[3rd] WHEREAS, the Mercy Springs Water District (District) and the United States entered into Contract No. 14-06-200-3365A, dated June 21, 1967, which provided the District, Central Valley Project water from the Delta-Mendota Canal from June 21, 1967 to February 28, 1995; and

[4th] WHEREAS, the United States and the District entered into Contracts No. 14-06-200-3365A-IR1 and 14-06-200-3365A-IR2, which provided for the continued water service to the District from March 1, 1995, through February 29, 2000; and

[5th] WHEREAS, the District assigned to the Contractors and Pajaro Valley Water Management Agency on May 14, 1999, the right, title, and interest in that portion of Contract No. 14-06-200-3365A-IR2 consisting of 6,260 acre-feet of the entitlement of the Project Water including any rights to renew Contract No. 14-06-200-3365A-IR2 for the entitlement; and

[6th] WHEREAS, the Contractors and Pajaro Valley Water Management Agency entered into a separate agreement on May 14, 1999, stating their terms and conditions for sharing the assigned Project Water supply; and

[7th] WHEREAS, the United States and the Contractors and Pajaro Valley Water Management Agency entered into Contract Number 14-06-200-3365A-IR3-B and subsequent Interim Renewal Contracts 14-06-200-3365A-IR4-B through 14-06-200-3365A-IR17-B, the last of which is hereinafter referred to as the "Existing Contract", which established terms for the delivery of Project Water to the Contractors from the Delta Division, and which was in effect the date the WIIN Act was enacted; and

[8th] WHEREAS, Project Water has never been delivered to Pajaro Valley Water Management Agency pursuant to the Existing Contract, and on July 26, 2019, the Contracting Officer received a letter (Exhibit "C") from the General Manager of Pajaro Valley Water Management Agency withdrawing its interest in Contract No. 14-06-200-3365A-IR3-B and all successive renewals and Board Resolution 2019-22 dated December 18, 2019; and

[9th] WHEREAS, on December 16, 2016, the 114th Congress of the United States of America enacted the WIIN Act; and

[10th] WHEREAS, Section 4011(a)(1) provides that "upon request of the contractor, the Secretary of the Interior shall convert any water service contract in effect on the date of enactment of this subtitle and between the United States and a water users' association [Contractors] to allow for prepayment of the repayment contract pursuant to paragraph (2) under mutually agreeable terms and conditions."; and

[11th] WHEREAS, Section 4011(a)(1) further provides that "the manner of conversion under this paragraph shall be as follows: (A) Water service contracts that were entered into under section (e) of the Act of August 4, 1939 (53 Stat. 1196), to be converted under this section shall be converted to repayment contracts under section 9(d) of that Act (53 Stat. 1195)"; and "(B) Water service contracts that were entered under subsection (c)(2) of section 9 of the Act of

August 4, 1939 (53 Stat. 1194), to be converted under this section shall be converted to a contract under subsection (c)(1) of section 9 of that Act (53 Stat. 1195).”; and

[12th] WHEREAS, Section 4011(a)(4)(C) further provides all contracts entered into pursuant to Section 4011(a)(1), (2), and (3) shall “not modify other water service, repayment, exchange, and transfer contractual rights between the water users’ association [Contractors], and the Bureau of Reclamation, or any rights, obligations, or relationships of the water users’ association [Contractors] and their landowners as provided under State law.”; and

[13th] WHEREAS, Section 4011(d)(3) and (4) of the WIIN Act provides that “implementation of the provisions of this subtitle shall not alter...(3) the priority of a water service or repayment contractor to receive water; or (4) except as expressly provided in this section, any obligations under the Federal Reclamation law, including the continuation of Restoration Fund charges pursuant to section 3407(d) (Pub. L. 102-575), of the water service and repayment contractors making prepayments pursuant to this section.”; and

[14th] WHEREAS, upon the request of the Contractors, the WIIN Act directs the Secretary to convert irrigation water service contracts and Municipal and Industrial (M&I) water service contracts into repayment contracts, amend existing repayment contracts, and allow contractors to prepay their construction cost obligations pursuant to applicable Federal Reclamation law; and

[15th] WHEREAS, the United States has determined that the Contractors have to date fulfilled all of its obligations under the Existing Contract; and

[16th] WHEREAS, the Contacting Officer has determined that the Contractors have the capability to fully utilize for reasonable and beneficial use, or shown projected future reasonable

and beneficial use for, the quantity of Project Water to be made available to it pursuant to this Contract; and

[17th] WHEREAS, the Contracting Officer and the Contractors agree that this Contract complies with Section 4011 of the WIIN Act; and

[18th] WHEREAS, the Contracting Officer and the Contractors agree to amend and convert the Existing Contract pursuant to section 4011 of the WIIN Act and other Federal Reclamation law on the terms and conditions set forth below;

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

DEFINITIONS

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

(a) "Additional Capital Obligation" shall mean construction costs or other capitalized costs incurred after the Effective Date or not reflected in the Existing Capital Obligation as defined herein and in accordance with Section 4011, subsection (a)(2)(B) and (a)(3)(B) of the Water Infrastructure Improvements for the Nation Act (Pub. L. 114-322, 130 Stat. 1628) ("WIIN Act");

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

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

(d) "Contractors' Boundaries" shall mean the area to which the Contractors are permitted to provide Project Water under this Contract;

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

110 (f) "Delivered Water" or "Water Delivered" shall mean Project Water made
111 available to the Contractors and diverted at the point(s) of delivery approved by the Contracting
112 Officer;

113 (g) "Eligible Lands" shall mean all lands to which Irrigation Water may be
114 delivered in accordance with Section 204 of the Reclamation Reform Act of October 12, 1982
115 (96 Stat. 1263), as amended;

116 (h) "Excess Lands" shall mean all lands defined as excess in Section 204 of
117 the Reclamation Reform Act of 1982, other than those lands exempt from acreage limitation
118 under Federal Reclamation law;

119 (i) "Existing Capital Obligation" shall mean the remaining amount of
120 construction costs or other capitalized costs allocable to the Contractors as described in section
121 4011, subsections (a)(2)(A) and (a)(3)(A) of the WIIN Act, and as identified in the Central
122 Valley Project Irrigation Water Rates and/or Municipal and Industrial Water Rates, respectively,
123 in the Final 2020 Ratebooks, as adjusted to reflect payments not reflected in such schedule. The
124 Contracting Officer has computed the Existing Capital Obligation and such amount is set forth in
125 Exhibit "B", which is incorporated herein by reference;

126 (j) "Full Cost Rate" shall mean that water rate described in Sections 205(a)(3)
127 or 202(3) of the Reclamation Reform Act of 1982, whichever is applicable;

128 (k) "Ineligible Lands" shall mean all lands to which Irrigation Water may not
129 be delivered in accordance with Section 204 of the Reclamation Reform Act of 1982;

(l) "Irrigation Water" shall mean the use of Project Water to irrigate lands primarily for the production of commercial agricultural crops or livestock, and domestic and other uses that are incidental thereto;

(m) "Landholder" shall mean an individual or entity attributed with the total irrigable acreage of one or more tracts of land situated in one or more districts owned and/or operated under a lease which is served with Irrigation Water pursuant to a contract with the United States;

(n) "Municipal and Industrial (M&I) Water" shall mean the use of Project Water for municipal, industrial, and miscellaneous other purposes not falling under the definition of "Irrigation Water" or within another category of water use under an applicable Federal authority;

(o) "Operation and Maintenance" or "O&M" shall mean normal and reasonable care, control, operation, repair, replacement and maintenance of Project facilities;

(p) "Operating Non-Federal Entity" shall mean a Non-Federal entity which has the obligation to operate and maintain all or a portion of the Delta Division facilities pursuant to an agreement with the United States;

(q) "Project" shall mean the Central Valley Project owned by the United States and operated by the Department of the Interior, Bureau of Reclamation;

(r) "Project Contractors" shall mean all parties who have contracts for water service for Project Water from the Project with the United States pursuant to Federal Reclamation law;

(s) "Project Water" shall mean all water that is developed, diverted, stored, or delivered by the United States in accordance with the statutes authorizing the Project and in accordance with the terms and conditions of applicable water rights permits and licenses acquired by and/or issued to the United States pursuant to California law;

(t) "Rates" shall mean the payments determined annually by the Contracting Officer in accordance with the then current applicable water ratesetting policies for the Project;

(u) "Repayment Obligation" for Water Delivered as Irrigation Water shall mean the Existing Capital Obligation discounted by $\frac{1}{2}$ of the Treasury rate, which shall be the amount due and payable to the United States, pursuant to section 4011(a)(2)(A) of the WIIN Act; and for Water Delivered as M&I Water shall mean the amount due and payable to the United States, pursuant to section 4011(a)(3)(A) of the WIIN Act;

(v) "Secretary" or "Contracting Officer" shall mean the Secretary of the United States Department of the Interior or his duly authorized representative;

(w) "Tiered Pricing Component" shall be the incremental amount to be paid for each acre-foot of Water Delivered as described in Article 7 of this Contract and as provided for in Exhibit "A";

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

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

TERM OF CONTRACT – RIGHT TO USE OF WATER

2. (a) This Contract shall be effective July 1, 2020, hereinafter known as the "Effective Date", and shall continue so long as the Contractors pay applicable Rates and Charges under this Contract, consistent with Section 9(d) or 9(c)(1) of the Act of August 4, 1939 (53 Stat. 1195) as applicable, and applicable law;

(1) Provided, That the Contracting Officer shall not seek to terminate this Contract for failure to fully or timely pay applicable Rates and Charges by the Contactor,

unless the Contracting Officer has first provided at least sixty (60) calendar days written notice to the Contractors of such failure to pay and the Contractors have failed to cure such failure to pay, or to diligently commence and maintain full curative payments satisfactory to the Contracting Officer within the sixty (60) calendar days' notice period;

(2) Provided, further, That the Contracting Officer shall not seek to suspend making water available or declaring Water Made Available pursuant to this Contract for non-compliance by the Contractors with the terms of this Contract or Federal law, unless the Contracting Officer has first provided at least thirty (30) calendar days written notice to the Contractors and the Contractors have failed to cure such non-compliance, or to diligently commence curative actions satisfactory to the Contracting Officer for a non-compliance that cannot be fully cured within the thirty (30) calendar days' notice period. If the Contracting Officer has suspended making water available pursuant to this paragraph, upon cure of such non-compliance satisfactory to the to the Contracting Officer, the Contracting Officer shall resume making water available and declaring Water Made Available pursuant to this Contract;

(3) Provided, further, That this Contract may be terminated at any time by mutual consent of the parties hereto.

(b) Upon complete payment of the Repayment Obligation by the Contractors, and notwithstanding any Additional Capital Obligation that may later be established, the acreage limitations, reporting, and Full Cost pricing provisions of the Reclamation Reform Act of 1982, and subdivisions (g) Eligible Lands, (h) Excess Lands, and (k) Ineligible Lands of Article 1 of this Contract shall no longer be applicable.

(c) Notwithstanding any provision of this Contract, the Contractors reserve and shall have all rights and benefits under the Act of July 2, 1956 (70 Stat. 483), to the extent allowed by law.

(d) Notwithstanding any provision of this Contract, the Contractors reserve and shall have all rights and benefits under the Act of June 21, 1963 (77 Stat. 68), to the extent allowed by law.

WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CONTRACTORS

3. (a) Subject to the provisions set forth in Articles 11 and 12 of this Contract, and consistent with applicable State water rights, permits, and licenses, the Contractors are entitled to, and the Contracting Officer shall be obligated to make available to the Contractors up to 6,260 acre-feet of Project Water for Irrigation and/or Municipal and Industrial purposes during the term of this Contract. The quantity of Project Water delivered to the Contractors in accordance with this subdivision of this Article 3 in any Year shall be scheduled and paid for pursuant to the provisions of Articles 4 and 7 of this Contract, and shall not exceed the quantity of Project Water the Contractors intend to put to reasonable beneficial use within the Contractors' Boundaries or sold, transferred, or exchanged pursuant to Article 9 of this Contract during the term of this Contract.

(b) The Contractors shall utilize the Project Water made available to the Contractors pursuant to this Contract in accordance with all applicable requirements of any Biological Opinion(s) prepared as a result of a consultation regarding the execution of any water service contract between the Contracting Officer and the Contractors in effect immediately prior to the Effective Date developed pursuant to Section 7 of the Endangered Species Act of 1973 as amended, and in accordance with environmental documentation as may be required for specific activities, including conversion of Irrigation Water to M&I Water.

(c) The Contractors shall make reasonable and beneficial use of Project Water or other water furnished pursuant to this Contract. In addition, use of Project Water in a groundwater recharge program shall be permitted under this Contract to the extent that it is carried out in accordance with California law: Provided, however, That such groundwater recharge program cannot be undertaken unless and until the Contractors submit a groundwater management plan pursuant to California law that demonstrates that such groundwater recharge program will result in a reasonable and beneficial use of such water.

(d) If the Contracting Officer determines that Project Water, or other water available to the Project, can be made available to the Contractors in addition to the quantity of Project Water made available to the Contractors pursuant to subdivision (a) of this Article, the Contracting Officer shall so notify the Contractors. If the Contractors request the delivery of any quantity of such water, the Contracting Officer shall make such water available to the Contractors in accordance with applicable statutes, regulations, guidelines, and policies.

(e) If the Contractors request permission to reschedule for use during the subsequent Year some or all of the Project Water made available to the Contractors during the current Year or to use, during the current Year, that quantity of Project Water the United States has agreed to make available to the Contractors during the subsequent Year, the Contracting Officer may permit such uses in accordance with applicable statutes, regulations, guidelines, and policies.

(f) The Contractors' rights pursuant to Federal Reclamation law and applicable State law to the beneficial use of water furnished pursuant to this Contract shall not be disturbed so long as the Contractors shall fulfill all of their obligations under this Contract.

Nothing in the preceding sentence shall affect the Contracting Officer's ability to impose shortages under subdivision (b) of Article 12 of this Contract.

(g) Notwithstanding subdivisions (l) and (n) of Article 1 of this Contract, Project Water furnished to the Contractors pursuant to this Contract may be delivered for purposes other than those described in subdivisions (l) and (n) of Article 1 of this Contract upon written approval by the Contracting Officer in accordance with the terms and conditions of such approval.

(h) The Contractors' right pursuant to Federal Reclamation law and applicable State law to the reasonable and beneficial use of the Water Delivered pursuant to this Contract shall not be disturbed, and this Contract shall continue so long as the Contractors pay applicable Rates and Charges under this Contract consistent with Section 9(d) or 9(c)(1) of the Act of August 4, 1939 (53 Stat. 1195) as applicable, and applicable law. Nothing in the preceding sentence shall affect the Contracting Officer's ability to impose shortages under Article 11 or subdivision (b) of Article 12 of this Contract.

TIME FOR DELIVERY OF WATER

4. (a) On or about February 20, of each Calendar Year, the Contracting Officer shall declare the amount of Project Water estimated to be made available to the Contractors pursuant to this Contract for the upcoming Year. The declaration will be updated monthly, as necessary, based on current hydrologic conditions. The Contracting Officer shall make available the forecast of Project operations, with relevant supporting information, upon the written request of the Contractors or their representatives. Upon written request of the Contractors, the Contracting Officer shall provide the basis of the estimate which shall include, but not be limited to, a monthly pumping forecast for the O'Neill Pumping Plant, the projected carryover of Project

269 reservoirs, projected CVPIA impacts, projected Endangered Species Act and all other regulatory
270 impacts.

271 (b) On or before each March 1, the Contractors shall submit to the
272 Contracting Officer and at such other times as necessary, a written schedule, satisfactory to the
273 Contracting Officer, showing the times and quantities of Project Water to be delivered by the
274 United States to the Contractors during the upcoming year pursuant to this Contract, and
275 consistent with subdivision (a) of Article 3 of this Contract.

276 (c) Subject to the conditions set forth in subdivision (a) of Article 3 of this
277 Contract, the United States shall deliver Project Water to the Contractors in accordance with the
278 initial schedule submitted by the Contractors pursuant to subdivision (b) of this Article, or any
279 revision(s) thereto submitted within a reasonable time prior to the date(s) on which the requested
280 change(s) is/are to be implemented.

281 POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

282 5. (a) The Project Water to be furnished to the Contractors pursuant to this
283 Contract shall be made available to the Contractors at a point or points of delivery either on
284 Project facilities or another location or locations mutually agreed to in writing by the Contracting
285 Officer and the Contractors.

286 (b) The Contracting Officer shall make all reasonable efforts to maintain
287 sufficient flows and levels of water in the Delta-Mendota Canal and/or the San Luis Canal to
288 furnish Project Water to the Contractors at the turnout(s) established as a delivery point(s)
289 pursuant to subdivision (a) of this Article.

290 (c) Irrigation Water furnished to the Contractors pursuant to this Contract
291 shall be delivered by the Contractors in accordance with any applicable land classification
292 provisions of Federal Reclamation law and the associated regulations. Project Water shall not be

delivered to land outside the Contractors' Boundaries unless approved in advance by the Contracting Officer.

(d) All Project Water delivered to the Contractors pursuant to this Contract shall be measured and recorded with equipment furnished, installed, operated, and maintained by the United States or the responsible Operating Non-Federal Entity at the point or points of delivery established pursuant to subdivision (a) of this Article. Upon the request of any party to this Contract, the Contracting Officer shall investigate the accuracy of such measurements and shall take any necessary steps to adjust any errors appearing therein. The Contractors shall advise the Contracting Officer on or before the 10th calendar day of each month of the quantity of M&I Water taken during the preceding month.

(e) Neither the United States nor any Operating Non-Federal Entity shall be responsible for the control, carriage, handling, use, disposal, or distribution of Project Water made available to the Contractors pursuant to this Contract beyond the delivery points specified in subdivision (a) of this Article. The Contractors shall indemnify the United States its officers, employees, agents, and assigns on account of damage or claim of damage of any nature whatsoever for which there is legal responsibility, including property damage, personal injury, or death arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such Project Water beyond such delivery points, except for any damage or claim arising out of (i) acts performed by the United States or any of its officers, employees, agents, or assigns, including any responsible Operating Non-Federal Entity, with the intent of creating the situation resulting in any damage or claim; (ii) willful misconduct of the United States or any of its officers, employees, agents, or assigns, including any responsible Operating Non-Federal

Entity, or (iii) negligence of the United States or any of its officers, employees, agents, or assigns, including any responsible Operating Non-Federal Entity.

MEASUREMENT OF WATER WITHIN THE DISTRICT

6. (a) The Contractors shall ensure that, unless the Contractors establish an alternative measurement program satisfactory to the Contracting Officer, all surface water delivered for irrigation purposes within the Contractors' Boundaries is measured at each agricultural turnout and such water delivered for Municipal and Industrial purposes is measured at each Municipal and Industrial service connection. All water measuring devices or water measuring methods of comparable effectiveness must be acceptable to the Contracting Officer. The Contractors shall be responsible for installing, operating, and maintaining and repairing all such measuring devices and implementing all such water measuring methods at no cost to the United States. The Contractors shall use the information obtained from such water measuring devices or water measuring methods to ensure proper management of the water; to bill water users for water delivered by the Contractors; and, if applicable, to record water delivered for Municipal and Industrial purposes by customer class as defined in their water conservation plan. Nothing herein contained in this Article, however, shall preclude the Contractors from establishing and collecting any charges, assessments or other revenues authorized by California law. The Contractors shall include a summary of their annual surface water deliveries in the annual report described in subdivision (d) of Article 24 of this Contract.

(b) Omitted.

(c) All new surface water delivery systems installed within the Contractors' Boundaries after the Effective Date of this Contract shall also comply with the measurement provisions described in subdivision (a) of this Article.

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

RATES, METHOD OF PAYMENT FOR WATER AND ACCELERATED REPAYMENT OF FACILITIES

7. (a) Notwithstanding the Contractors' full prepayment of the Repayment Obligation pursuant to section 4011, subsection (a)(2)(A) and subsection (a)(3)(A) of the WIIN Act, as set forth in Exhibit "B", and any payments required pursuant to section 4011, subsection (b) of the WIIN Act, to reflect the adjustment for the final cost allocation as described in this Article, subsection (b), the Contractors' Project construction and other obligations shall be determined in accordance with: (i) the Secretary's ratesetting policy for Irrigation Water adopted in 1988 and the Secretary's then-existing ratesetting policy for M&I Water, consistent with the WIIN Act; and such ratesetting policies shall be amended, modified, or superseded only through a public notice and comment procedure; (ii) applicable Federal Reclamation law and associated rules and regulations, or policies, and (iii) other applicable provisions of this Contract. Payments shall be made by cash transaction, electronic funds transfers, or any other mechanism as may be agreed to in writing by the Contractors and the Contracting Officer. The Rates, Charges, and Tiered Pricing Component applicable to the Contractors upon execution of this Contract are set forth in Exhibit "A", as may be revised annually.

(1) The Contractors shall pay the United States as provided for in this Article of this Contract for all Delivered Water at Rates, Charges, and Tiered Pricing Component in accordance with policies for Irrigation Water and M&I Water. The Contractors' Rates shall be established to recover their estimated reimbursable costs included in the Operation and

Maintenance component of the Rate and amounts established to recover deficits and other charges, if any, including construction costs as identified in the following subdivisions.

(2) In accordance with the WIIN Act, the Contractors' allocable share of Project construction costs will be repaid pursuant to the provisions of this Contract.

(A) The amount due and payable to the United States, pursuant to the WIIN Act, shall be the Repayment Obligation. The Repayment Obligation has been computed by the Contracting Officer in a manner consistent with the WIIN Act and is set forth as a lump sum payment (M&I and Irrigation) and as four (4) approximately equal annual installments (Irrigation Only) to be repaid no later than three (3) years after the Effective Date of this Contract as set forth in Exhibit "B". The Repayment Obligation is due in lump sum by August 31, 2020 as provided by the WIIN Act. The Contractors must provide appropriate notice to the Contracting Officer in writing no later than thirty (30) days prior to the Effective Date if electing to repay the amount due using the lump sum alternative. If such notice is not provided by such date, the Contractors shall be deemed to have elected the installment payment alternative, in which case, the first such payment shall be made no later than August 31, 2020. The second payment shall be made no later than the first anniversary of the first payment date. The third payment shall be made no later than the second anniversary of the first payment date. The final payment shall be made no later than July 3, 2023. If the installment payment option is elected by the Contractors, the Contractors may pre-pay the remaining portion of the Repayment Obligation by giving the Contracting Officer sixty (60) days written notice, in which case, the Contracting Officer shall re-compute the remaining amount due to reflect the pre-payment using the same methodology as was used to compute the initial annual installment payment amount, which is illustrated in Exhibit "B". Notwithstanding any Additional Capital Obligation that may

later be established, receipt of the Contractors' payment of the Repayment Obligation to the United States shall fully and permanently satisfy the Existing Capital Obligation.

(B) Additional Capital Obligations that are not reflected in, the schedules referenced in Exhibit "B" and properly assignable to the Contractors, shall be repaid as prescribed by the WIIN Act without interest except as required by law. Consistent with Federal Reclamation law, interest shall continue to accrue on the M&I portion of the Additional Capital Obligation assigned to the Contractors until such costs are paid. Increases or decreases in the Additional Capital Obligation assigned to the Contractors caused solely by annual adjustment of the Additional Capital Obligation assigned to each Project contractor by the Secretary shall not be considered in determining the amounts to be paid pursuant to this subdivision (a)(2)(B), however, will be considered under subdivision (b) of this Article. A separate agreement shall be established by the Contractors and the Contracting Officer to accomplish repayment of the Additional Capital Obligation assigned to the Contractors within the timeframe prescribed by the WIIN Act, subject to the following:

(1) If the collective Additional Capital Obligation properly assignable to the contractors exercising conversion under section 4011 of the WIIN Act is less than five million dollars (\$5,000,000), then the portion of such costs properly assignable to the Contractors shall be repaid not more than five (5)-years after the Contracting Officer notifies the Contractors of the Additional Capital Obligation; Provided, That the reference to the amount of five million dollars (\$5,000,000) shall not be a precedent in any other context.

(2) If the collective Additional Capital Obligation properly assignable to the contractors exercising conversion under section 4011 of the WIIN Act is equal to or greater than five million dollars (\$5,000,000), then the portion of such costs

properly assignable to the Contractors shall be repaid as provided by applicable Federal Reclamation law and Project ratesetting policy; Provided, That the reference to the amount of five million dollars (\$5,000,000) shall not be a precedent in any other context.

(b) In the event that the final cost allocation referenced in Section 4011(b) of the WIIN Act determines that the costs properly assignable to the Contractors are greater than what has been paid by the Contractors, the Contractors shall be obligated to pay the remaining allocated costs. The term of such additional repayment contract shall be not less than one (1) year and not more than ten (10) years, however, mutually agreeable provisions regarding the rate of repayment of such amount may be developed by the Contractors and Contracting Officer. In the event that the final cost allocation indicates that the costs properly assignable to the Contractors are less than what the Contractors have paid, the Contracting Officer shall credit such overpayment as an offset against any outstanding or future obligations of the Contractors, with the exception of Restoration Fund charges pursuant to section 3407(d) of Pub. L. 102-575.

(c) The Contracting Officer shall notify the Contractors of the Rates, Charges, and Tiered Pricing Component as follows:

(1) Prior to July 1, of each Calendar Year, the Contracting Officer shall provide the Contractors the preliminary calculation of the Charges that will be applied for the period October 1, of the current Calendar Year, through September 30, of the following Calendar Year, and identify the statutes, regulations and guidelines used as the basis for such calculations. On or before September 15, of each Calendar Year, the Contracting Officer shall notify the Contractors in writing of the Charges to be in effect during the period October 1, of the current Calendar Year, through September 30, of the following Calendar Year, and such notification shall revise Exhibit "A".

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

(d) At the time the Contractors submit the initial schedule for the delivery of Project Water for each Year pursuant to subdivision (b) of Article 4 of this Contract, the Contractors shall pay the United States the total amount payable pursuant to the applicable Rate(s) for all Project Water scheduled to be delivered pursuant to this Contract during the first two (2) calendar months of the Year. Before the end of the first month or part thereof of the Year, and before the end of each calendar month thereafter, the Contractors shall pay pursuant to the applicable Rate(s) for all Project Water scheduled to be delivered pursuant to this Contract during the second month immediately following. Adjustments between the payments for the scheduled amount of Project Water and the appropriate payments for quantities of Delivered Water furnished pursuant to this Contract each month shall be made before the end of the following month: Provided, That any revised schedule submitted by the Contractors pursuant to Article 4 of this Contract, which increases the amount of Project Water to be delivered pursuant to this Contract during any month shall be accompanied with appropriate payment for Rates to assure that Project Water is not furnished to the Contractors in advance of such payment. In any month in which the quantity of Delivered Water furnished to the Contractors pursuant to this

Contract equals the quantity of Project Water scheduled and paid for by the Contractors, no additional Project Water shall be made available to the Contractors unless and until payment of Rates for such additional Project Water is made. Final adjustment between the payments of Rates for the Project Water scheduled and the quantities of Delivered Water furnished during each Year pursuant to this Contract shall be made as soon as possible but no later than April 30th of the following Year.

(e) The Contractor shall also make a payment in addition to the Rate(s) in subdivision (d) of this Article to the United States for Water Delivered, at the Charges and the appropriate Tiered Pricing Component then in effect, before the end of the month following the month of delivery; Provided, That the Contractor may be granted an exception from the Tiered Pricing Component pursuant to subdivision (k)(2) of this Article. The payments shall be consistent with the quantities of Irrigation Water and M&I Water Delivered as shown in the water delivery report for the subject month prepared by the Operating Non-Federal Entity or, if there is no Operating Non-Federal Entity, by the Contracting Officer. The water delivery report shall be deemed a bill for the payment of Charges and the applicable Tiered Pricing Component for Water Delivered. Adjustment for overpayment or underpayment of Charges shall be made through the adjustment of payments due to the United States for Charges for the next month. Any amount to be paid for past due payment of Charges and the Tiered Pricing Component shall be computed pursuant to Article 18 of this Contract.

(f) The Contractors shall pay for any Project Water provided under subdivision (d) or (e) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable statutes, regulations, guidelines, and policies.

(g) Payments to be made by the Contractors to the United States under this Contract may be paid from any revenues available to the Contractors.

(h) Revenues received by the United States pursuant to this Contract shall be allocated and applied in accordance with Federal Reclamation law, including but not limited to, subsection 3 of Section 1 of the Act of July 2, 1956 (70 Stat. 483), and subsection (f) of Section 3405, subsection (c)(1) of Section 3406 and subsection (d)(2)(A) of Section 3407 of the CVPIA, and the associated regulations, including but not limited to, the Project Irrigation Water ratesetting policy and the Project M&I Water ratesetting policy promulgated pursuant to the Administrative Procedures Act.

(i) At the Contractors' request, the Contracting Officer shall provide to the Contractors an accounting of all of the expenses allocated and the disposition of all revenues received pursuant to this Contract in sufficient detail to allow the Contractors to determine that the allocation of expenses and disposition of all revenues received was accomplished in conformance with Federal Reclamation law and the associated regulations. The Contracting Officer and the Contractors shall enter into good faith negotiations to resolve any discrepancies or disputes arising out of said accounting of the Contractors' review thereof.

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

498 (k) (1) Beginning at such time as deliveries of Project Water in a Year
 499 exceed 80 percent of the Contract Total, then before the end of the month following the month of
 500 delivery the Contractor shall make an additional payment to the United States equal to the
 501 applicable Tiered Pricing Component. The Tiered Pricing Component for the amount of Water
 502 Delivered in excess of 80 percent of the Contract Total, but less than or equal to 90 percent of the
 503 Contract Total, shall equal one-half of the difference between the Rate established under
 504 subdivision (a) of this Article and the Irrigation Full Cost Water Rate or M&I Full Cost Water
 505 Rate, whichever is applicable. The Tiered Pricing Component for the amount of Water
 506 Delivered which exceeds 90 percent of the Contract Total shall equal the difference between (i)
 507 the Rate established under subdivision (a) of this Article and (ii) the Irrigation Full Cost Water
 508 Rate or M&I Full Cost Water Rate, whichever is applicable. For all Water Delivered pursuant to
 509 subdivision (a) of Article 3 of this Contract which is in excess of 80 percent of the Contract
 510 Total, this increment shall be deemed to be divided between Irrigation Water and M&I Water in
 511 the same proportion as actual deliveries of each bear to the cumulative total Water Delivered.

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

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

NON-INTEREST BEARING OPERATION AND MAINTENANCE DEFICITS

8. The Contractors and the Contracting Officer concur that at the time of execution of this Contract, the Contractors have no non-interest bearing O&M deficits and shall have no further liability therefor.

TRANSFERS OR EXCHANGES OF WATER

9. The right to Project Water provided for in this Contract may be sold, transferred, or exchanged to others for beneficial uses within the State of California if such sale, transfer, or exchange is authorized by applicable Federal laws, State laws, and applicable guidelines or regulations then in effect. The right to sell, transfer, or exchange Project Water shall include, and the Contracting Officer shall apply this Article in a manner that does not impede or restrict, lawful short-term sales, transfers, or exchanges of the type the District and Contractors historically carried out with approval of the Contracting Officer under Contract No. 14-06-200-3365A, as amended, assigned, and renewed. No sale, transfer, or exchange of the right to Project Water under this Contract may take place without the prior written approval of the Contracting Officer.

APPLICATION OF PAYMENTS AND ADJUSTMENTS

10. (a) The amount of any overpayment by the Contractors shall be applied first to any accrued indebtedness arising out of this Contract then due and payable by the Contractors. Any amount of such overpayment then remaining shall, at the option of the Contractors, be

refunded to the Contractors or credited upon amounts to become due to the United States from the Contractors under the provisions of this Contract in the following months. With respect to overpayment, such adjustment shall constitute the sole remedy of the Contractors or anyone having or claiming to have the right to the use of any of the water supply provide for in this Contract.

(b) All advances for miscellaneous costs incurred for work requested by the Contractors pursuant to Article 23 of this Contract shall be adjusted to reflect the actual costs when the work has been completed. If the advances exceed the actual costs incurred, the difference will be refunded to the Contractors. If the actual costs exceed the Contractors' advances, the Contractors will be billed for the additional costs pursuant to Article 23 of this Contract.

TEMPORARY REDUCTIONS – RETURN FLOWS

11. (a) Subject to: (i) the authorized purposes and priorities of the Project; and (ii) the obligations of the United States under existing contracts, or renewals thereof, providing for water deliveries from the Project, the Contracting Officer shall make all reasonable efforts to optimize Project Water deliveries to the Contractors as provided in this Contract.

(b) The United States may temporarily discontinue or reduce the quantity of Project Water to be delivered to the Contractors as herein provided for the purposes of investigation, inspection, maintenance, repair, or replacement of any of the Project facilities or any part thereof necessary for the delivery of Project Water to the Contractors, but so far as feasible the Contracting Officer will give the Contractors due notice in advance of such temporary discontinuance or reduction, except in case of emergency, in which case no notice need be given: Provided, That the United States shall use its best efforts to avoid any discontinuance or reduction in such service. Upon resumption of service after such reduction or

discontinuance, and if requested by the Contractors, the United States will, if possible, deliver the quantity of Project Water which would have been delivered hereunder in the absence of such discontinuance or reduction: Provided further, That with respect to any quantity of Project Water not delivered after a discontinuance or reduction the Contractors shall be relieved of their scheduling and payment obligations for such quantity of Project Water.

(c) The United States reserves the right to all seepage and return flow water derived from water delivered to the Contractors under this Contract which escapes or is discharged beyond the Contractors' Boundaries: Provided, That this shall not be construed as claiming for the United States any right to seepage or return flow being put to reasonable and beneficial use pursuant to this Contract within the Contractors' Boundaries by the Contractors or those claiming by, through, or under the Contractors.

CONSTRAINTS ON THE AVAILABILITY OF WATER

12. (a) In its operation of the Project, the Contracting Officer will use all reasonable means to guard against a Condition of Shortage in the quantity of Project Water to be made available to the Contractors pursuant to this Contract. In the event the Contracting Officer determines that a Condition of Shortage appears probable, the Contracting Officer will notify the Contractors of said determination as soon as practicable.

(b) If there is a Condition of Shortage because of inaccurate runoff forecasting or other similar operational errors affecting the Project; drought and other physical or natural causes beyond the control of the Contracting Officer; or actions taken by the Contracting Officer to meet current and future legal obligations, then, except as provided in subdivision (a) of Article 17 of this Contract, no liability shall accrue against the United States or any of its officers, agents, or employees for any damage, direct or indirect, arising therefrom.

(c) In any Year in which there may occur a shortage for any of the reasons specified in subdivision (b) of this Article, the Contracting Officer shall apportion the available Project Water supply among the Contractors and others entitled, under existing contracts and future contracts (to the extent such future contracts are permitted under subsections (a) and (b) of

Section 3404 of the CVPIA) and renewals thereof, to receive Project Water consistent with the contractual obligations of the United States.

(d) Subject to subdivision (c) of this Article, in any Year in which there may occur a shortage for any of the reasons specified in subdivision (b) of this Article, the Contracting Officer shall apportion the available Project Water among the Contractors and others entitled to receive Project Water from the Delta-Mendota Canal as follows:

(1) A determination shall be made of the total quantity of water scheduled to be delivered during the respective Year under all contracts then in force for the delivery of water from the Delta-Mendota Canal, the quantity so determined being herein referred to as the contractual commitments from the Delta-Mendota Canal.

(2) The total quantity of water scheduled to be delivered to the Contractors from the Delta-Mendota Canal during the respective Year under subdivision (a) of Article 3 of this Contract shall be divided by the contractual commitments, the quotient thus obtained being herein referred to as the Contractors' contractual entitlement from the Delta-Mendota Canal.

(3) The supply determined by the Contracting Officer to be available from the Delta-Mendota Canal shall be multiplied by the Contractors' contractual entitlement and the result shall be the quantity of water required to be delivered by the United States to the Contractors for the respective Year from the Delta-Mendota Canal.

UNAVOIDABLE GROUNDWATER PERCOLATION

13. (a) The Contractors shall not be deemed to have furnished Irrigation Water to Excess Lands or Ineligible Lands within the meaning of this Contract if such lands are irrigated with groundwater that reaches the underground strata as an unavoidable result of the furnishing of Irrigation Water by the Contractors to Eligible Lands.

(b) Upon complete payment of the Repayment Obligation by the Contractors,
this Article 13 shall no longer be applicable.

COMPLIANCE WITH FEDERAL RECLAMATION LAWS

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.

PROTECTION OF WATER AND AIR QUALITY

15. (a) Omitted.

(b) The United States will care for, operate and maintain reserved works in a manner that preserves the quality of the water at the highest level possible as determined by the Contracting Officer. The United States does not warrant the quality of the water delivered to the Contractors and is under no obligation to furnish or construct water treatment facilities to maintain or improve the quality of water delivered to the Contractors.

(c) The Contractors will comply with all applicable water and air pollution laws and regulations of the United States and the State of California; and will obtain all required permits or licenses from the appropriate Federal, State, or local authorities necessary for the delivery of water by the Contractors; and shall be responsible for compliance with all Federal, State, and local water quality standards applicable to surface and subsurface drainage and/or discharges generated through the use of Federal or Contractors facilities or Project Water provided by the Contractors within their Service Areas.

(d) This Article shall not affect or alter any legal obligations of the Secretary to provide drainage or other discharge services.

WATER ACQUIRED BY THE CONTRACTORS OTHER THAN FROM THE UNITED STATES

16. (a) Water or water rights now owned or hereafter acquired by the Contractors other than from the United States and Irrigation Water furnished pursuant to the terms of this Contract may be simultaneously transported through the same distribution facilities of the Contractors subject to the following: (i) if the facilities utilized for commingling Irrigation Water and non-Project water were constructed without funds made available pursuant to Federal Reclamation law, the provisions of Federal Reclamation law will be applicable only to the

Landholders of lands which receive Irrigation Water; (ii) the eligibility of land to receive Irrigation Water must be established through the certification requirements as specified in the Acreage Limitation Rules and Regulations (43 CFR Part 426); (iii) the water requirements of Eligible Lands within the Contractors' Boundaries can be established and the quantity of Irrigation Water to be utilized is less than or equal to the quantity necessary to irrigate such Eligible Lands; and (iv) if the facilities utilized for commingling Irrigation Water and non-Project water are constructed with funds made available pursuant to Federal Reclamation law, the non-Project water will be subject to Federal Reclamation law, until such funds have been repaid.

(b) Upon complete payment of the Repayment Obligation by the Contractors, this Article 16 shall no longer be applicable.

OPINIONS AND DETERMINATIONS

17. (a) Where the terms of this Contract provide for actions to be based upon the opinion or determination of any party to this Contract, said terms shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or determinations. All parties, notwithstanding any other provisions of this Contract, expressly reserve the right to relief from and appropriate adjustment, including monetary damages, for any such arbitrary, capricious, or unreasonable opinion or determination. Each opinion or determination by any party shall be provided in a timely manner.

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

675 CHARGES FOR DELINQUENT PAYMENTS

676 18. (a) The Contractors shall be subject to interest, administrative, and penalty
 677 charges on delinquent payments. If a payment is not received by the due date, the Contractors
 678 shall pay an interest charge on the delinquent payment for each day the payment is delinquent
 679 beyond the due date. If a payment becomes 60 days delinquent, the Contractors shall pay, in
 680 addition to the interest charge, an administrative charge to cover additional costs of billing and
 681 processing the delinquent payment. If a payment is delinquent 90 days or more, the Contractors
 682 shall pay, in addition to the interest and administrative charges, a penalty charge for each day the
 683 payment is delinquent beyond the due date, based on the remaining balance of the payment due
 684 at the rate of 6 percent per year. The Contractors shall also pay any fees incurred for debt
 685 collection services associated with a delinquent payment.

686 (b) The interest rate charged shall be the greater of either the rate prescribed
 687 quarterly in the Federal Register by the Department of the Treasury for application to overdue
 688 payments, or the interest rate of 0.5 percent per month. The interest rate charged will be
 689 determined as of the due date and remain fixed for the duration of the delinquent period.

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

693 EQUAL EMPLOYMENT OPPORTUNITY

694 19. During the performance of this Contract, the Contractors agree as follows:

695 (a) The Contractors will not discriminate against any employee or applicant
 696 for employment because of race, color, religion, sex, sexual orientation, gender identity, or
 697 national origin. The Contractors will take affirmative action to ensure that applicants are
 698 employed, and that employees are treated during employment, without regard to their race, color,
 699 religion, sex, sexual orientation, gender identity, or national origin. Such action shall include,
 700 but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment
 701 or recruitment advertising; layoff or termination; rates of pay or other forms of compensation;
 702 and selection for training, including apprenticeship. The Contractors agree to post in
 703 conspicuous places, available to employees and applicants for employment, notices to be
 704 provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

705 (b) The Contractors will, in all solicitations or advertisements for employees
 706 placed by or on behalf of the Contractors, state that all qualified applicants will receive
 707 consideration for employment without regard to race, color, religion, sex, sexual orientation,
 708 gender identity, or national origin.

709 (c) The Contractors will not discharge or in any other manner discriminate
 710 against any employee or applicant for employment because such employee or applicant has
 711 inquired about, discussed, or disclosed the compensation of the employee or applicant or another
 712 employee or applicant. This provision shall not apply to instances in which an employee who
 713 has access to the compensation information of other employees or applicants as part of such
 714 employee's essential job functions discloses the compensation of such other employees or

applicants to individuals who do not otherwise have access to such information, unless such disclosure is in response to a formal complaint or charge, in furtherance of an investigation, proceeding, hearing, or action, including an investigation conducted by the employer, or is consistent with the Contractors' legal duty to furnish information.

(d) The Contractors will send to each labor union or representative of workers with which the Contractors have a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Contracting Officer, advising the labor union or workers' representative of the Contractors' commitments under section 202 of Executive Order No. 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(e) The Contractors will comply with all provisions of Executive Order No. 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(f) The Contractors will furnish all information and reports required by Executive Order No. 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to their books, records, and accounts by the Contracting Agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

(g) In the event of the Contractors' noncompliance with the nondiscrimination clauses of this Contract or with any of such rules, regulations, or orders, this Contract may be canceled, terminated or suspended in whole or in part and the Contractors may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order No. 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order No. 11246 of September 24, 1965, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.

(h) The Contractors will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by the rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order No. 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Contractors will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, that in the event the Contractors become involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the Contractors may request the United States to enter into such litigation to protect the interests of the United States.

GENERAL OBLIGATION – BENEFITS CONDITIONED UPON PAYMENT

20. (a) The obligation of the Contractors to pay the United States as provided in this Contract is a general obligation of the Contractors notwithstanding the manner in which the obligation may be distributed among the Contractors' water users and notwithstanding the default of individual water users in their obligation to the Contractors.

(b) The payment of charges becoming due pursuant to this Contract is a condition precedent to receiving benefits under this Contract. The United States shall not make water available to the Contractors through Project facilities during any period in which the Contractors are in arrears in the advance payment of water rates due the United States. The Contractors shall not deliver water under the terms and conditions of this Contract for lands or parties that are in arrears in the advance payment of water rates as levied or established by the Contractors.

COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

21. (a) The Contractors shall comply with Title VI of the Civil Rights Act of 1964 (Pub. L. 88-352; 42 U.S.C. § 2000d), the Rehabilitation Act of 1973 (Pub. L. 93-112, Title V, as amended; 29 U.S.C. § 791, et seq.), the Age Discrimination Act of 1975 (Pub. L. 94-135, Title III; 42 U.S.C. 6101, et seq.), Title III of the Americans with Disabilities Act of 1990 (Pub. L. 101-336; 42 U.S.C. § 12181, et seq.), and any other applicable civil rights laws, and with the applicable implementing regulations and any guidelines imposed by the U.S. Department of the Interior and/or Bureau of Reclamation.

(b) These statutes prohibit any person in the United States from being excluded from participation in, being denied the benefits of, or being otherwise subjected to discrimination under any program or activity receiving financial assistance from the Bureau of Reclamation on the grounds of race, color, national origin, disability, or age. By executing this Contract, the Contractors agree to immediately take any measures necessary to implement this obligation, including permitting officials of the United States to inspect premises, programs, and documents.

(c) The Contractors make this Contract in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property discounts, or other Federal financial assistance extended after the date hereof to the Contractors by the Bureau of Reclamation, including installment payments after such date on account of arrangements for Federal financial assistance which were approved before such date. The Contractors recognize and agrees that such Federal assistance will be extended in reliance on the representations and agreements made in this Article and that the United States reserves the right to seek judicial enforcement thereof.

(d) Complaints of discrimination against the Contractors shall be investigated by the Contracting Officer's Office of Civil Rights.

PRIVACY ACT COMPLIANCE

22. (a) The Contractors shall comply with the Privacy Act of 1974 (Privacy Act) (5 U.S.C. § 552a) and the Department of the Interior rules and regulations under the Privacy Act (43 C.F.R. § 2.45, et seq.) in maintaining Landholder certification and reporting records required to be submitted to the Contractors for compliance with Sections 206, 224(c), and 228 of the Reclamation Reform Act of 1982 (43 U.S.C. §§ 390ff, 390ww, and 390zz), and pursuant to 43 C.F.R. § 426.18.

(b) With respect to the application and administration of the criminal penalty provisions of the Privacy Act (5 U.S.C. § 552a(i)), the Contractors and the Contractors' employees who are responsible for maintaining the certification and reporting records referenced in paragraph (a) above are considered to be employees of the Department of the Interior. See 5 U.S.C. § 552a(m).

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

(d) The Contracting Officer shall designate a full-time employee of the Bureau of Reclamation to be the System Manager responsible for making decisions on denials pursuant to 43 C.F.R. §§ 2.61 and 2.64 and amendment requests pursuant to 43 C.F.R. § 2.72. The Contractors are authorized to grant requests by individuals for access to their own records.

(e) The Contractors shall forward promptly to the System Manager each proposed denial of access under 43 C.F.R. § 2.64 and each request for amendment of records filed under 43 C.F.R. § 2.71; notify the requester accordingly of such referral; and provide the System Manager with information and records necessary to prepare an appropriate response to the requester. These requirements do not apply to individuals seeking access to their own certification and reporting forms filed with the Contractors pursuant to 43 C.F.R. § 426.18 unless the requester elects to cite the Privacy Act as an authority for the request.

(f) Upon complete payment of the Repayment Obligation by the Contractors, this Article 22 will no longer be applicable.

CONTRACTORS TO PAY CERTAIN MISCELLANEOUS COSTS

23. In addition to all other payments to be made by the Contractors pursuant to this Contract, the Contractors shall pay to the United States, within sixty (60) days after receipt of a bill and detailed statement submitted by the Contracting Officer to the Contractors for such specific items of direct cost incurred by the United States for work requested by the Contractors associated with this Contract plus a percentage of such direct costs for administrative and general overhead in accordance with applicable Bureau of Reclamation policy and procedures. All such amounts referred to in this Article shall not exceed the amount agreed to in writing in advance by the Contractors. This Article shall not apply to costs for routine contract administration.

WATER CONSERVATION

24. (a) Prior to the delivery of water provided from or conveyed through Federally constructed or Federally financed facilities pursuant to this Contract, the Contractors shall develop a water conservation plan, as required by subsection 210(b) of the Reclamation Reform Act of 1982 and 43 C.F.R. 427.1 (Water Conservation Rules and Regulations).

Additionally, an effective water conservation and efficiency program shall be based on the Contractors' water conservation plan that has been determined by the Contracting Officer to meet the conservation and efficiency criteria for evaluating water conservation plans established under Federal law. The water conservation and efficiency program shall contain definite water conservation objectives, appropriate economically feasible water conservation measures, and time schedules for meeting those objectives.

(b) Should the amount of M&I Water delivered pursuant to subdivision (a) Article 3 of this Contract equal or exceed 2,000 acre-feet per Year, the Contractors shall implement the Best Management Practices identified by and the time frames issued by the Mid-Pacific Region's then-existing conservation and efficiency criteria for such M&I Water unless any such practice is determined by the Contracting Officer to be inappropriate for the Contractors.

(c) Omitted.

(d) The Contractors shall submit to the Contracting Officer by December 31, of each Calendar Year, an annual report on the status of their implementation of the water conservation program.

(e) At five (5)-year intervals, the Contractors shall revise their water conservation plan to reflect the then-existing conservation and efficiency criteria for evaluating water conservation plans established under Federal law and submit such revised water management plan to the Contracting Officer for review and evaluation. The Contracting Officer

will then determine if the water conservation plan meets the Bureau of Reclamation's then-existing conservation and efficiency criteria for evaluating water conservation plans established under Federal law.

EXISTING OR ACQUIRED WATER OR WATER RIGHTS

25. Except as specifically provided in Article 16 of this Contract, the provisions of this Contract shall not be applicable to or affect water or water rights now owned or hereafter acquired by the Contractors or any user of such water within the Contractors' Boundaries from other than the United States by the Contractors. Any such water shall not be considered Project Water under this Contract. In addition, this Contract shall not be construed as limiting or curtailing any rights which the Contractors or any water user within the Contractors' Boundaries acquires or has available under any other contract pursuant to the Federal Reclamation law.

OPERATION AND MAINTENANCE BY THE OPERATING NON-FEDERAL ENTITY

26. (a) The responsibility for performing and, in some cases, funding the O&M of all or any portion of the Delta Division facilities may be transferred to an Operating Non-Federal Entity by one or more separate agreements between the United States and the Operating Non-Federal Entity. Any such agreement(s) shall require the Operating Non-Federal Entity to perform the O&M in compliance with the provisions of this Contract and shall not interfere with the rights and obligations of the Contractors and the United States under this Contract.

(b) The Contracting Officer has previously notified the Contractors in writing that the Operation and Maintenance of a portion of the Project facilities which serve the Contractors have been transferred to the Operating Non-Federal Entity, and therefore, the Contractors shall pay directly to the Operating Non-Federal Entity, or to any successor approved by the Contracting Officer under the terms and conditions of the separate agreement between the United States and the Operating Non-Federal Entity described in subdivision (a) of this Article,

all rates, charges, or assessments of any kind, including any assessment for reserve funds, which the Operating Non-Federal Entity or such successor determines, sets, or establishes for the Operation and Maintenance of the portion of the Project facilities operated and maintained by the Operating Non-Federal Entity or such successor. Such direct payments to Operating Non-Federal Entity or such successor shall not relieve the Contractors of their obligation to pay directly to the United States the Contractors' share of the Project Rates, Charges, and Tiered Pricing Component except to the extent the Operating Non-Federal Entity collects payments on behalf of the United States in accordance with the separate agreement identified in subdivision (a) of this Article.

(c) In the event the Operation and Maintenance of the Project facilities operated and maintained by the Operating Non-Federal Entity is re-assumed by the United States during the term of this Contract, the Contracting Officer shall so notify the Contractors, in writing, and present to the Contractors a revised Exhibit "A" which shall include the portion of the Rates to be paid by the Contractors for Project Water under this Contract representing the Operation and Maintenance costs of the portion of such Project facilities which have been reassumed. The Contractors shall, thereafter, in the absence of written notification from the Contracting Officer to the contrary, pay the Rates, Charges, and Tiered Pricing Component specified in the revised Exhibit "A" directly to the United States in compliance with Article 7 of this Contract.

CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

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

BOOKS, RECORDS, AND REPORTS

28. The Contractors shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this Contract, including the Contractors' financial transactions; water supply data; project operation, maintenance, and replacement logs; project land and rights-of-way use agreements; the water users' land-use (crop census), land-ownership, land-leasing, and water-use data; and other matters that the Contracting Officer may require. Reports shall be furnished to the Contracting Officer in such form and on such date or dates as the Contracting Officer may require. Subject to applicable Federal laws and regulations, each party to this Contract shall have the right during office hours to examine and make copies of the other party's books and records relating to matters covered by this Contract.

ASSIGNMENT LIMITED – SUCCESSORS AND ASSIGNS OBLIGATED

29. (a) The provisions of this Contract shall apply to and bind the successors and assigns of the parties hereto, but no assignment or transfer of this Contract or any right or interest therein by either party shall be valid until approved in writing by the other party.

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

SEVERABILITY

30. In the event that a person or entity who is neither (i) a party to a Project Contract, nor (ii) a person or entity that receives Project Water from a party to a Project Contract, nor (iii) an association or other form of organization whose primary function is to represent parties to Project Contracts, brings an action in a court of competent jurisdiction challenging the legality or enforceability of a provision included in this Contract and said person, entity, association, or organization obtains a final court decision holding that such provision is legally invalid or unenforceable and the Contractors have not intervened in that lawsuit in support of the plaintiff(s), the parties to this Contract shall use their best efforts to (i) within thirty (30) days of the date of such final court decision identify by mutual agreement the provisions in this Contract which must be revised, and (ii) within three (3) months thereafter promptly agree on the

appropriate revision(s). The time periods specified above may be extended by mutual agreement of the parties. Pending the completion of the actions designated above, to the extent it can do so without violating any applicable provisions of law, the United States shall continue to make the quantities of Project Water specified in this Contract available to the Contractors pursuant to the provisions of this Contract which were not found to be legally invalid or unenforceable in the final court decision.

OFFICIALS NOT TO BENEFIT

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

CHANGES IN CONTRACTORS' ORGANIZATION AND/OR SERVICE AREA

32. While this Contract is in effect, no change may be made in the Contractors' Service Areas or organizations, by inclusion or exclusion of lands or by any other changes which may affect the respective rights, obligations, privileges, and duties of either the United States or the Contractors under this Contract, including, but not limited to, dissolution, consolidation, or merger, except upon the Contracting Officer's written consent.

RECLAMATION REFORM ACT OF 1982

33. (a) Upon a Contractors' compliance with and discharge of the Repayment Obligation pursuant to this Contract, subsections (a) and (b) of Section 213 of the Reclamation Reform Act of 1982 (96 Stat. 1269) shall apply to affected lands.

(b) The obligation of the Contractors to pay the Additional Capital Obligation shall not affect the Contractors' status as having repaid all of the construction costs assignable to the Contractors or the applicability of subsections (a) and (b) of section 213 of the Reclamation Reform Act of 1982 (96 Stat. 1269) once the Repayment Obligation is paid.

CERTIFICATION OF NONSEGREGATED FACILITIES

34. The Contractors hereby certify that the Contractors do not maintain or provide for their employees any segregated facilities at any of their establishments and that the Contractors do not permit their employees to perform their services at any location under the Contractors

control where segregated facilities are maintained. The Contractors certify further that the Contractors will not maintain or provide for their employees any segregated facilities at any of their establishments and that the Contractors will not permit its employees to perform their services at any location under the Contractors control where segregated facilities are maintained. The Contractors agree that a breach of this certification is a violation of the Equal Employment Opportunity clause in this Contract. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, creed, color, or national origin, because of habit, local custom, disability, or otherwise. The Contractors further agree that (except where the Contractors have obtained identical certifications from proposed subcontractors for specific time periods) the Contractors will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding \$10,000 which are not exempt from the provisions of the Equal Employment Opportunity clause; that the Contractors will retain such certifications in their files; and that the Contractors will forward the following notice to such proposed subcontractors (except where the proposed subcontractors have submitted identical certifications for specific time periods):

NOTICE TO PROSPECTIVE SUBCONTRACTORS OF REQUIREMENT FOR
CERTIFICATIONS OF NONSEGREGATED FACILITIES

A Certification of Nonsegregated Facilities must be submitted prior to the award of a subcontract exceeding \$10,000 which is not exempt from the provisions of the Equal Employment Opportunity clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semiannually, or annually). Note: The penalty for making false statements in offers is prescribed in 18 U.S.C. § 1001.

MEDIUM FOR TRANSMITTING PAYMENT

35. (a) All payments from the Contractors to the United States under this Contract shall be by the medium requested by the United States on or before the date payment is due. The required method of payment may include checks, wire transfers, or other types of payment specified by the United States.

(b) Upon execution of this Contract, the Contractors shall furnish the Contracting Officer with the Contractors' taxpayer's identification number (TIN). The purpose for requiring the Contractors' TIN is for collecting and reporting any delinquent amounts arising out of the Contractors' relationship with the United States.

TERMINATION OF PAJARO VALLEY WATER MANAGEMENT AGENCY INTEREST

36. (a) Pajaros interest in Contract No. 14-06-200-3365A-IR3-B and all successive renewals is hereby terminated by mutual agreement.

(b) This termination shall relieve the United States from its obligation to provide Pajaro with use of water in accordance with the agreement dated May 14, 1999 (Exhibit "D").

NOTICES

37. Any notice, demand, or request authorized or required by this Contract shall be deemed to have been given, on behalf of the Contractors, when mailed, postage prepaid, or delivered to the Area Manager, South-Central California Area Office, 1243 N Street, Fresno, California 93721, Bureau of Reclamation, and on behalf of the United States, when mailed, postage prepaid, or delivered to the Board of Directors of Santa Clara Valley Water District, 5750 Almaden Expressway, San Jose, California 95118-3686, and the Board of Directors of Westlands Water District Distribution District No. 1, P.O. Box 6056, Fresno, California 93703-6056. The designation of the addressee or the address may be changed by notice given in the same manner as provided in this Article for other notices.

CONTRACT DRAFTING CONSIDERATIONS

38. This amended Contract has been negotiated and reviewed by the parties hereto, each of whom is sophisticated in the matters to which this amended Contract pertains. The double-spaced Articles of this amended Contract have been drafted, negotiated, and reviewed by the parties, and no one party shall be considered to have drafted the stated Articles. Single-spaced Articles are standard Articles pursuant to Bureau of Reclamation policy.

CONFIRMATION OF CONTRACT

39. Promptly after the execution of this amended Contract, the Contractors will provide to the Contracting Officer a certified copy of a final decree of a court of competent jurisdiction in the State of California, confirming the proceedings on the part of the Contractors for the authorization of the execution of this amended Contract. This amended Contract shall not be binding on the United States until the Contractors secure a final decree.

1019 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day
1020 and year first above written.

1021 UNITED STATES OF AMERICA

1022 By: _____
1023 Regional Director
1024 Interior Region 10: California-Great Basin
1025 Bureau of Reclamation

1026 WESTLANDS WATER DISTRICT DISTRIBUTION
1027 DISTRICT NO. 1
1028 (SEAL)

1029 By: _____
1030 President of the Board of Directors

1031 Attest:

1032 By: _____
1033 Secretary of the Board of Directors

1034 SANTA CLARA VALLEY WATER DISTRICT
1035 (SEAL)

1036 By: _____
1037 Chief Executive Officer

1038 Attest:

1039 By: _____
1040 Secretary of the Board of Directors

1019 IN WITNESS WHEREOF, the parties hereto have executed this Contract as of the day
1020 and year first above written.

1021 UNITED STATES OF AMERICA

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1027 DISTRICT NO. 1
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1031 Attest:

1032 By: _____
1033 Secretary of the Board of Directors

1034 SANTA CLARA VALLEY WATER DISTRICT
1035 (SEAL)

1036 By: _____
1037 Chief Executive Officer

1038 Attest:

1039 By: _____
1040 Secretary of the Board of Directors

EXHIBIT A
SANTA CLARA VALLEY WATER DISTRICT AND WESTLANDS WATER DISTRICT
2020 Rates and Charges
(Per Acre-Foot)

	Westlands WD		Santa Clara Valley WD	
	Irrigation Water	M&I Water	Irrigation Water	M&I Water
COST-OF-SERVICE (COS) RATE				
Construction Costs	\$0.00	\$0.00	\$0.00	\$0.00
DMC Aqueduct Intertie	\$0.00	\$0.00	\$0.00	
O&M Components				
Water Marketing	\$8.97	\$6.12	\$8.97	\$6.12
Storage	\$18.01	\$14.99	\$17.87	\$14.84
Credit for other PUE Remittance	(\$2.28)	(\$1.99)	(\$3.78)	(\$3.58)
Conveyance				
Conveyance Pumping				
Direct Pumping				
Deficit Cost Component(American Recovery and Reinvestment Act (ARRA)included)	\$0.00		\$0.00	\$0.00
TOTAL COS RATE (Tier 1 Rate)	\$24.70	\$19.12	\$23.06	\$17.38
Project Use Energy Payment				
Direct Pumping	\$11.35	\$10.46	\$18.81	\$18.81
Other PUE Remittance	\$2.28	\$1.99	\$3.78	\$3.58
IRRIGATION FULL-COST RATE *				
Section 202(3) Rate is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	TBD		TBD	
Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	TBD		TBD	
M&I FULL COST RATE (Schedule FC-2)		\$0.00		\$0.00
TIERED PRICING COMPONENTS (In Addition to Total COS Rate Above)				
Irrigation *				
Tier 2 Rate: >80% <=90% of Contract Total [Section 202(3) Irrigation Full Cost Rate - Irrigation COS Rate]/2 (Amount to be added to Tier 1 Rate)	TBD		TBD	
Tier 3 Rate: >90% of Contract Total [Section 202(3) Irrigation Full Cost Rate - Irrigation COS Rate] (Amount to be added to Tier 1 Rate)	TBD		TBD	
M&I				
Tier 2 Rate: >80% <=90% of Contract Total [M&I Full Cost Rate - M&I COS Rate]/2 (Amount to be added to Tier 1 Rate)		\$0.00		\$0.00
Tier 3 Rate: >90% of Contract Total [M&I Full Cost Rate - M&I COS Rate] (Amount to be added to Tier 1 Rate)		\$0.00		\$0.00
CHARGES AND ASSESSMENTS (Payments in addition to Rates)				
P.L. 102-575 Surcharge (Restoration Fund Payment) [Section 3407(d)(2)(A)]	\$10.91	\$21.82	\$10.91	\$21.82
P.L. 106-377 Assessment (Trinity Public Utilities District) [Appendix B, Section 203]	\$0.12	\$0.12	\$0.12	\$0.12
TOTAL INCLUSIVE RATE (All costs included not including full cost and tiered pricing)	\$49.36	\$53.51	\$56.68	\$61.71

* For Irrigation water, if construction paid under WIIN Act is paid in lump sum, full cost rates and tier pricing component is not applicable for 2020 water rates.

Additional detail of rate components is available on the Internet at:
<http://www.usbr.gov/mp/cvpwaterrates/ratebooks/index.html>

Exhibit B[@]

Repayment Obligation - Current Calculation under the WIIN Act, Section 4011 (a) (2)

Unpaid Construction Cost from the 2020 Water Rate Books*

Contractor: Westlands Water District DD #1
 Facility: San Luis Canal (Delta-Mendota Pool and DD#2 provided separate)
 Contract: 14-06-200-0495A-IR1-P, 14-06-200-7823J-LTR1-P, 14-06-200-8092-IR5-P,
 7-07-20-W0055B-IR5-P, 14-06-200-8018B-IR5-P, 14-06-200-3365AB-IR5-P

Irrigation Construction Cost (2020 Irrigation Ratebook, Schedule A-2Ba and A-2Bc)			
	Unpaid Cost		Discount
Construction Cost (Excludes Intertie):	\$	250,171,144	
2019 Repayment (Estimate) **	\$	49,813,728	
Adjusted Construction Cost (Excludes Intertie):	\$	200,357,416	\$ 189,837,822
Intertie Construction Cost:	\$	18,005,992	\$ 14,797,371
Total	\$	218,363,408	\$ 204,635,193
If Paid in Installments (Used 20 yr CMT)			
Due****			
Payment 1	6/1/2020		\$ 52,321,480
Payment 2	6/2/2021		\$ 52,321,480
Payment 3	6/2/2022		\$ 52,321,480
Payment 4	6/2/2023		\$ 52,321,480
Total Installment Payments			\$ 209,285,920
20 yr CMT Rates - 02/20/2020 (to be adjusted to effective date of contract) ^e			
			1.810%
Discount Rate (1/2 of the Treasury Rate per the WIIN Act, Section 4011(a)(2)(A))			
			0.905%

M&I Construction Cost (2020 M&I Ratebook, Sch A-2Ba)	
	Unpaid Cost
Construction Cost:	\$ 286,220
2019 Repayment (Estimate) **	\$ 21,307
Adjusted Construction Cost***:	\$ 264,913

Calculation Support: Irrigation Lump Sum or First Payment**** 6/1/2020
 Days Until the End of the Fiscal Year 121

Fiscal Yr	Unpaid Allocated Construction Cost			Unpaid Intertie Construction Cost			Total
	Beginning Balance	Straight Line Repayment	Present Value	Beginning Balance	Straight Line Repayment	Present Value	Present Values
2020	\$ 200,357,416	\$ 18,214,311	\$ 17,997,265	\$ 18,005,992	\$ 409,227	\$ 404,351	\$ 18,401,616
2021	\$ 182,143,106	\$ 18,214,311	\$ 17,889,054	\$ 17,596,765	\$ 409,227	\$ 401,919	\$ 18,290,973
2022	\$ 163,928,795	\$ 18,214,311	\$ 17,728,610	\$ 17,187,538	\$ 409,227	\$ 398,315	\$ 18,126,924
2023	\$ 145,714,485	\$ 18,214,311	\$ 17,569,605	\$ 16,778,311	\$ 409,227	\$ 394,742	\$ 17,964,347
2024	\$ 127,500,174	\$ 18,214,311	\$ 17,412,026	\$ 16,369,084	\$ 409,227	\$ 391,202	\$ 17,803,228
2025	\$ 109,285,863	\$ 18,214,311	\$ 17,255,860	\$ 15,959,857	\$ 409,227	\$ 387,693	\$ 17,643,554
2026	\$ 91,071,553	\$ 18,214,311	\$ 17,101,095	\$ 15,550,629	\$ 409,227	\$ 384,216	\$ 17,485,312
2027	\$ 72,857,242	\$ 18,214,311	\$ 16,947,719	\$ 15,141,402	\$ 409,227	\$ 380,770	\$ 17,328,489
2028	\$ 54,642,932	\$ 18,214,311	\$ 16,795,717	\$ 14,732,175	\$ 409,227	\$ 377,355	\$ 17,173,072
2029	\$ 36,428,621	\$ 18,214,311	\$ 16,645,079	\$ 14,322,948	\$ 409,227	\$ 373,971	\$ 17,019,050
2030	\$ 18,214,311	\$ 18,214,311	\$ 16,495,792	\$ 13,913,721	\$ 409,227	\$ 370,617	\$ 16,866,409
2031-63				\$ 13,504,494	\$ 13,504,494	\$ 10,532,220	\$ 10,532,220
Total, Lump Sum Payment			\$ 189,837,822			\$ 14,797,371	\$ 204,635,193

Amount of Reduction, Lump Sum \$ 10,519,594 \$ 3,208,621 \$ 13,728,215

* Costs are assumed to be paid and all charges are assumed to be accurate. If at a later date charges are determined to need update, they are still required. Also, unpaid charges are still a requirement under contract.

** 2019 Repayment is based on a conservative estimate. If not sufficient, the remainder will be billed.

*** Excludes Interest to payment date as Interest will be computed as an annual expense as usual.

**** Contractor has 60 days from the effective date of the contract or installment dates to make payment.

^eTo be updated. The WIIN Act requires us to have a Constant Maturity Treasury rate based on the effective date of the contract.

***PAJARO VALLEY WATER MANAGEMENT AGENCY***

36 BRENNAN STREET • WATSONVILLE, CA 95076

TEL: (831) 722-9292 FAX: (831) 722-3139

<https://www.pvwater.org>

July 26, 2019

Bureau of Reclamation - SCCAO
Attn: Michael Jackson, P.E.
1243 N. Street
Fresno, CA 93721-1813

SUBJECT: Partial Assignment from Mercy Springs

Dear Mr. Jackson,

Pajaro Valley Water Management Agency is withdrawing its interest in the Existing Contract and current renewal, titled "Interim Renewal Contract Among The United States and Pajaro Valley Water Management Agency, Santa Clara Valley Water District, and Westlands Water District Distribution District No. 1 Providing For Project Water Service From The San Luis Unit And Delta Division the Partial Assignment Water Service Contract" Contract No. 14-06-200-3365A-IR-B (Partial Assignment from Mercy Springs).

Should you have any questions, or if you need additional information, please do not hesitate to contact me at (831) 722-9292, or lockwood@pvwater.org.

Sincerely,

Brian Lockwood
General Manager



Resolution 2019-22

**A Resolution of the Board of Directors of the
Pajaro Valley Water Management Agency**

**Terminating Contract with Bureau of Reclamation and
Authorizing Related Actions**

The Board of Directors of the Pajaro Valley Water Management Agency does resolve as follows:

WHEREAS, the Pajaro Valley Water Management Agency ("PV Water") entered into a contract with the U.S. Bureau of Reclamation ("Reclamation") for water supplies from the Central Valley Project, the most recent form of which is titled, "Interim Renewal Contract Among The United States and Pajaro Valley Water Management Agency, Santa Clara Valley Water District, and Westlands Water District Distribution District No. 1 Providing For Project Water Service From The San Luis Unit And Delta Division the Partial Assignment Water Service Contract," Reclamation Contract No. 14-06-200-3365A-IR14-B (the "Contract");

WHEREAS, PV Water has determined that it is in its best interest to withdraw from the Contract; and

WHEREAS, on July 26, 2019, PV Water's General Manager sent a letter to Reclamation stating PV Water's intent to withdraw its interest in the Contract;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the Pajaro Valley Water Management Agency as follows:

1. The Board confirms that PV Water shall terminate its interest in, and withdraw from, the Contract.
2. The Board authorizes and directs the General Manager or his designee to take any actions necessary to effect this withdrawal from and termination of PV Water's interest in the Contract.

PASSED AND ADOPTED by the Pajaro Valley Water Management Agency, County of Santa Cruz, State of California, this 18th day of December, 2019 by the following vote:

AYES:	Newell, Culbertson, Zamora, Bussey, Bannister, Broz
NOES:	None
ABSENT:	None
ABSTAIN:	None


Amy Newell, Chair

Attest:


Laura R. Taay, Board Secretary

AGREEMENT FOR PARTIAL**ASSIGNMENT OF WATER SERVICE CONTRACT**

THIS AGREEMENT is made this 14th day of May 1999, by and among Mercy Springs Water District ("Mercy Springs"), Pajaro Valley Water Management Agency ("Pajaro Valley"), Westlands Water District ("Westlands"), Santa Clara Valley Water District ("Santa Clara") and the United States of America through the United States Bureau of Reclamation ("Reclamation").

RECITALS

A. On June 21, 1967, Mercy Springs and the United States entered into Contract No. 14-06-200-3365A providing for the annual delivery of up to Thirteen Thousand Three Hundred (13,300) acre feet of water from the Central Valley Project ("CVP"). On February 27, 1995, Mercy Springs and the United States entered into Interim Renewal Contract No. 14-06-200-3365A-IR1, which was effective through February 28, 1998, and on February 20, 1998, Mercy Springs and the United States entered into Interim Renewal contract No. 14-06-200-3365A-IR2 (the "Existing Contract"), which expires February 28, 2000; and thereafter shall, upon the request, be renewed for successive interim periods of not more than Two (2) years in length, and thereafter upon final completion of certain environmental documentation, and upon the request, shall be renewed for a term of Twenty-five (25) years, which may thereafter be renewed for terms not to exceed Twenty-five (25) years.

B. Article 30(a) of the Existing Contract provides for assignment of the Contract upon written approval of the Contracting Officer acting on behalf of the United States.

C. Upon execution of this Agreement, Mercy Springs will assign to Pajaro Valley, Westlands and Santa Clara all Mercy Springs' right, title, and interest in that portion of the Existing Contract as it relates to, and is for the benefit of, the One Thousand Six Hundred Five (1,605) acres of lands within Mercy Springs [more particularly described in Exhibit "A" (the "Subject Lands") and consisting of Six Thousand Two Hundred Sixty (6,260) annual acre-feet of entitlement under the Existing Contract (that portion referred to hereafter as the "Subject Water Supply"), including any rights to renew the Existing Contract for the Subject Water Supply.

D. Mercy Springs, Pajaro Valley, Westlands and Santa Clara have also entered into a separate agreement entitled "Agreement Relating to Partial Assignment of Water Service Contract" (hereafter referred to as the "Four-Party Agreement"), whereby the Subject Water Supply from this assignment will be provided to Westlands and Santa Clara for a period of at least ten (10) years. The Four-Party Agreement provides that if conditions specified therein do not occur within twenty (20) years of the effective date of this Agreement, all of Pajaro Valley's interest in the Existing Contract or a renewal thereof shall terminate.

E. The Subject Water Supply has been determined to be included in the average annual quantity of CVP water actually delivered to Mercy Springs under Contract No. 214-06-200-3365A during the last three years of normal water delivery prior to enactment of the Central Valley Project Improvement Act.

AGREEMENT

IT IS THEREFORE AGREED AMONG THE BELOW PARTIES:

1. **Incorporation of Recitals.** Each of the above RECITALS is hereby incorporated as a part of this Agreement.

2. Terms and Conditions. Subject to the terms of the terms of the Four-Party Agreement, upon execution of this Agreement, Pajaro Valley, Westlands, and Santa Clara accept all terms and conditions included in the Existing Contract, as may be modified upon renewal thereof, and as may be modified or supplemented herein, and those parties to this Agreement acknowledge and accept their proportionate share of the CVP capital obligation incurred under Contract Nos. 14006-200-3365A or 14-06-200-3365A-IR1, or the Existing Contract.

3. Payment of Existing Operation and Maintenance Deficit. Prior to delivery of any of the Subject Water Supply pursuant to this assignment, Mercy Springs shall have paid in full to the United States any operation and maintenance deficit that may be owed by Mercy Springs to the United States as a result of the delivery of CVP Water to Mercy Springs pursuant to Contract Nos. 14006-200-3365A or 14-06-200-3365A-IR1, or the Existing Contract delivered prior to the effective date of the Agreement.

4. Change in Service Area. The Existing Contract is hereby modified to include in the contract service area, the service areas of Westlands and Santa Clara, where the Subject Water Supply can be used.

5. Water Rates and Charges. The Subject Water Supply shall be subject to the applicable Rates, Charges, and Crediting determined annually in accordance with Federal law, associated regulations and the then current CVP ratesetting policies. To enable Reclamation to compute appropriate Rates, Charges, and Crediting, Westlands, Santa Clara, and/or Pajaro Valley shall submit water delivery schedules required by the Existing contract, as may be amended,

supplemented, or renewed, to Reclamation identifying to whom the Subject Water Supply will be delivered.

6. Use of Water By Pajaro Valley. The delivery to Pajaro Valley of any of the Subject Water Supply shall be contingent upon appropriate environmental review and modification of the contract service area described in the Existing Contract or the renewal thereof. In addition to the terms and conditions on the use of CVP water in the Existing Contract, as may be amended or supplemented, the delivery of any of the Subject Water Supply for M&I purposes to the Pajaro Valley service area is conditioned upon the prior written approval of the Contracting Officer.

7. Allocation of Water Shortages. Irrespective of actual use, the Subject Water Supply shall be acknowledged by the parties and treated by the United States as irrigation water for the purposes of allocating water shortages among CVP water service contractors.

8. Place of Use and Land Classification Requirements. The delivery of any of the Subject Water Supply to Pajaro Valley shall also be contingent upon inclusion, if not previously accomplished, of the lands in the permitted place of use for the CVP water rights by the California State Water Resources Control Board. The use of any of the Subject Water Supply for irrigation purposes must be preceded, if not previously completed, by appropriate Federal land classification and shall be consistent with Federal Reclamation law.

9. Retention of Rights. Upon execution of this Agreement, Mercy Springs will retain all right, title, and interest in that portion of the Existing Contract exclusive of the Subject Water Supply for the Subject Lands.

10. Applicability of the Reclamation Reform Act of 1982. The Subject Water Supply when used for irrigation purposes shall only be delivered to lands held by landholders who have elected to be subject to the provisions of the Reclamation Reform Act of 1982, 43 U.S.C. Sections 390aa *et seq.*, 96 Stat. 1263, by executing an irrevocable election or within a district subject to said Act.

11. Existing Contract Renewal Rights. All parties to this agreement acknowledge and understand that this agreement does not afford any of the parties any contractual rights to any renewal of the Existing Contract beyond that provided pursuant to the Existing Contract.

12. Effective Date. The effective date of this Agreement shall be the date on which it is approved by the United States.

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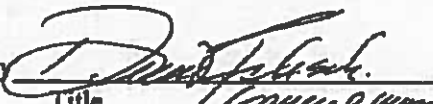
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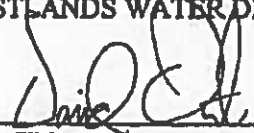
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IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

MERCY SPRINGS WATER DISTRICT

By 
Title Council Manager

WESTLANDS WATER DISTRICT


By 
Title General Manager

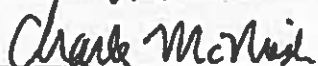
SANTA CLARA VALLEY DISTRICT

Reference SCVWD Agreement # A2263

By 
Title CEO

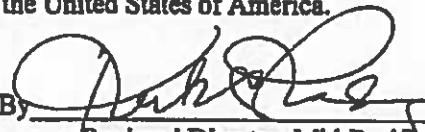
PAJARO VALLEY WATER
MANAGEMENT AGENCY

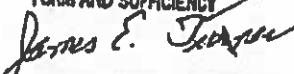
By 
Title vice chairman

By 
Title General Manager

The foregoing Agreement for Partial Assignment of the Existing Contract and the terms detailed above are hereby approved and accepted by the United States of America.

Dated: 10/22/99

By 
Acting Regional Director, Mid-Pacific
Region, Bureau of Reclamation

APPROVED AS TO LEGAL
FORM AND SUFFICIENCY

OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR



PAJARO VALLEY WATER MANAGEMENT AGENCY

36 BRENNAN STREET • WATSONVILLE, CA 95076

TEL: (831) 722-9292 • FAX: (831) 722-3139

email: info@pvwma.dst.ca.us • <http://www.pvwma.dst.ca.us>

Board of Directors Meeting

May 7, 1999

MINUTES

1. **Call to Order and Roll Call of PVWMA Directors:** The Regular Board meeting of Pajaro Valley Water Management Agency was called to order at 1:33 p.m. by Vice Chair Howard Mauthe.

Board Members Present: Frank Capurro, Gwen Carroll, Warren Koenig, Howard Mauthe, Joe Roediger

Board Members Absent: Brad Bennett, Rosemarie Imazio

Staff Members Present: Charles McNiesh, General Manager (GM)
Barbara Jordan, Administrative Services Officer (ASO)
Sharon Chappellear, Administrative Assistant (AA)

Others Present: Lyndel Melton, Consultant
David Lindow, Consultant

2. **Closed Session (1:00 - 1:30 p.m.):** Pursuant to Government Code section 54956.8 - Real property negotiations: Mercy Springs Water District property and water contract assignment; negotiating parties: PVWMA, Mercy Springs Water District/Sloan/Sagouspe, Santa Clara Valley Water District, and Westlands Water District.
3. **Open Session will begin at 1:30 p.m.** Report on closed session. The closed session was not held and there is therefore, no report.
4. **Action Item:**
 - A. Execute Mercy Springs contract assignment document, execute water district agreement Supplementing the contract assignment document, and approve related escrow instructions. GM stated that escrow has been extended to May 14, 1999. Title company needs more time to secure signatures. After a short discussion, the following action was taken.


ACTION: Motion by Director Koenig to authorize the General Manager and the appropriate Board Member to negotiate and execute the final Mercy Springs documents unless there are substantial changes from the current document drafts. Motion carried by unanimous Aye vote, with Director Roediger abstaining.

5. **Oral Communications:** None

Director Imazio present at 1:38 p.m.

I hereby certify that this is a true copy of the approved minutes of the May 7, 1999 meeting of the Board of Directors of the Pajaro Valley Water Management Agency.

ATTEST:


Sharon A. Chappellear
Acting Secretary/Board of Directors

Date: September 28, 1999

RESOLUTION NO. 5-96

MERCY SPRINGS WATER DISTRICT

**RESOLUTION APPROVING THE ASSIGNMENT OF
A PORTION OF THE WATER SERVICE CONTRACT BETWEEN
THE UNITED STATES OF AMERICA AND MERCY SPRINGS WATER
DISTRICT AND PROVIDING FOR THE COOPERATION OF
DISTRICT TO CARRY OUT THE ASSIGNMENT**

WHEREAS, the Mercy Springs Water District ("District") entered into a "Contract Between the United States and Mercy Springs Water District Providing for Water Service" dated February 27, 1965, Contract No. 14-06-200-3365A IR1 ("Bureau Contract"); and

WHEREAS, the District has adopted a policy entitled "Program Requirements for District Approval of Landowner Requests Relating to Partial Assignments/Long Term Transfers Affecting Central Valley Project Water Supply, dated December 10, 1996 ("District Policy"); and

WHEREAS, said District Policy is consistent with Water Code Section 382 which authorizes a local agency such as this District to transfer water outside of its boundaries, the use of which is voluntarily foregoing by water users within the agency; and

WHEREAS, certain landowners (the "Landowners") within the District have entered into an Agreement dated October 9, 1996 (the "Letter of Intent") with Pajaro Valley Water Management Agency ("Agency"), a copy of which is attached as Exhibit "A", participation in which Letter of Intent was offered to all District Landowners, which provides for the sale of Landowners of certain lands within the District and the right to receive water from the District under the Bureau contract related to such lands, and the assignment of a portion of the District Bureau Contract to the Agency for delivery of water to the Agency; and

WHEREAS, District has reviewed the terms and conditions of the Letter of Intent; and

WHEREAS, District desires to help facilitate the carrying out of the assignment of a portion of the Bureau Contract as set out in the Letter of Intent and is satisfied with its provisions, subject to compliance with the District Policy; and

WHEREAS, District will complete all actions necessary for compliance with the California Environmental Quality Act with respect to the Letter of Intent and its provisions for a sale of lands within the District, and assignment of a portion of the District Bureau Contract to Agency; the Bureau of Reclamation will comply with the National Environmental Policy Act; and

WHEREAS, although each member of the Board of Directors may participate in the partial assignment provided by the Letter of Intent, this Board has been advised action on such matter would not be a violation of Government Code §1090 in that the program provided for

under the District Policy and Letter of Intent is offered to all Landowners under the same term and conditions regardless of whether they are members of the Board of Directors; furthermore, members of the Board voting upon this resolution were drawn by lot after first disqualifying all directors from voting on the matter.

NOW, THEREFORE, BE IT RESOLVED by this Board of Directors as follows:

1. The facts set forth in the recitals above are true and correct, and the Board so finds and determines.
2. The District shall cooperate with and facilitate implementing the partial assignment provided for in the Letter of Intent, consistent with the District Policy, and the District's officers and staff are authorized and directed to do all things necessary and appropriate to carry out the foregoing, and
3. The District or the Agency will act as lead agency in carrying out the California Environmental Quality Act ("CEQA");
4. Subject to compliance with CEQA and any other applicable laws, it is the District's intent to execute the partial assignment and other necessary documents to carry out the Letter of Intent, consistent with the District Policy.

ALL THE FOREGOING, being on motion of Director Sloan
seconded by Director Sas spe, was authorized by the following vote, namely:

AYES: Director Sloan, Director Ed Koda, Director Sagouspe

NOES: None

ABSTAIN: Director Devine, Director Tama Koda

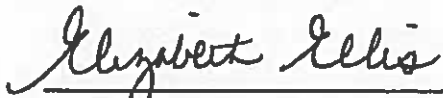
ABSENT: None

I HEREBY CERTIFY that the foregoing is a true copy of the resolution of the Board of Directors of Mercy Springs Water District as duly passed and adopted by said Board of Directors at an adjourned meeting held this 10th day of December, 1996.


Secretary

I hereby certify that this is a true copy of the approved minutes of the
December 15, 1998, meeting of the Board of Directors of the Santa Clara
Valley Water District.

ATTEST:



Elizabeth A. Ellis
Deputy Clerk/Board of Directors

Date: May 14, 1999

7 ii). Ms. Maher reviewed the staff report regarding the Central Valley Project Dry-Year Option Agreement and responded to Board members' questions.

It was moved by Director Sanchez, seconded by Director Zlotnick, and unanimously carried that the Board authorize the General Manager to execute a joint assignment contract for Central Valley Project water, consistent with terms and conditions described in the agenda memorandum, pending completion of environmental documentation and review of the final form of agreement by the District's General Counsel; and that a budget adjustment from the Water Enterprise Supplemental Water Appropriation account be approved in an amount sufficient to pay the District's share of costs to complete the joint assignment contract, as well as the District's share of debt service costs for the first year, not to exceed \$250,000. Directors Estremera and Judge were absent. *Appl'd Assignment Contr for CVP Wtr*

Director Zlotnick requested a CALFED update from Ms. Amy C. Fowler, Special Programs Engineer, Project Management Group.

Chairperson Gross moved the agenda to Item 21 i).

RESOLUTION NO. 116-99**WESTLANDS WATER DISTRICT****A RESOLUTION OF THE BOARD OF DIRECTORS
DESIGNATING THE DISTRICT'S REPRESENTATIVES FOR
NEGOTIATIONS WITH THE BUREAU OF RECLAMATION FOR THE
RENEWAL OF THE ASSIGNED PORTION OF THE MERCY SPRINGS WATER
DISTRICT INTERIM AND LONG-TERM WATER SERVICE CONTRACTS**

WHEREAS, Section 3404(c) of the Central Valley Project Improvement Act (P.L. 102-575) provides for the long-term renewal of water services contracts following completion of the environmental review established for long-term contract renewals by said Act; and

WHEREAS, Contract No. 14-06-200-3365A-IR1 has been partially assigned, with the approval of the United States, to the Westlands Water District (the "District"); and

WHEREAS, Contract No. 14-06-200-3365A-IR1 will expire on February 29, 2000; and

WHEREAS, the Bureau of Reclamation has notified the District that it anticipates commencing contract negotiations for interim renewal contracts on September 29, 1999, long-term renewal contracts in mid-October, 1999, and has requested that each district designate those individuals authorized to represent and negotiate on behalf of the district during the negotiation process; and

WHEREAS, the Board has determined that it is in the best interest of the District to designate its General Manager David Orth, two members of its Board of Directors, C.A. Dingle and Thomas Huributt, and District counsel Thomas W. Birmingham, to represent the District in these negotiations.

NOW, THEREFORE, BE IT RESOLVED, AS FOLLOWS:

Section 1. The matters stated in the recitals above are true and correct, and the Board so finds and determines.

Section 2. The General Manager, David Orth, two members of its Board of Directors, C.A. Dingle and Thomas Huributt, and District counsel Thomas W. Birmingham, are hereby authorized to negotiate the interim and long-term renewal contracts for and on behalf of the District, and the General Manager is authorized to so notify the Bureau of Reclamation.

Section 3. The authorities granted hereby are for coordination and negotiation purposes only, and the terms of any interim and long-term renewal contract resulting from such negotiations shall be subject to final approval by the Board of Directors.

Section 4. The General Manager and any other District employee or consultant designated by the General Manager is hereby authorized and directed to take such additional actions as may be necessary or convenient to carry out the intention of this Resolution.

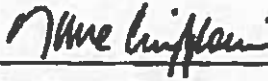
Section 5. This Resolution shall take effect immediately,

PASSED AND ADOPTED THIS 20th Day of September, 1999

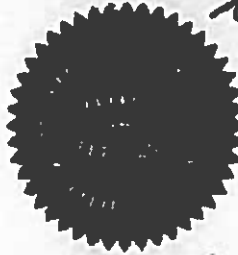


C.A. Dingle, President

Attest:



Dave Ciapponi, Secretary



.....
I hereby certify that the foregoing is a true and correct copy of a resolution duly adopted
by Westlands Water District, a California water district, at a meeting of the Board of
Directors thereof duly called and held at the office of the district on the 20th day of
September, 1999.



Dave Ciapponi, Secretary

**AGREEMENT RELATING TO
PARTIAL ASSIGNMENT OF
WATER SERVICE CONTRACT**

THIS AGREEMENT is made this 14th day of May 1999, by and among Mercy Springs Water District ("Mercy Springs"), Westlands Water District ("Westlands"), Santa Clara Valley Water District ("Santa Clara"), and Pajaro Valley Water Management Agency ("Pajaro Valley").

RECITALS

A. On June 21, 1967, Mercy Springs and the United States entered into Contract No. 14-06-200-3365A providing for Project water service for the annual delivery of up to Thirteen Thousand Three Hundred (13,300) acre feet of water from the Central Valley Project ("CVP"). On February 27, 1995, Mercy Springs and the United States entered into Interim Renewal Contract No. 14-06-200-3365A-IR1, which was effective through February 28, 1998, and on February 20, 1998, Mercy Springs and the United States entered into Interim Renewal Contract No. 14-06-200-3365A-IR2 (the "Existing Contract"), which by its terms will be effective through February 28, 2000; and thereafter shall, upon the request of Mercy Springs, be renewed for successive interim periods of not more than Two (2) years in length and thereafter upon final completion of certain environmental documentation, and upon the request of Mercy Springs, shall be renewed for a term of Twenty-five (25) years, which may thereafter be renewed

for terms not to exceed Twenty-five (25) years.

B. The Existing Contract at Article 30(a) provides for assignment of the Contract upon written approval of the Contracting Officer acting on behalf of the United States. .

C. Mercy Springs by this Agreement intends to assign to Westlands, Santa Clara, and Pajaro Valley a portion of the Existing Contract to provide for delivery of water to Westlands, Santa Clara, and Pajaro Valley pursuant to the terms and conditions set forth herein.

D. Upon the United States' approval of the Agreement for Partial Assignment of Water Service Contract ("Assignment Agreement"), Mercy Springs will assign to Westlands, Santa Clara, and Pajaro Valley all its right, title, and interest in and to that portion of the Existing Contract as it relates to and is for the benefit of the One Thousand Six Hundred Five (1,605) acres of lands within Mercy Springs more particularly described in Exhibit "A" (the "Subject Lands") and consisting of Six Thousand Two Hundred Sixty (6,260) annual acre feet of entitlement under the Existing Contract (the "Subject Water Supply"). Including any rights to renew the Existing Contract for the Subject Water Supply; and Westlands, Santa Clara, and Pajaro Valley shall assume that portion of the Existing Contract as it relates to the Subject Water Supply.

E. Westlands, Santa Clara, and Pajaro Valley will renew that portion of the Existing Contract for the Subject Water Supply under the provisions of the Central Valley Project Improvement Act, Title XXXIV of Public Law 102-575 for the annual delivery of up to

Six Thousand Two Hundred Sixty (6,260) acre feet of CVP water for irrigation, municipal, and industrial uses.

F. It is the intent of Westlands, Santa Clara, and Pajaro Valley, that the Subject Water Supply is being acquired for use within their respective service areas, and subject to the terms of this Agreement, if Westlands, Santa Clara or Pajaro Valley is unwilling or unable to take delivery of some or all of the Subject Water Supply for beneficial use within its service area, the unused supply will be made available to the other assignees of the Existing Contract.

G. Approval of this Agreement by Santa Clara is based, in part, on the desire to develop a right as provided in Paragraph 4 herein for Pajaro Valley to use the Subject Water Supply for protection and restoration of its groundwater basin. It is Pajaro Valley's intention to exercise its rights under this Agreement only upon the development of the physical capability to take delivery of the Subject Water Supply to its service area within approximately twenty (20) years following the effective date of this Agreement.

H. The Agreement for Purchase and Sale and Joint Escrow Instructions with Alan L. Sagouspe, Tamara M. Sagouspe, Stephen W. Sloan, Charlene A. Sloan, and the Sloan Living Trust Dated August 25, 1981, between Pajaro Valley and certain landowners within Mercy Springs is in full force and effect between the parties thereto, to which Mercy Springs is not a party, and will have no involvement as to matters therein mentioned, except as to delivery of the this Agreement executed by Mercy Springs to the escrow agent therein designated, and closing of the transaction under said Purchase Agreement being a prerequisite to the

implementation of the this Agreement. In the event of a dispute between the parties to the Purchase Agreement, Mercy Springs will not be named or made a party to any dispute or proceeding.

AGREEMENT

IT IS THEREFORE AGREED AMONG THE PARTIES AS FOLLOWS:

1. Incorporation of Recitals: Each of the Recitals herein before set forth is hereby incorporated as a part of this Agreement and shall be performed to the best of the ability of the parties hereto to perform the same.

2. Payment for Assignment: Upon approval of the Assignment Agreement by the United States, Westlands will pay \$5,617,500.00 (the "Capital Expenditure") into the escrow described in the Agreement for Purchase and Sale and Joint Escrow Instructions between Pajaro Valley and Alan L. Sagouspe, Tamara M. Sagouspe, Stephen W. Sloan, Charlene A. Sloan, and the Sloan Living Trust Dated August 25, 1981, on behalf of Pajaro Valley.

3. Partial Assignment: Mercy Springs hereby assigns to Westlands, Santa Clara, and Pajaro Valley its right, title, and interest in and to Six Thousand Two Hundred Sixty (6,260) annual acre feet of Project water under the Existing Contract previously delivered to the Subject Lands, and as setout in paragraph 6 herein, Westlands, Santa Clara, and Pajaro Valley shall be subject to the rights and duties under the Existing Contract associated therewith.

4. Right to Receive Water: For a period of Twenty (20) years following the effective date of this Agreement, Westlands and/or Santa Clara shall be entitled to receive the Subject Water Supply; provided, that between the expiration of the Tenth (10) year and the Twentieth (20) year following the effective date of this Agreement, Pajaro Valley may assume Westlands' entitlement to receive the Subject Water Supply for use in Pajaro Valley's service area; and provided further, that during the first Ten (10) years following the effective date of this Agreement, the total quantity of the water delivered to Santa Clara shall not exceed Twenty-five (25) percent of the total Subject Water Supply provided by the United States during said Ten (10) year period, and the total quantity of the water delivered to Santa Clara during said Twenty (20) year period shall not exceed Twenty-five (25) percent of the total Subject Water Supply provided by the United States during said period or 20,000 acre-feet, whichever is greater.

Pajaro Valley's assumption of Westlands' entitlement to receive the Subject Water Supply shall become effective on the first day of the contract year (March 1 through February 28) following the date of Pajaro Valley provides notice to Westlands and Santa Clara that it will assume those rights.

If Pajaro Valley fails to assume Westlands' entitlement to receive the Subject Water Supply prior to the expiration of said Twenty (20) year period, Westlands and Santa Clara shall thereafter have the exclusive right to receive the Subject Water Supply; provided, that the maximum quantity of water Santa Clara shall have the right to receive in each successive Ten (10) year period shall be Twenty-five percent (25%) of the Subject Water Supply delivered by the United States during such period. In the event the quantity of water received by Santa Clara exceeds Twenty-five percent (25%) of the Subject Water Supply delivered by the United States

during the subject Ten (10) year period, Santa Clara shall transfer or reallocate to Westlands the difference between the actual quantity of water received by Santa Clara and Twenty-five percent (25%) of the Subject Water Supply delivered by the United States during said period. Such transfer or reallocation shall occur in a year when Santa Clara receives none of the Subject Water Supply.

Subject to the limitations herein, during any year prior to the expiration of the twentieth (20th) year, Santa Clara shall, at its discretion, have a first priority to the Subject Water Supply or any portion thereof; provided that in any year Santa Clara anticipates that it will receive water under this Agreement, Santa Clara shall notify Westlands or Pajaro Valley in writing of the quantity of the Subject Water Supply which it will take no later than April 25th or five (5) days after the Bureau of Reclamation's April water supply announcement, whichever is earlier. In the absence of such notice, Westlands, or Pajaro Valley if it has assumed Westlands' entitlement to receive the Subject Water Supply, shall be entitled to receive the Subject Water Supply during that year.

For a period of thirty (30) years following the effective date of this Agreement, Westlands and Santa Clara shall have a right of first refusal to acquire from Pajaro Valley, at an annual cost of Fifty-four dollars and thirty cents (\$54.30) per acre-foot, the Subject Water Supply, or any portion thereof, if Pajaro Valley enters into any agreement to transfer or assign the Subject Water Supply, or any portion thereof. Westlands and/or Santa Clara shall exercise said right within ninety (90) days from the date Pajaro Valley provides notice of the transfer or assignment to them, which notice shall be effective five (5) days after it is sent via first class mail. If both Westlands and Santa Clara exercise said right, Seventy-five percent (75%) of the subject water shall be transferred or assigned to Westlands and Twenty-five percent (25%) of the

subject water shall be transferred or assigned to Santa Clara. A water exchange or banking agreement that results in alternative water supplies being made available for use within Pajaro Valley's service area shall not constitute a transfer giving rise to this right of first refusal.

5. Payments Among the Parties: For a period of Thirty (30) years following the effective date of this Agreement or, until any indebtedness incurred by Westlands to finance the acquisition of the Subject Water Supply has been refinanced or defeased pursuant to any defeasance instrument accompanying the debt, Santa Clara shall reimburse Westlands an amount equal to one-half of the annual net debt service costs incurred by Westlands to finance or refinance the acquisition of the Subject Water Supply; provided, that Westlands shall not refinance the debt incurred to acquire the Subject Water Supply without the written consent of Santa Clara. Payments from Santa Clara shall be made to Westlands twice per year, on a date not less than ninety (90) days prior to the date on which Westlands is obligated to pay principal and interest on the debt.

In the event assumes Westlands' entitlement to receive the Subject Water Supply, Pajaro Valley shall pay to Westlands an amount equal to fifty-four dollars and thirty cents (\$54.30) times 6,260 acre-feet per year for the number of years remaining until the end of the thirtieth (30th) year following the effective date of this Agreement times a reliability factor of seventy percent (70%). Thereafter, Westlands shall be relieved of any further obligation or duty under this Agreement and the Existing Contract or any renewal thereof. Until the expiration of the Twenty (20) year period describe in paragraph 4, Santa Clara shall make payments to Pajaro Valley in amounts equal to what would have been paid by Santa Clara to Westlands had Pajaro Valley not exercised its option. In the event Pajaro Valley has assumed Westlands' rights under

this Agreement, it shall have the exclusive right to receive the Subject Water Supply for use in its service area after the expiration of the Twenty (20) year period described in paragraph 4, above, and Santa Clara shall be relieved of any further obligation or duty under this Agreement and the Existing Contract or any renewal thereof.

6. Assumption of Obligations: Westlands and Santa Clara hereby accept all rights and assume all duties contained in the Existing Contract or any renewal thereof applicable to the Subject Water Supply, subject to the remaining obligations of Mercy Springs under the balance of the Existing Contract or renewal thereof. In particular, Westlands and Santa Clara shall be responsible for all financial obligations under the Existing Contract applicable to the Subject Water Supply owed to the United States by Mercy Springs as it relates to the Subject Water Supply delivered after the effective date of this Agreement. The balance of the Existing Contract or renewal thereof not assigned hereby shall continue to be held by Mercy Springs for the benefit of land within Mercy Springs.

In the event Pajaro Valley assumes Westlands' entitlement to receive the Subject Water Supply, Pajaro Valley will accept and assume all of the duties contained in the Existing Contract or any renewal thereof applicable to the Subject Water Supply assumed by Westlands pursuant to this Agreement, and Westlands shall have no further obligations under this Agreement or the Existing Contract or a renewal thereof. Upon the expiration of said Twenty (20) year period, all rights accepted and duties assumed hereby shall be Pajaro Valley's exclusively, and Santa Clara shall have no further obligations under this Agreement or the Existing Contract or a renewal thereof.

7. Payment of Costs of Approval: Westlands, Santa Clara and Pajaro Valley shall pay all costs associated with processing and seeking approval of the Assignment Agreement, including, but not limited to, compliance under the National Environmental Policy Act ("NEPA") and the California Environmental Quality Act ("CEQA"), and related processes.

8. Obligation to Defend and Indemnify: In the event any action is brought challenging the propriety of this Agreement by a landowner or resident within the boundaries of one of the parties hereto, that party shall defend, indemnify and hold harmless the other parties from any such action.

9. Entire Agreement: This Agreement contains the entire agreement and understanding between the parties to it with respect to the matters covered by it and supersedes all prior agreements, negotiations, and discussions.

10. Amendment: This Agreement may be amended only by a writing signed by the party against whom enforcement of the change is sought.

11. Effective Date: The effective date of this Agreement shall be the date on which the United States approves the Assignment Agreement.

12. Multiple Originals: This Agreement may be executed in counterparts, each of which shall be deemed an original.

IN WITNESS WHEREOF, the parties have executed this Agreement Relating to
Partial Assignment of Water Service Contract as of the day and year first above written.

MERCY SPRINGS WATER DISTRICT

SANTA CLARA VALLEY WATER
DISTRICT

By _____
Title:

By _____
Title:

WESTLANDS WATER DISTRICT

PAJARO VALLEY WATER
MANAGEMENT AGENCY

By [Signature]
Title: General Manager

By [Signature]
Title: Vice Chairman
By: [Signature]
Title: General Manager

IN WITNESS WHEREOF, the parties have executed this Agreement Relating to
Partial Assignment of Water Service Contract as of the day and year first above written.

MERCY SPRINGS WATER DISTRICT

SANTA CLARA VALLEY WATER
DISTRICT

By _____
Title:

By *Stanley McWilliam*
Title: General Manager

WESTLANDS WATER DISTRICT

PAJARO VALLEY WATER
MANAGEMENT AGENCY

By _____
Title:

By _____
Title:

By: _____
Title:

IN WITNESS WHEREOF, the parties have executed this Agreement Relating to
Partial Assignment of Water Service Contract as of the day and year first above written.

MERCY SPRINGS WATER DISTRICT

SANTA CLARA VALLEY WATER
DISTRICT

By 
Title: Water Mgr.

By _____
Title: _____

WESTLANDS WATER DISTRICT

FAJARO VALLEY WATER
MANAGEMENT AGENCY

By _____
Title: _____

By _____
Title: _____

By _____
Title: _____

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