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Clerk of the Board, Santa Barbara County, California

Date: 5/8/96

By Deputy:

________________________________________

Rev. S.C.C. 10/26-1995
Rev. R.O. 02/08-1996

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION
Cachuma Project, California

CONTRACT BETWEEN THE UNITED STATES
AND
SANTA BARBARA COUNTY WATER AGENCY
PROVIDING FOR WATER SERVICE FROM THE PROJECT

Table of Contents

<table>
<thead>
<tr>
<th>Article No.</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defined Terms</td>
<td>1-2</td>
</tr>
<tr>
<td>Preamble</td>
<td>3</td>
</tr>
<tr>
<td>Explanatory Recitals</td>
<td>3-8</td>
</tr>
<tr>
<td>Definitions</td>
<td>8-11</td>
</tr>
<tr>
<td>Term of Contract—Right to Use of Water</td>
<td>12-13</td>
</tr>
<tr>
<td>Water to be Made Available and Delivered to the Cachuma Member Units</td>
<td>13-17</td>
</tr>
<tr>
<td>Point of Diversion and Responsibility for Distribution of Water</td>
<td>17-18</td>
</tr>
<tr>
<td>Measurement of Water Within Contractor's Area of Service</td>
<td>18</td>
</tr>
<tr>
<td>Calculation of Rates and Method of Payment for Water</td>
<td>18-28</td>
</tr>
<tr>
<td>Recognition of Downstream Water Rights and Studies</td>
<td>28-29</td>
</tr>
<tr>
<td>Transfers or Exchanges of Water</td>
<td>29</td>
</tr>
<tr>
<td>Project Operations/Temporary Reductions</td>
<td>30-32</td>
</tr>
<tr>
<td>Compliance With Federal Law</td>
<td>32</td>
</tr>
<tr>
<td>Water and Air Pollution Control</td>
<td>32</td>
</tr>
<tr>
<td>Quality of Water</td>
<td>32-33</td>
</tr>
<tr>
<td>Water Acquired by the Cachuma Member Units Other Than from the United States</td>
<td>33</td>
</tr>
<tr>
<td>Charges for Delinquent Payments</td>
<td>33-34</td>
</tr>
<tr>
<td>Equal Opportunity</td>
<td>34-35</td>
</tr>
<tr>
<td>General Obligation—Benefits Conditioned upon Payment</td>
<td>35-36</td>
</tr>
</tbody>
</table>

Cachuma Project, California

Irrigation (with M&I)
Contract No.
I75r-1802R
<table>
<thead>
<tr>
<th>Article No.</th>
<th>Description</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>17</td>
<td>Compliance With Civil Rights Laws and Regulations</td>
<td>36</td>
</tr>
<tr>
<td>18</td>
<td>Privacy Act Compliance</td>
<td>36-37</td>
</tr>
<tr>
<td>19</td>
<td>Miscellaneous Costs</td>
<td>37-38</td>
</tr>
<tr>
<td>20</td>
<td>Water Conservation</td>
<td>38-39</td>
</tr>
<tr>
<td>21</td>
<td>Non-Project Water</td>
<td>39</td>
</tr>
<tr>
<td>22</td>
<td>Contingent on Appropriation or Allotment of Funds</td>
<td>40</td>
</tr>
<tr>
<td>23</td>
<td>Books, Records, and Reports</td>
<td>40</td>
</tr>
<tr>
<td>24</td>
<td>Assignment Limited--Successors and Assigns Obligated</td>
<td>40</td>
</tr>
<tr>
<td>25</td>
<td>Officials Not to Benefit</td>
<td>40</td>
</tr>
<tr>
<td>26</td>
<td>Changes in Contractor’s Area of Service</td>
<td>40-41</td>
</tr>
<tr>
<td>27</td>
<td>Renewal Fund</td>
<td>41-46</td>
</tr>
<tr>
<td>28</td>
<td>Transition From Phase I Contract</td>
<td>46-48</td>
</tr>
<tr>
<td>29</td>
<td>Notices</td>
<td>48-51</td>
</tr>
<tr>
<td>30</td>
<td>Third Party Beneficiary</td>
<td>51</td>
</tr>
<tr>
<td>31</td>
<td>Contracts Between Contractor and Cachuma Member Units</td>
<td>51</td>
</tr>
<tr>
<td>32</td>
<td>Contract Not to Affect Rates Set by Cachuma Member Units</td>
<td>51</td>
</tr>
<tr>
<td></td>
<td>Signature Page</td>
<td>52</td>
</tr>
<tr>
<td></td>
<td>Exhibit A</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exhibit B</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Exhibit C</td>
<td></td>
</tr>
</tbody>
</table>
## Defined Terms

<table>
<thead>
<tr>
<th>Term</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Work Plan</td>
<td>42-43</td>
</tr>
<tr>
<td>Available Supply</td>
<td>8-9</td>
</tr>
<tr>
<td>Cachuma Member Units</td>
<td>4</td>
</tr>
<tr>
<td>Calendar Year</td>
<td>9</td>
</tr>
<tr>
<td>Capital Costs</td>
<td>9</td>
</tr>
<tr>
<td>Contracting Officer</td>
<td>11</td>
</tr>
<tr>
<td>Contractor's Area of Service</td>
<td>9</td>
</tr>
<tr>
<td>Conveyance Capital Costs</td>
<td>20</td>
</tr>
<tr>
<td>Conveyance Facilities</td>
<td>22</td>
</tr>
<tr>
<td>Crop census</td>
<td>40</td>
</tr>
<tr>
<td>Delivery Schedule</td>
<td>13</td>
</tr>
<tr>
<td>Effective Date</td>
<td>12</td>
</tr>
<tr>
<td>Eligible lands</td>
<td>9</td>
</tr>
<tr>
<td>Full cost rate</td>
<td>10</td>
</tr>
<tr>
<td>Irrigation Capital Costs</td>
<td>19</td>
</tr>
<tr>
<td>Irrigation Conveyance Capital Costs</td>
<td>20</td>
</tr>
<tr>
<td>Irrigation Storage Capital Costs</td>
<td>20</td>
</tr>
<tr>
<td>Irrigation Water</td>
<td>10</td>
</tr>
<tr>
<td>Irrigation Water Conveyance</td>
<td>14</td>
</tr>
<tr>
<td>Irrigation Water Storage</td>
<td>14</td>
</tr>
<tr>
<td>Landholder</td>
<td>10</td>
</tr>
<tr>
<td>Long Term Plan</td>
<td>42</td>
</tr>
<tr>
<td>MOU's</td>
<td>5</td>
</tr>
<tr>
<td>M&amp;I Capital Costs</td>
<td>19</td>
</tr>
<tr>
<td>M&amp;I Conveyance Capital Costs</td>
<td>20</td>
</tr>
<tr>
<td>M&amp;I Storage Capital Costs</td>
<td>20</td>
</tr>
<tr>
<td>M&amp;I Water Conveyance</td>
<td>14</td>
</tr>
<tr>
<td>M&amp;I Water Storage</td>
<td>14</td>
</tr>
<tr>
<td>Municipal and Industrial Water</td>
<td>10</td>
</tr>
<tr>
<td>Notices</td>
<td>48</td>
</tr>
<tr>
<td>O&amp;M Contract</td>
<td>7</td>
</tr>
<tr>
<td>O&amp;M Costs</td>
<td>10</td>
</tr>
<tr>
<td>Operation and Maintenance Costs</td>
<td>10</td>
</tr>
<tr>
<td>Original Contract</td>
<td>4</td>
</tr>
<tr>
<td>Phase I Contract</td>
<td>7</td>
</tr>
<tr>
<td>Project</td>
<td>10</td>
</tr>
<tr>
<td>Project Water</td>
<td>11</td>
</tr>
<tr>
<td>Project Water Rights</td>
<td>11</td>
</tr>
<tr>
<td>Topic</td>
<td>Page</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>Rates</td>
<td>11</td>
</tr>
<tr>
<td>Renewal Fund</td>
<td>41</td>
</tr>
<tr>
<td>Repayment Period</td>
<td>11</td>
</tr>
<tr>
<td>Secretary</td>
<td>11</td>
</tr>
<tr>
<td>Storage Capital Costs</td>
<td>19-20</td>
</tr>
<tr>
<td>Storage Facilities</td>
<td>22</td>
</tr>
<tr>
<td>Surplus Water</td>
<td>16</td>
</tr>
<tr>
<td>Transition Delivery Schedule</td>
<td>47</td>
</tr>
<tr>
<td>Transition Period</td>
<td>47</td>
</tr>
<tr>
<td>Water Marketing Costs</td>
<td>11</td>
</tr>
<tr>
<td>Water Year</td>
<td>11</td>
</tr>
</tbody>
</table>
CONTRACT BETWEEN THE UNITED STATES
AND
SANTA BARBARA COUNTY WATER AGENCY
PROVIDING FOR WATER SERVICE FROM THE PROJECT

THIS CONTRACT, made this 14th day of April 1996,
in pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory or
supplementary thereto, including, but not limited to, the Acts of August 4, 1939 (53 Stat. 1187), as amended and supplemented, July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), October 12, 1982 (96 Stat. 1262), as amended, all collectively hereinafter referred to as the Federal Reclamation laws, between the UNITED STATES OF AMERICA, hereinafter referred to as the United States, and the SANTA BARBARA COUNTY WATER AGENCY, hereinafter referred to as the Contractor, a public agency of the State of California, duly organized, existing, and acting pursuant to the laws thereof, with its principal place of business in Santa Barbara, California;

WITNESSETH, That:

EXPLANATORY RECITALS

WHEREAS, the United States has constructed and is operating the Cachuma Project for diversion, storage, carriage, and distribution of waters of
the Santa Ynez River and its tributaries for irrigation, municipal, domestic, and industrial
uses; and

WHEREAS, on September 12, 1949, the Contractor and the United States entered into Contract No. I75r-1802 (Original Contract), which requires the United
States to furnish Cachuma Project water, in stated quantities not to exceed 32,000 acre-
feet per year in the aggregate plus surplus water, to Carpinteria County Water District,
the City of Santa Barbara, Goleta Water District, Montecito Water District, Santa Ynez
River Water Conservation District Improvement District No. 1, and Summerland Water
District; and

WHEREAS, reorganization of the Summerland Water District into, and as part of, the Montecito Water District, was authorized at the election of November 7,
1995, and approved by action of the Local Agency Formation Commission and the Santa
Barbara County Board of Supervisors, duly recorded December 6, 1995; and

WHEREAS, the Carpinteria County Water District, the City of Santa
Barbara, the Goleta Water District, the Montecito Water District, and the Santa Ynez
River Water Conservation District, Improvement District No. 1 are referred to herein as the "Cachuma Member Units;" and

WHEREAS, the United States and the Contractor agree that the original
capacity of Cachuma Reservoir of approximately 205,000 acre-feet has been reduced by
siltation to approximately 190,000 acre-feet; and
WHEREAS, due to the reduced capacity of Cachuma Reservoir, the sustained annual yield of the Cachuma Project has been reduced to approximately 25,700 acre-feet; and

WHEREAS, the United States has determined that the Contractor to date has fulfilled all of its obligations under the Original Contract; and

WHEREAS, the Contracting Officer has determined that the Cachuma Member Units have for many years had the capability to fully utilize for reasonable and beneficial use the Available Supply (as hereinafter defined) of the Cachuma Project; and

WHEREAS, the Contractor, on behalf of the Cachuma Member Units, and the Cachuma Member Units, have requested renewal of the Original Contract pursuant to that contract, the Federal Reclamation laws, and the laws of the State of California, for water service from the Cachuma Project, the renewal to be in the form of a repayment contract; and

WHEREAS, pursuant to a series of Memoranda of Understanding (MOUs) among the Contractor, the California Department of Fish and Game, the United States Bureau of Reclamation, the United States Fish and Wildlife Service, the Santa Ynez River Water Conservation District, the Cachuma Member Units, either directly or indirectly, and others, Santa Ynez River water is to be made available for use, as provided in the MOUs, for the maintenance of fish below Bradbury Dam and to carry out necessary studies with respect to any Santa Ynez River fishery, which studies
are to assist the parties to the MOUs to work toward a long term agreement about any fishery below Bradbury Dam; and

WHEREAS, the Contracting Officer and the Contractor have a shared commitment to the conservation of the scarce water resources of the Santa Barbara region, including the resources of the Santa Ynez River, through improved water management and efficiency of water use; and

WHEREAS, the Contracting Officer and the Contractor recognize that a high level of conservation has been achieved by the users of Irrigation Water and M&I Water supplied by the Cachuma Project and that the Cachuma Member Units have been actively and successfully implementing water conservation programs for many years and have already implemented many water conservation techniques and strategies which other water agencies served by the United States have not yet adopted; and

WHEREAS, one purpose of this contract is to encourage the adoption of additional conservation measures within the Contractor’s Area of Service that are reliable, effective, and economically reasonable; and

WHEREAS, the Contracting Officer and the Contractor agree that the Cachuma Project shall continue to be operated to provide for the protection of prior downstream rights holders and public trust resources in accordance with Project Water Rights; and

WHEREAS, the Contracting Officer and the Contractor agree that, consistent with the foregoing and with the provisions of this contract, the Cachuma
Project shall continue to be operated so as to minimize the environmental impact of Project operations; and

WHEREAS, the Cachuma Member Units, acting through the Central Coast Water Authority and the Cachuma Project Authority, have established the Cachuma Project Trust Fund pursuant to a Memorandum of Understanding in which the United States has elected to join, (i) one of the purposes of which fund is the restoration of any riparian and other habitat of the Santa Ynez River and its watershed which have been adversely affected by the Cachuma Project facilities, including (without limitation) restoration of habitat of rare, threatened, or endangered species, fish habitat or populations, and plant and animal habitat, and (ii) the expenditures from which fund will be decided jointly by the Contracting Officer and the Cachuma Member Units, acting through the Cachuma Project Authority; annual contributions to the fund are expected to exceed $500,000, and total contributions to the fund over the life of the fund may exceed $12 million; and

WHEREAS, on April 25, 1995 the United States and the Contractor executed Contract No. I75r-1802IR (Phase I Contract), which (i) constituted the initial phase of the renewal of the Original Contract, (ii) preserved and extended the rights and obligations of the United States, the Contractor, and the Cachuma Member Units under the Original Contract and Reclamation law, and (iii) provided for the continued delivery to the Cachuma Member Units of Cachuma Project water on the terms and conditions of the Original Contract, as modified by the Phase I Contract, through April 14, 1996; and
WHEREAS, the United States, the Contractor, and the Cachuma Member Units executed Contract No. 14-06-200-5222IR (O&M Contract), which provides for the Cachuma Member Units to continue operation and maintenance of the Cachuma Project works, excepting Bradbury Dam and related outlet works;

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 hereof, the term:

   (a) "Available Supply" shall mean the maximum quantity of Project Water the Contracting Officer is authorized by Federal law, State law, and the Project Water Rights to make available to the Cachuma Member Units during each Water Year pursuant to this contract. The Available Supply in each Water Year does not include the quantity of water the Contracting Officer is required by Federal law, State law, Project Water Rights, and any agreements to which the Contracting Officer and all of the Cachuma Member Units are parties to release from Cachuma Reservoir other than to make Project Water available to the Cachuma Member Units pursuant to this contract. The amount of Available Supply the Contracting Officer shall be required by this contract to deliver to the Cachuma Member Units each Water Year must be physically capable of being stored in or conveyed through Project facilities during that Water Year and shall not exceed the maximum quantity of the Available Supply that can be put to
reasonable and beneficial irrigation, municipal, domestic, and industrial uses
within the Contractor's Area of Service.

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

(c) "Capital Costs" shall mean amounts expended by the Contracting Officer in connection with the construction, rehabilitation, and betterment of the Cachuma Project, but shall exclude any costs in connection with distribution systems for any of the Cachuma Member Units. Capital Costs shall be determined in accordance with generally accepted accounting principles, and no amount spent on normal repair, maintenance, and upkeep of the Cachuma Project in the ordinary course of business shall constitute a Capital Cost. The Contracting Officer has determined that as of September 30, 1994, the unpaid Storage Capital Costs for the Cachuma Project are $9,832,560.00, and the unpaid Conveyance Capital Costs of the Cachuma Project are $16,523,352.00, as contained in Exhibit "C."

(d) "Contractor's Area of Service" shall mean area within the political boundaries of the Cachuma Member Units and any other areas to which a Cachuma Member Unit is authorized to serve water. Attached as Exhibit "B" is an illustration of the Contractor's Area of Service as of the date of execution of this contract.

(e) "Eligible lands" shall mean all lands to which Irrigation Water may be delivered in accordance with Section 204 of the Reclamation Reform Act of

(f) "Full cost rate" shall mean that water rate described in Sections 205(a)(3) or 202(3) of the RRA, whichever is applicable.

(g) "Irrigation Water" shall mean water made available from the Project which is used primarily in the production of agricultural crops or livestock, including domestic use incidental thereto, and watering of livestock.

(h) "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.

(i) "Municipal and Industrial Water" (M&I Water) shall mean water made available from the Project other than Irrigation Water. M&I Water shall include water used for municipal, industrial, and domestic purposes, and water used for purposes incidental to domestic uses such as the watering of landscaping or pasture for animals (e.g., horses) which are kept for personal enjoyment, and water delivered to landholdings operated in units of less than two acres unless the Contractor establishes to the satisfaction of the Contracting Officer that the use of water delivered to any such landholding is a use described in subarticle 1 (g).

(j) "Operation and Maintenance Costs" (O&M Costs) shall mean the costs reasonably incurred by the Contracting Officer in connection with the care, control, operation, repair, replacement, and maintenance of the Cachuma Project.
(k) "Project" shall mean the Cachuma Project.

(l) "Project Water" shall mean (i) all water that is developed, diverted, stored, or delivered by the United States pursuant to the Project Water Rights, and (ii) accretions to the Tecolote Tunnel.

(m) "Project Water Rights" shall mean the permits and licenses issued for the Project pursuant to State law together with all orders of the California State Water Resources Control Board directed to, or binding upon, the permittee or licensee with respect to the Project.

(n) "Repayment Period" shall mean the period from May 15, 1955 through September 30, 2015.

(o) "Secretary" or "Contracting Officer" shall mean the Secretary of the United States Department of the Interior or a duly authorized representative.

(p) "Rates" shall mean the rates per acre-foot of water to be paid by the Contractor pursuant to article 6.

(q) "Water Marketing Costs" shall mean the costs reasonably incurred by the Contracting Officer for monitoring, administering, and negotiating water service contracts, maintaining water delivery and payment records, accounting for the annual financial results for Project water operations, developing annual water rates, and related types of activities.

(r) "Water Year" shall mean the period from and including October 1 of each Calendar Year through September 30 of the following Calendar Year.
TERM OF CONTRACT—RIGHT TO USE OF WATER

2. (a) This contract shall be effective as of May 15, 1995 (Effective Date) through September 30, 2020. Upon request by the Contractor, this contract and each renewal thereof shall be renewed pursuant to the Act of July 2, 1956 (70 Stat. 483) and the Act of June 21, 1963 (77 Stat. 68); Provided, That the request for renewal is given no later than two (2) years prior to the date on which the then-existing contract expires; and Provided further, That the Contractor has complied with all the terms and conditions of the contract then in effect. The quantity of water shall be the entire Available Supply, as that term is defined in subarticle 1 (a). If the Contracting Officer believes that a renewal contract should be for a term shorter than the term of the contract being renewed, within six months of receiving the request to renew the contract the Contracting Officer shall give written Notice to the Contractor and the Cachuma Member Units specifying the reasons the Contracting Officer desires a shorter term, the length of term the Contracting Officer prefers, and the legal authority on which the Contracting Officer relies to insist on a shorter term. If the Contractor or the Cachuma Member Units dispute the Contracting Officer's insistence on a shorter term, any of them may institute an action in a court of competent jurisdiction to obtain a judicial determination of the length of term to which they are entitled under Reclamation law. Other terms and conditions of each renewal contract shall be as the parties may agree. Notwithstanding anything in this contract to the contrary, this article is not intended to be, and shall not be construed as, waiving or limiting any right that the Contracting.
Officer, the Contractor, or the Cachuma Member Units have under the Original Contract or Reclamation law with respect to renewal of this contract.

(b) Whenever the Secretary determines, account being taken of the amount credited to Irrigation Capital Costs, the remaining amount of such Irrigation Capital Costs properly allocated for ultimate return by the Contractor can probably be repaid to the United States within the term of a contract under subsection 9(d) of the 1939 Reclamation Project Act (53 Stat. 1187), upon written request by the Contractor, this contract, as it pertains to the furnishing of Irrigation Water, may be converted to a contract under subsection 9(d) of the 1939 Reclamation Project Act (53 Stat. 1187), which contract shall include terms and conditions mutually agreeable to the United States and the Contractor.

WATER TO BE MADE AVAILABLE AND DELIVERED TO THE CACHUMA MEMBER UNITS

3. (a) Three months prior to each Water Year, the Contractor shall deliver to the Contracting Officer a copy of any Notice given to the Contractor by, or on behalf of, all Cachuma Member Units acting jointly specifying (i) the total quantity of Available Supply that the Cachuma Member Units have requested be delivered during the next Water Year, which quantity shall be the proposed Supply To Be Delivered for that Water Year, (ii) the schedule by month of the quantities of Project Water that are to be delivered to each Cachuma Member Unit and any transferee thereof during that Water Year, which schedule shall be the proposed "Delivery Schedule" for that Water Year, and (iii) an estimate of projected water deliveries to be made during the remainder of the Repayment Period. Such estimate shall include projected water
deliveries for each Water Year during the remainder of the Repayment Period, with each Water Year's deliveries showing: (A) Irrigation Water which will be scheduled to be delivered (Irrigation Water Storage); (B) Irrigation Water which will be scheduled to be delivered through the Tecolote Tunnel (Irrigation Water Conveyance); (C) M&I Water which will be scheduled to be delivered (M&I Water Storage); and (D) M&I Water which will be scheduled to be delivered through the Tecolote Tunnel (M&I Water Conveyance). The Contractor shall promptly deliver to the Contracting Officer a copy of any subsequent Notice given to the Contractor by, or on behalf of, all Cachuma Member Units acting jointly specifying any revised proposed Supply To Be Delivered or any revised proposed Delivery Schedule for the Water Year.

(b) The Contracting Officer shall promptly either (i) approve the Supply To Be Delivered and Delivery Schedule as proposed in any Notice delivered pursuant to subarticle 3 (a) or, (ii) if the Contracting Officer determines that such Notice proposes a Supply To Be Delivered in excess of the quantity the Contracting Officer is authorized by law to deliver or a Delivery Schedule that exceeds the physical limitations of the Project, the Contracting Officer shall approve a Supply To Be Delivered or a Delivery Schedule modified to conform to such determination and shall apportion any decreases among the Cachuma Member Units according to the percentages specified in subarticle 3 (c). The Contracting Officer shall promptly give Notice to the Contractor of all approvals of a Supply To Be Delivered or a Delivery Schedule.
(c) The Supply To Be Delivered for each Water Year shall be allocated among the Cachuma Member Units as follows:

- Carpinteria County Water District: 10.94%
- City of Santa Barbara: 32.19%
- Goleta Water District: 36.25%
- Montecito Water District: 10.31%
- Santa Ynez River Water Conservation District Improvement District No. 1: 10.31%

(d) Subject to the allocations specified in subarticle 3 (c) and the provisions of article 9, the Contracting Officer shall deliver the Supply To Be Delivered for each Water Year according to the Delivery Schedule for that Water Year.

(e) To the extent that storage space is available, the Contracting Officer, upon request of any Cachuma Member Unit, shall withhold delivery of and store in Cachuma Reservoir for and on the behalf of such Cachuma Member Unit any water required to be furnished to the Cachuma Member Unit by the Contracting Officer during the current Water Year pursuant to this contract; Provided, That in the event any water is so stored and it becomes necessary in the following Water Year to release water from Cachuma Reservoir because of the lack of storage capacity or for the purposes of repair or maintenance, or in the event that water spills over spillways or through outlet works at Bradbury Dam, the first water so released or spilled shall be the water stored by the Cachuma Member Units; Provided further, That in the Water Year following the storage of Project Water pursuant to this Article, the Contracting Officer...
shall deliver all Project Water then in storage to the storing Cachuma Member Unit prior to the delivery of any Available Supply for such following Water Year; Provided further, That the quantity of water which seeps or evaporates from Cachuma Reservoir shall be determined by the Contracting Officer and from the water stored by Cachuma Member Units there shall be deducted an amount of water which bears the same ratio to the total amount of such loss as the amount of water stored by Cachuma Member Units bears to the total amount of water in the Cachuma Reservoir above the invert of the mouth of the Tecolote Tunnel. If two or more Cachuma Member Units request the storage of water in Cachuma Reservoir pursuant to this Article, the available storage space will be apportioned each Water Year according to the percentages specified in subarticle 3 (c), and the spill and/or release from storage of any such stored water because of the unavailability of storage space shall be upon the same proportional basis.

(f) (1) If it becomes necessary to spill Project Water or to release Project Water for a reason other than (i) a delivery pursuant to a Delivery Schedule, or (ii) a release pursuant to Project Water Rights, such water shall be available to the Cachuma Member Units as "Surplus Water."

(2) Upon determining that Surplus Water is available, the Contracting Officer shall promptly provide to the Contractor an estimated schedule for the availability of Surplus Water. Such Surplus Water shall be available without any additional payment to the Contracting Officer and shall be allocated to the Cachuma Member Units as provided in subarticle 3 (c).
(g) Twenty calendar days after the end of each month, the Contractor shall submit a water delivery report to the Contracting Officer showing separately for the prior month actual deliveries of Irrigation Water and M&I Water to each Cachuma Member Unit and any transferee.

POINT OF DIVERSION AND RESPONSIBILITY FOR DISTRIBUTION OF WATER

4. (a) The Project Water to be delivered by the Contracting Officer pursuant to this contract shall be delivered at the lower end of the outlet from Bradbury Dam, the South Coast Conduit, and any additional point or points of delivery either on Project facilities or another location or locations mutually agreed to in writing by the Contracting Officer and the Contractor.

(b) Irrigation Water shall be delivered only to land that is classified as irrigable pursuant to the Federal Reclamation laws. Project Water shall not be delivered to land outside the Contractor's Area of Service except to the extent the right to receive delivery of such water has been transferred by a Cachuma Member Unit pursuant to article 8 of this contract.

(c) All Project Water delivered by the Contracting Officer pursuant to this contract shall be measured and recorded in a manner satisfactory to the Contracting Officer at the point or points of delivery established pursuant to subarticle 4 (a).

(d) The United States shall not be responsible for the control, carriage, handling, use, disposal, or distribution of Project Water delivered by the Contracting Officer pursuant to this contract beyond the delivery points specified in subarticle 4 (a). The Contractor shall indemnify the United States and 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 acts performed by, or the failure to act of, the United States or any of its officers, employees, agents, or assigns.

**MEASUREMENT OF WATER WITHIN CONTRACTOR'S AREA OF SERVICE**

5. One year from the effective date of this contract, the Contractor shall ensure, at no cost to the United States, that thereafter all Project Water delivered for irrigation purposes within the Contractor's Area of Service is measured by meters with an accuracy of $\pm 6\%$ at each service connection and that all Project Water delivered for municipal and industrial purposes is measured by meters with an accuracy of $\pm 6\%$ at each municipal and industrial service connection. The Contractor shall arrange to obtain water metering information from each Cachuma Member Unit sufficient to permit it to use such information to ensure proper management of Project Water. The Contractor shall include a summary of each Cachuma Member Unit's annual deliveries of Project Water in the annual report described in subarticle 20 (c).

**CALCULATION OF RATES AND METHOD OF PAYMENT FOR WATER**

6. (a) (1) (A) Prior to each Water Year, the Contracting Officer shall determine the Capital Costs allocated to Irrigation Water deliveries during the Repayment Period (Irrigation Capital Costs) and the Capital Costs allocated to M&I Water deliveries during the Repayment Period (M&I Capital Costs). The Irrigation
Capital Costs shall be determined by dividing the sum of (i) historic Irrigation Water deliveries during the Repayment Period and (ii) projected Irrigation Water deliveries during the Repayment Period as provided to the Contracting Officer pursuant to subarticle 3 (a), by the sum of (i) historic total water deliveries during the Repayment Period and (ii) projected total water deliveries during the Repayment Period as provided to the Contracting Officer pursuant to subarticle 3 (a), and then multiplying that quotient by the total Capital Costs of the Cachuma Project. The M&I Capital Costs shall be determined by dividing the sum of (i) historic M&I Water deliveries during the Repayment Period and (ii) projected M&I Water deliveries during the Repayment Period as provided to the Contracting Officer pursuant to subarticle 3 (a), by the sum of (i) historic total water deliveries during the Repayment Period and (ii) projected total water deliveries during the Repayment Period as provided to the Contracting Officer pursuant to subarticle 3 (a), and then multiplying that quotient by the total Capital Costs of the Cachuma Project. Total projected water deliveries to be made during the Repayment Period shall be based on an assumed annual Project yield of: (i) 25,714 acre-feet, or (ii) such other number as may be mutually agreed upon by the Contracting Officer and the Cachuma Member Units, acting jointly.

(B) (i) Prior to each Water Year, using the percentage of Capital Costs identified for storage of water for the Cachuma Project (Storage Capital Costs) out of the total Capital Costs for the Cachuma Project, as such costs are contained in Exhibit "C", the Contracting Officer shall apply such percentage to the Irrigation Capital Costs and the M&I Capital Costs determined in subarticle 6 (a)(1)(A).
Such application shall result in Irrigation Storage Capital Costs and M&I Storage Capital Costs.

(ii) Prior to each Water Year, using the percentage of Capital Costs identified for conveyance of water for the Cachuma Project (Conveyance Capital Costs) out of the total Capital Costs, as such costs are contained in Exhibit "C", the Contracting Officer shall apply such percentage to the Irrigation Capital Costs and the M&I Capital Costs determined in subarticle 6 (a)(1)(A). Such application shall result in Irrigation Conveyance Capital Costs and M&I Conveyance Capital Costs.

(C) Prior to each Water Year, the Contracting Officer shall calculate the Rate for Irrigation Water Storage for the next Water Year. Such Rate shall be calculated by subtracting from the Irrigation Storage Capital Costs all revenues prorated to Irrigation Storage Capital Costs, and then dividing that difference by the projected Irrigation Water Storage for the remainder of the Repayment Period, as provided to the Contracting Officer pursuant to subarticle 3 (a).

(D) Prior to each Water Year, the Contracting Officer shall calculate the Rate for Irrigation Water Conveyance for the next Water Year. Such Rate shall be calculated by subtracting from the Irrigation Conveyance Capital Costs all revenues prorated to Irrigation Conveyance Capital Costs, and then dividing that difference by the projected Irrigation Water Conveyance for the remainder of the Repayment Period, as provided to the Contracting Officer pursuant to subarticle 3 (a).

(E) Prior to each Water Year, the Contracting Officer shall calculate the Rate for M&I Water Storage for the next Water Year. Such Rate
shall be calculated by subtracting from the M&I Storage Capital Costs all revenues prorated to M&I Storage Capital Costs, and then totalling the unpaid M&I Storage Capital Costs and interest charges that result from amortizing that difference over the remaining Repayment Period, at the rate specified in subarticle 6 (e)(2)(B), and then dividing that total of unpaid M&I Storage Capital Costs and interest charges by the projected M&I Water Storage for the remainder of the Repayment Period, as provided to the Contracting Officer pursuant to subarticle 3 (a).

(F) Prior to each Water Year, the Contracting Officer shall calculate the Rate for M&I Water Conveyance for the next Water Year. Such Rate shall be calculated by subtracting from the M&I Conveyance Capital Costs all revenues prorated to M&I Conveyance Capital Costs, and then totaling the unpaid M&I Conveyance Capital Costs and interest charges that result from amortizing that difference over the remaining Repayment Period, at the rate specified in subarticle 6 (e)(2)(B), and then dividing that total of unpaid M&I Conveyance Capital Costs by the projected M&I Water Conveyance for the remainder of the Repayment Period, as provided to the Contracting Officer pursuant to subarticle 3 (a).
(2) Prior to each Water Year, the Contracting Officer shall estimate separately the annual O&M Costs to be incurred by the Contracting Officer in performing O&M on (i) facilities related to the storage of Cachuma Project Water (Storage Facilities) and (ii) facilities related to the conveyance of Cachuma Project Water (Conveyance Facilities), for the next Water Year. Using the approved Delivery Schedule of Irrigation Water and M&I Water for the next Water Year, the Contracting Officer shall reasonably prorate the estimated O&M costs for both Storage Facilities and Conveyance Facilities as between Irrigation Water deliveries and M&I Water deliveries, recognizing that the ratio of Irrigation Water to M&I Water may be different for the Storage Facilities and the Conveyance Facilities. Such proration will result in a Rate per acre-foot for O&M for each of the following: (i) Irrigation Water Storage, (ii) Irrigation Water Conveyance, (iii) M&I Water Storage, and (iv) M&I Water Conveyance.

(3) Prior to each Water Year, the Contracting Officer shall estimate the annual Water Marketing Costs to be incurred by the Contracting Officer for the next Water Year. Using the approved Delivery Schedule of Project Water for the next Water Year, the Contracting Officer shall reasonably prorate the estimated Water Marketing Costs to the water scheduled to be delivered. Such proration will result in a Rate per acre-foot for Water Marketing.

(b) Two months before the start of the Water Year, the Contracting Officer shall provide to the Contractor: (i) the Rates for the upcoming Water Year, in the form of the information contained in Exhibit "A", (ii) the Cachuma Project Ratesetting Documents, as illustrated in Exhibit "C," which contain the calculations for
the Rates, and (iii) bills for the semiannual payments to be made by the Contractor for
the next Water Year. The Rates to be provided by the Contracting Officer pursuant to
this Article shall include a Rate for Capital Costs and O&M Costs for each of the
following: (i) Irrigation Water Storage, (ii) Irrigation Water Conveyance, (iii) M&I
Water Storage, and (iv) M&I Water Conveyance. The Rates to be provided by the
Contracting Officer pursuant to this Article shall also include a Rate for Water
Marketing which shall be applicable to both Irrigation Water and M&I Water.

(c) (1) Except as provided in subarticle 6 (c)(2), the Rate for water
storage shall be applicable to all Project Water scheduled to be delivered, and the Rate
for water conveyance shall be applicable only to Project Water scheduled to be delivered
through the Tecolote Tunnel.

(2) For water stored pursuant to subarticle 3 (e), in the Water
Year in which such water was originally scheduled to be delivered the Contractor shall
pay (i) the applicable Rate for Irrigation Water Storage or M&I Water Storage, and (ii)
the applicable Rate for Irrigation Water Conveyance or M&I Water Conveyance, if the
water was scheduled to be delivered through the Tecolote Tunnel. Project Water stored
pursuant to subarticle 3 (e) shall not be subject to any Rate in the year in which it is
eventually delivered.

(d) The Contractor shall make advance semiannual payments to the
United States in accordance with the payment requirements of subarticle 6 (c) and at the
Rates provided by the Contracting Officer pursuant to subarticle 6 (b). The first semi-
annual payment for each Water Year shall be made by the Contractor one week prior to
the start of the Water Year and shall include payment for all Project Water scheduled to
be delivered during the first six months of the Water Year. The second payment for the
Water Year shall be made by the Contractor one week prior to the start of the seventh
month of the Water Year, and shall include payment for all remaining deliveries for the
Water Year.

(e) (1) (A) Revenues for Irrigation Water deliveries collected by
the United States under this contract shall be credited in order as follows: (i) to annual
O&M Costs for Irrigation Water deliveries (ii) to annual Water Marketing Costs for
Irrigation Water deliveries (iii) to any O&M Costs deficit or Water Marketing Costs
deficit from Irrigation Water deliveries from preceding Water Years, and (iv) to
Irrigation Capital Costs.

(B) Revenues for M&I Water deliveries collected by the
United States under this contract shall be credited in order as follows: (i) to annual
O&M Costs for M&I Water deliveries, (ii) to annual Water Marketing Costs for M&I
Water deliveries, (iii) to annual interest due as determined by subarticle 6 (e)(2), (iv) to
any O&M Costs deficit, Water Marketing Costs deficit, or interest due deficit for M&I
Water deliveries from preceding Water Years, and (v) to M&I Capital Costs.

(C) Revenues credited to Capital Costs shall be prorated
as between Storage Capital Costs and Conveyance Capital Costs using the percentages
for Storage Capital Costs and Conveyance Capital Costs identified in subarticle 6
(a)(1)(B)(i) and (ii).

(2) (A) The interest due in each Water Year on M&I Capital
Costs incurred by the Contracting Officer on or before May 14, 1995 shall be calculated by multiplying the unpaid M&I Capital Costs, as of the beginning of that Water Year, by the interest rate specified in the applicable portion of subarticle 6 (e)(2)(B). Interest shall be payable on Capital Costs incurred by the Contracting Officer after May 14, 1995 at a rate determined using the same principles that the Contracting Officer uses generally to establish the interest rate for additional Capital Costs allocated to M&I Water deliveries for other reclamation projects administered by the Contracting Officer.

(B) (i) Interest due for the period beginning May 15, 1995 through September 30, 2005 under this contract shall be at the rate of 3 percent per annum.

(ii) Interest due for the period beginning October 1, 2005 through September 30, 2015 under this contract shall be at that rate which is the twenty (20) year Treasury constant maturity rate as shown on the Federal Reserve statistical release for the date on which this contract is executed by the United States.

(iii) Notwithstanding subarticle 6 (e)(2)(B)(ii), if at any time during the Repayment Period of the Project the Contracting Officer executes a long-term renewal contract for water deliveries from another reclamation project administered by the Contracting Officer in which the interest due on Capital Costs allocable to M&I Water is at an interest rate which is lower than the twenty (20) year Treasury constant maturity rate identified in subarticle 6 (e)(2)(B)(ii), then the Contracting Officer shall, upon written request by the Contractor, or the Cachuma
Member Units acting jointly, reopen negotiations to change the interest rate specified in subarticle 6 (e)(2)(B)(ii) to an interest rate calculated in the same manner as the interest rate provided for in such long-term renewal contract.

(3) (A) If in any Water Year, the total revenue collected for Irrigation Water is insufficient to recover for the United States the amount of the Contracting Officer’s O&M Costs and Water Marketing Costs on Irrigation Water deliveries, such deficit shall be recovered, with interest as required by law, in the Irrigation Water Rate of the first Water Year after the Water Year in which the deficiency is determined (for example, a deficit in Water Year ending 1995 would be determined in Water Year ending 1996 and revenues to recover that deficit would be collected in Water Year ending 1997).

(B) If in any Water Year, the total revenue collected for M&I Water is insufficient to recover for the United States the amount of the Contracting Officer’s O&M Costs and Water Marketing Costs on M&I Water deliveries, and to recover interest due on M&I Capital Costs for such Water Year, such deficit shall be recovered, with interest as required by law, in the M&I Water Rate of the first Water Year after the Water Year in which the deficiency is determined.

(f) To the extent permitted by law, the Cachuma Member Units, acting jointly, shall have the option, at any time during the term of this contract, to pay to the United States the then-unpaid balance of the Capital Cost, in which event the Rates and any payments remaining to be made shall be adjusted accordingly. The Contracting Officer shall promptly advise the Contractor and the Cachuma Member Units in writing
when the Capital Costs have been repaid to the United States.

(g) (1) The Contracting Officer shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this contract, including records reflecting (i) what expenses were charged to the Project, (ii) the basis on which administrative and other general expenses of the Contracting Officer were charged to the Project, and (iii) how payments under this contract and other revenues attributable to the Project were credited. For the purpose of ensuring a proper allocation of the Capital Costs, O&M Costs, Water Marketing Costs, and interest due on M&I Capital Costs, and the revenues attributable to the Project, revenue records shall distinguish as reasonably necessary between Irrigation Water and M&I Water.

(2) Subject to applicable Federal laws and regulations, the Contractor and the Cachuma Member Units, acting jointly, shall have the right during office hours to examine and make copies of all such accounts, books, and records. The Contracting Officer and the Contractor shall enter into good faith negotiations to resolve any discrepancies or disputes relating to Capital Costs, O&M Costs, Water Marketing Costs, and interest due on M&I Capital Costs, and the allocation thereof to the Project, and the disposition of revenues relating to or derived from the Project, and the Cachuma Member Units acting jointly shall be entitled to participate in such negotiations.

(h) At the Contractor's or the Cachuma Member Units' joint request, the Contracting Officer shall provide to the Contractor and the Cachuma Member Units an accounting of all of the expenses, and the disposition of all revenues received, pursuant to this contract in sufficient detail to allow a determination whether the
allocation of expenses and disposition of all revenues received was accomplished in
conformance with Federal Reclamation law, associated regulations, and this contract.

To the maximum extent possible, the Contracting Officer shall, contingent upon the appropriation of funds by the United States Congress, fund the following activities as non-reimbursable, presuming such activities are determined to be non-reimbursable: (i) cooperation with the Cachuma Member Units pursuant to subarticle 7 (b), (ii) consultations, studies, reports, or other actions taken pursuant to subarticle 9 (g), (iii) conservation plans under article 20, (iv) changes in Contractor's Area of Service under article 26, and (v) implementation of article 27.

RECOGNITION OF DOWNSTREAM WATER RIGHTS AND STUDIES

7. (a) The Contractor acknowledges that the United States has an obligation pursuant to the Project Water Rights to make certain releases of water into the Santa Ynez River for downstream interests. Subject to review by a court having jurisdiction over the matter in dispute, the determination of the Contracting Officer concerning releases of water that are required to be made pursuant to the Project Water Rights shall be conclusive.

(b) The Contracting Officer, Contractor, and Cachuma Member Units shall cooperate fully with respect to the conduct and preparation of the studies and reports which the Contracting Officer is required to submit to the California State Water Resources Control Board pursuant to order paragraph 3 of Board Order 94-5 adopted November 17, 1994, with a view to ensuring that such are accomplished in the best, most efficient, and most cost effective manner within the periods specified in such order.
Absent Notice by the Contracting Officer to the contrary prior to the commencement of any study or the preparation of any report, the Cachuma Member Units shall, directly or through consultants, conduct such studies and prepare such reports for the Contracting Officer's review and submission to the Board. If the Contracting Officer determines that the Cachuma Member Units are not proceeding in a capable, timely, efficient, or cost efficient manner, the Contracting Officer may assume direct responsibility for such studies and reports by giving the Cachuma Member Units Notice of such determination.

**TRANSFERS OR EXCHANGES OF WATER**

8. The right of any Cachuma Member Unit to receive Project Water pursuant to this contract may be transferred to others for beneficial use, by sale, exchange, or otherwise, so long as such transfer and the use of Project Water pursuant thereto is consistent with the Project Water Rights, Federal law, State law, and applicable guidelines or regulations then in effect; Provided, That the Contractor, not less than ninety days prior to the initiation of the proposed transfer, gives the Contracting Officer a complete written description of each transfer proposal which provides sufficient information for the Contracting Officer to determine if the proposed transfer is consistent with the above. Within 90 days of receipt of such proposal, the Contracting Officer shall provide a written response either approving the transfer or explaining why it cannot be approved. Sale, transfer, or exchange of the right to Project Water under this contract with other Cachuma Member Units may take place without prior written Notice to, or approval of, the Contracting Officer.
PROJECT OPERATIONS/TEMPORARY REDUCTIONS

9. (a) The Contracting Officer shall use best efforts to operate the Project efficiently and in a manner that will allow there to be the maximum amount of Available Supply each Water Year.

(b) The Contracting Officer shall release Project Water from Cachuma Reservoir only (i) as required or expressly authorized by this contract, (ii) as required or expressly authorized by any agreement to which the Contracting Officer and all Cachuma Member Units are a party, (iii) as required by law, final decree of a court of competent jurisdiction, or the Project Water Rights, or (iv) pursuant to subarticle 9 (d) or (e).

(c) The Contracting Officer may temporarily discontinue or reduce the quantity of Project Water delivered pursuant to this contract if, and to the extent, necessary for the purposes of investigation, inspection, maintenance, repair, or replacement of any of the Project facilities. The Contracting Officer shall give the Cachuma Member Units advance Notice of any such temporary discontinuance or reduction; Provided, That the Contracting Officer shall use its best efforts to avoid any discontinuance or reduction in such service.

(d) The Contracting Officer may release Project Water from Bradbury Dam whenever, and to the extent, the Contracting Officer determines such release is
necessary because of considerations with respect to the physical integrity of Bradbury Dam which threaten to jeopardize life or property below Bradbury Dam.

(e) The Contracting Officer may release Project Water from Bradbury Dam to enhance Project operations if, in the Contracting Officer’s best judgment based on supporting evidence, the release will not diminish the Available Supply in any Water Year.

(f) If the Contracting Officer determines to make a release of water from Bradbury Dam for purposes other than delivery of Project Water pursuant to this contract, the Contracting Officer shall do the following as far in advance thereof as possible: (i) give the Contractor and the Cachuma Member Units Notice of the proposed release and the reasons therefor, (ii) provide the Contractor and the Cachuma Member Units with a list of, and access to, all data, studies, and other information on which the Contracting Officer's decision to make the release is based, and (iii) confer with the Contractor and the Cachuma Member Units about the appropriateness and extent of the release.

(g) From time to time but not more frequently than every five years, the Contracting Officer, the Contractor, and the Cachuma Member Units shall confer in an open public process about the manner in which the Project is operated with a view to reaching agreement on any changes to the operations of the Project that might further protect the environment and groundwater quality downstream of Bradbury Dam, conserve Project Water, and promote efficient water management. Should any such changes be identified, either as a result of the studies conducted pursuant to
subarticle 7 (b), studies conducted by the Contracting Officer, the Contractor, or the Cachuma Member Units, or studies conducted by others, the Contracting Officer may modify the operations of the Project provided such changes are consistent with Federal law, State law, Project Water Rights, and this contract, and do not reduce the Available Supply in any Water Year.

**COMPLIANCE WITH FEDERAL LAW**

10. This contract shall be implemented in accordance with all applicable provisions of Federal law.

**WATER AND AIR POLLUTION CONTROL**

11. The Contractor, in carrying out this contract, shall comply with all applicable water and air pollution laws and regulations of the United States and the State of California, and shall obtain all required permits or licenses from the appropriate Federal, State, or local authorities.

**QUALITY OF WATER**

12. (a) The United States is under no obligation to construct or furnish water treatment facilities to maintain or to better the quality of Project Water furnished to the Cachuma Member Units pursuant to this contract. The United States does not warrant the quality of Project Water made available and delivered to the Cachuma Member Units pursuant to this contract.

(b) The operation and maintenance of Project facilities shall be performed in such manner as is practicable to maintain the quality of raw water made
available through such facilities at the highest level reasonably attainable as determined
by the Contracting Officer.

WATER ACQUIRED BY THE CACHUMA MEMBER UNITS OTHER THAN FROM THE UNITED STATES

13. Water to which any Cachuma Member Unit now has or hereafter acquires
a right other than from the United States and Project Water furnished pursuant to the
terms of this contract may be simultaneously transported through the same distribution
facilities of the Cachuma Member Unit; Provided, That where the facilities utilized for
commingling Project Water and non-Project water are 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 Project Water;
Provided further, That the quantity of Irrigation Water which is transported through such
distribution facilities shall not exceed the total water requirements for Eligible lands to
which the Cachuma Member Unit delivers water: Provided further, That where the
facilities utilized for commingling Project 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.

CHARGES FOR DELINQUENT PAYMENTS

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

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

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

EQUAL OPPORTUNITY

15. During the performance of this contract, the Contractor agrees as follows:

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

(2) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without discrimination because of race, color, religion, sex, or national origin.

(3) The Contractor will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the Contracting Officer, advising the said labor union or workers' representative of the Contractor's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
(4) The Contractor will comply with all provisions of Executive Order No. 11246 of September 24, 1965, as amended, and of the rules, regulations, and relevant orders of the Secretary of Labor.

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

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

(7) The Contractor will include the provisions of paragraphs (1) through (7) 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 said amended Executive Order, so that such provisions will be binding upon each subcontractor or vendor. The Contractor 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 Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

GENERAL OBLIGATION--BENEFITS CONDITIONED UPON PAYMENT

16. (a) The obligation of the Contractor to pay the United States as provided in this contract is a general obligation of the Contractor notwithstanding the manner in which the obligation may be distributed among the Cachuma Member Units and notwithstanding the default of individual Cachuma Member Units in their obligations to the Contractor.

(b) The payment by a Cachuma Member Unit to the Contractor of its share of revenues becoming due hereunder is a condition precedent to receiving benefits under this contract. The United States shall not deliver Project Water to any Cachuma
Member Unit during any period in which the Cachuma Member Unit is in arrears in the advance payment of its share of revenues due the United States pursuant to this contract.

COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS

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

(b) These statutes require that no person in the United States shall, on the grounds of race, color, national origin, handicap, or age, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity receiving financial assistance from the Bureau of Reclamation. By executing this contract, the Contractor agrees 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 Contractor makes this agreement 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 Contractor 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 Contractor recognizes 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.

PRIVACY ACT COMPLIANCE

18. (a) The Contractor shall comply with the Privacy Act of 1974 (5 U.S.C. 552a) (the Act) and the Department of the Interior rules and regulations under the Act (43 CFR 2.45 et seq.) in maintaining landholder acreage certification and reporting records, required to be submitted to the Contractor for compliance with Sections 206 and 228 of the Reclamation Reform Act of 1982 (96 Stat. 1266), and pursuant to 43 CFR 426.10.

(b) With respect to the application and administration of the criminal penalty provisions of the Act (5 U.S.C. 552a(i)), the Contractor and the Contractor's employees responsible for maintaining the certification and reporting records referenced in subdivision (a) of this Article 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 Contractor with current copies of the Interior Department Privacy Act regulations and the Bureau of Reclamation Federal Register Privacy Act System of Records Notice (Acreage Limitation--Interior, Reclamation-31) which govern the maintenance, safeguarding, and disclosure of information contained in the landholder's certification and reporting records.

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

(e) The Contractor shall forward promptly to the System Manager each proposed denial of access under 43 CFR 2.64; and each request for amendment of records filed under 43 CFR 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 Contractor pursuant to 43 CFR 426.10, unless the requester elects to cite the Privacy Act as a basis for the request.

MISCELLANEOUS COSTS

19. (a) In addition to all other payments to be made by the Contractor pursuant to this contract, the Contractor 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 Contractor for such specific items of direct cost incurred by the United States for work requested by the Contractor 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 Contractor. This Article shall not apply to costs for routine contract administration.
(b) In accordance with the Contracting Officer's intent to ensure timely recovery of the United States' costs, any advances for miscellaneous costs incurred for work, studies, and/or reports requested or ordered by the State Water Resources Control Board relating to the impacts of the Cachuma Project, or other work previously agreed upon, shall be adjusted to reflect the actual costs when the work has been completed. If such advances exceed the actual costs incurred, the difference will be refunded to the Contractor within sixty (60) days. If the actual costs exceed the Contractor's advances the Contractor will be billed for the additional costs pursuant to this Article.

WATER CONSERVATION

20. (a) The parties acknowledge that, as of the date of execution of this contract, the Contractor and each of the Cachuma Member Units that is obligated to do so have developed and are implementing water conservation plans (i) which contain definite water conservation goals, appropriate economically feasible water conservation measures, and a time schedule for meeting the water conservation goals, and (ii) which meet or exceed (A) the requirements of Federal law, and (B) the criteria contained in the April 30, 1993 document entitled "U.S. Bureau of Reclamation, Mid-Pacific Region Criteria for Evaluating Water Conservation Plans."

(b) The Contractor shall, promptly upon its adoption, submit to the Contracting Officer a copy of any revision to its water conservation plan or to a water conservation plan of a Cachuma Member Unit.
(c) The Contractor shall submit to the Contracting Officer, by December 31 of each Calendar Year, a report on the status of implementation of its water conservation plan and implementation of the water conservation plans of each of the Cachuma Member Units.

(d) (1) If at any time the Contracting Officer concludes that the Contractor's or a Cachuma Member Unit's water conservation plan does not conform to the requirements of Federal law or rules or regulations promulgated by the Contracting Officer pursuant to Federal law, then the Contractor and each Cachuma Member Unit shall amend their respective water conservation plans as necessary to meet the requirements of such law, rule, or regulation.

(2) If at any time the Contracting Officer concludes that the Contractor's or a Cachuma Member Unit's water conservation plan is inconsistent with any water conservation criteria adopted by the Contracting Officer pursuant to Reclamation law and then in effect, the Contracting Officer shall promptly notify the Contractor or Cachuma Member Unit of this conclusion and the reasons for it. Thereafter, the Contracting Officer and the Contractor or Cachuma Member Unit shall promptly confer for the purpose of reaching agreement as to any changes that will be made to the water conservation plan in light of such criteria.

NON-PROJECT WATER

21. Except as specifically provided by article 13, the provisions of this contract shall not be applicable to or affect non-Project water.
CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS

22. 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 Contractor 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

23. The Contractor shall establish and maintain accounts and other books and records pertaining to administration of the terms and conditions of this contract, including: the Contractor’s financial transactions, water supply data, and Project land and right-of-way agreements; the water users’ land-use (crop census), landownership, landleasing and water use data; and other matters that the Contracting Officer may require. Reports thereon 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

24. 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 shall be valid until approved in writing by the Contracting Officer.

OFFICIALS NOT TO BENEFIT

25. No Member of or Delegate to Congress, Resident Commissioner or official of the Contractor 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 CONTRACTOR’S AREA OF SERVICE

26. While this contract is in effect, no change may be made in the Contractor’s Area of Service, except upon consent of the Contracting Officer given in writing or deemed to have been given as provided in this subarticle. Any request by the Contractor for approval of a change to Contractor’s Area of Service shall include information sufficient to permit the Contracting Officer to determine whether the change is likely to
either result in the use of Project Water contrary to the terms of this contract or impair the ability of a Cachuma Member Unit to pay for Project Water scheduled under this contract. The Contracting Officer shall be deemed to have consented to any such change unless, within thirty days of receipt of such information, the Contracting Officer gives the Contractor Notice disapproving the change and determining that the change is likely to either result in the use of Project Water contrary to the terms of this contract or impair the ability of a Cachuma Member Unit to pay for Project Water scheduled under this contract.

RENEWAL FUND

27. (a) The Cachuma Member Units shall establish a fund (Renewal Fund), into which monies shall be deposited and from which monies shall be expended, as provided in this Article, for the purpose of financing the following activities:

(i) mitigation activities associated with the selected alternative identified in the final Cachuma Project Contract Renewal Environmental Impact Statement/Environmental Impact Report dated December 12, 1995; (ii) activities which may be required of the Contracting Officer by State Water Resources Control Board orders affecting the Project Water Rights; (iii) studies described in subarticle 7 (b); (iv) studies relating to modifications in Project operations conducted by the Contracting Officer, the Contractor, or the Cachuma Member Units pursuant to subarticle 9 (g); (v) restoration of any riparian and other habitat of the Santa Ynez River and its watershed which has been adversely affected by the Project; and (vi) the activities of the Contracting Officer pursuant to this Article to the extent provided in subarticle 27 (i).
(b) Within twelve months after the date of execution of this contract, the Contracting Officer and the Cachuma Member Units shall jointly develop a long-term plan (Long Term Plan), covering a period of at least five years, pursuant to which activities of the nature described in subarticle 27 (a) shall be undertaken. The Long Term Plan shall be developed in an open public process and shall contain the following: (i) the goals and objectives of the Long Term Plan, (ii) the specific activities to be undertaken during the period covered by the Long Term Plan, and (iii) a budget and schedule for completing the activities. The Long Term Plan shall be revised every five years, or more frequently as necessary to permit the activities identified in the Long Term Plan to be effectively carried out, until such time as the Contracting Officer and the Cachuma Member Units, acting jointly, determine that the purposes for which the Renewal Fund was established have been fulfilled.

(c) In furtherance of the Long Term Plan, the Contracting Officer and the Cachuma Member Units shall jointly develop an Annual Work Plan for each Water Year (Annual Work Plan). The Annual Work Plan shall describe the specific tasks to be accomplished during that Water Year and specify a budget for the accomplishment of those tasks. In this connection, if activities contemplated to be undertaken during any Water Year pursuant to this Article are eligible for funding from both the Cachuma Project Trust Fund and the Renewal Fund, then such activities first shall be included in the annual work plan for, and shall be funded from, the Cachuma Project Trust Fund and shall be included in the Annual Work Plan for, and funded from, the Renewal Fund only to the extent sufficient monies are unavailable in the Cachuma Project Trust Fund.
CACHUMA PROJECT
SCHEDULE OF UNPAID M&I "CONVEYANCE" CAPITAL COSTS
AMORTIZED AT 3% THROUGH THE END OF THE REPAYMENT PERIOD
AS OF SEPTEMBER 30, 1994

Exhibit C
Pg 4 of 4

<table>
<thead>
<tr>
<th>Beginning Conveyance Capital Balance</th>
<th>Capital Payment Schedule</th>
<th>Ending Capital Balance</th>
<th>Projected Deliveries (AF)</th>
<th>Capital Rate Per AF</th>
</tr>
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<tbody>
<tr>
<td>1995 $7,181,938</td>
<td>$215,458</td>
<td>$250,447</td>
<td>$465,905</td>
<td>$346,374</td>
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<tr>
<td>1996 6,931,491</td>
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<td>257,960</td>
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<td>1997 6,673,531</td>
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<td>1998 6,407,831</td>
<td>192,335</td>
<td>273,670</td>
<td>465,905</td>
<td>296,892</td>
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<td>1999 6,134,161</td>
<td>184,025</td>
<td>281,880</td>
<td>465,905</td>
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<td>2000 5,862,281</td>
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<td>2002 5,262,398</td>
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<td>308,018</td>
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<td>2003 4,964,880</td>
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<td>336,560</td>
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<td>2006 3,974,265</td>
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<td>131,952</td>
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<tr>
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<td>2013 1,317,864</td>
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<td>2014 891,495</td>
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<td>2015 $452,335</td>
<td>13,670</td>
<td>452,335</td>
<td>465,905</td>
<td>16,494</td>
</tr>
</tbody>
</table>

$2,602,069 $7,181,938 $9,784,006

Notes:
1. The unpaid capital balance is amortized over the remaining years of repayment of the repayment period at 3.00% interest (per House Document No. 587, pg. 32).
2. Projected deliveries are based on 18,000 AF (see Pg. 2) less Santa Ynez deliveries, which is a storage only contractor, through the end of the repayment period.
(d) Subject to the limitations of subarticle 27 (e), at the beginning of each Water Year, the Cachuma Member Units shall deposit into the Renewal Fund an amount which, when added to any monies already in the Renewal Fund, are sufficient to pay for the activities which are to be undertaken pursuant to the Annual Work Plan for that Water Year and which, pursuant to subarticle 27 (c), are to be funded from the Renewal Fund.

(e) (1) The aggregate amount to be deposited by the Cachuma Member Units in any Water Year shall not exceed the lesser of the amounts determined pursuant to subarticles 27 (e)(2), (e)(3), and (e)(4).

(2) The aggregate amount to be deposited by the Cachuma Member Units in any Water Year shall not exceed an amount equal to $10 (May 1995 price levels using the Consumer Price Index) for each acre-foot of Project water scheduled for delivery that Water Year.

(3) The aggregate amount to be deposited by the Cachuma Member Units in any Water Year shall not exceed an amount which bears a ratio to $257,100, which is inverse to the ratio which the aggregate amount paid into the Cachuma Project Trust Fund during the immediately preceding Calendar Year bears to $300,000. The application of the preceding sentence is illustrated by the following chart:
(4) If (i) at the beginning of any Water Year the combined balance of the Cachuma Project Trust Fund and the Renewal Fund is $600,000 or more, or (ii) the Contracting Officer has determined that the maximum operating elevation of Cachuma Reservoir shall be less than 750 feet, then no contributions to the Renewal Fund are required for such Water Year.

(f) All decisions relating to the Long Term Plan, the Annual Work Plan, and the expenditure of monies from the Renewal Fund shall be made jointly, and shall be concurred in, by the Contracting Officer and the Cachuma Member Units acting jointly. In the event the Contracting Officer and the Cachuma Member Units, acting jointly, are unable to take action on a matter due to disagreement, the Contracting Officer and the Cachuma Member Units, acting jointly, shall designate a third party to

<table>
<thead>
<tr>
<th>Payments Prior Calendar Year</th>
<th>Percentage of $300,000</th>
<th>Percentage of $257,100 Due</th>
<th>Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>$300,000</td>
<td>100%</td>
<td>0%</td>
<td>$0</td>
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<tr>
<td>$225,000</td>
<td>75%</td>
<td>25%</td>
<td>$64,275</td>
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<td>$150,000</td>
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<td>$75,000</td>
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<td>75%</td>
<td>$192,825</td>
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<tr>
<td>$0</td>
<td>0%</td>
<td>100%</td>
<td>$257,100</td>
</tr>
</tbody>
</table>
consider with them the matter under disagreement, and a decision respecting such matter may be made by any two of the Contracting Officer, the Cachuma Member Units acting jointly, and such third party.

(g) The Cachuma Member Units shall manage and administer the Renewal Fund and shall provide whatever administrative services are necessary in connection with development of the Long Term Plan, the Annual Work Plan, and expenditure of monies in the Renewal Fund.

(h) The Cachuma Member Units shall invest monies in the Renewal Fund in the Local Agency Investment Fund established pursuant to California Government Code section 16429.1 or in accordance with California Government Code sections 53600 et seq. or 16430 et seq. Monies deposited into the Renewal Fund may be commingled, deposited, and invested with the monies deposited in the Cachuma Project Trust Fund, but the monies deposited into each fund shall be accounted for separately.

(i) To the extent the activities of the Contracting Officer pursuant to this Article are required by law to be reimbursed by the Contractor, then such activities shall be included as a part of each Long Term Plan and its budget and each Annual Work Plan and its budget and shall be reimbursed from the Renewal Fund. In each Water Year, the Contracting Officer shall limit the activities for which the Contracting Officer is required by law to be reimbursed to the extent necessary to allow such reimbursement to be made from the Renewal Fund.

(j) Five years after adoption of the first Annual Work Plan, the Contractor shall be substituted for the Contracting Officer for purposes of
subarticles 27 (b), (c), and (f). Thereafter, the Contractor and the Cachuma Member
Units acting jointly shall consult with the Contracting Officer prior to the adoption of
each subsequent Long Term Plan and Annual Work Plan, until such time as the
Contracting Officer advises the Contractor and the Cachuma Member Units, in writing,
that such consultations are no longer necessary.

(k) Until such time as the Contractor is substituted for the Contracting
Officer pursuant to subarticle 27 (j), the Contracting Officer and the Cachuma Member
Units acting jointly shall consult with the Contractor prior to the adoption of a Long
Term Plan and each Annual Work Plan.

TRANSITION FROM PHASE I CONTRACT

28. (a) Article 1 of the Phase I Contract is deleted in its entirety and the
following is substituted in lieu thereof:

1. This contract shall be effective upon the expiration of
Contract No. I75r-1802, and shall remain in effect through April 14, 1996.
This contract shall constitute the initial phase of the long-term renewal
contract for which the parties are currently negotiating and preparing an
EIS/EIR.

(b) Water deliveries for the period from May 15, 1995 through
April 14, 1996 shall be made pursuant to the Phase I Contract. Rates for water
delivered for the period from May 15, 1995 through April 14, 1996 shall be recalculated,
and revenues collected shall be credited, pursuant to article 6 of this contract, using the
definitions of Irrigation Water and M&I Water provided in the
Phase I Contract. If the revenues collected under the Phase I Contract for either
Irrigation Water or for M&I Water exceed the revenues that would have been collected
based upon the Rates calculated under article 6 for the period from May 15, 1995
through April 14, 1996, the excess revenues shall be credited (i) first, to the payments
due during the Transition Period for Irrigation Water and M&I Water, and (ii) second to
Irrigation Capital Costs or M&I Capital Costs. If the Irrigation Water revenues or the
M&I Water revenues collected under the Phase I Contract are insufficient to recover for
the United States its O&M and Water Marketing Costs from Irrigation Water deliveries
or M&I Water deliveries, or to recover for the United States the interest due on the
M&I Capital Costs, then the revenue shortfall shall be recovered as provided in
subarticle 6 (e)(3)(A)&(B).

(c) On or before March 1, 1996, the Contractor shall deliver to the
Contracting Officer a copy of any Notice given to the Contractor by, or on behalf of, all
Cachuma Member Units acting jointly specifying (i) the total quantity of Available
Supply that the Cachuma Member Units have requested be delivered for the period from
April 15, 1996 through September 30, 1996 (Transition Period), and (ii) the schedule of
the quantities of Project Water that are to be delivered to each Cachuma Member Unit
and transferee thereof during the Transition Period (together, the Transition-Delivery
Schedule). The Contractor shall promptly deliver to the Contracting Officer a copy of
any subsequent Notice given to the Contractor by, or on behalf of, all Cachuma Member
Units acting jointly specifying any revised request for Project Water to be delivered
during the Transition Period or any revised Transition Delivery Schedule.
(d) The Contracting Officer shall promptly either (i) approve the Transition Delivery Schedule as proposed, or (ii) if the Contracting Officer determines that the Transition Delivery Schedule proposes deliveries in excess of the quantities the Contracting Officer is authorized to deliver under this contract, the Contracting Officer shall modify the Transition Delivery Schedule to conform such with the Contracting Officer's determination and shall apportion any decreases among the Cachuma Member Units according to the percentages specified in subarticle 3 (c). The Contracting Officer shall promptly give Notice to the Contractor of all approvals of the transition request and Transition Delivery Schedule.

(e) On or before April 1, the Contracting Officer shall give the Contractor Notice of the Rates to be paid for Project Water during the Transition Period, and on or before April 10, the Contractor shall pay to the Contracting Officer at such Rates for all Project Water to be delivered to, or stored for, the Cachuma Member Units.

(f) Water delivered under the Transition Delivery Schedule shall be allocated among the Cachuma Member Units as provided in subarticle 3 (c).

(g) Wherever appropriate, the Transition Period shall be deemed to be a Water Year for purposes of this contract.

NOTICES

29. (a) All notices and other communications required by this contract (Notices) shall be in writing and shall be given by one of the following methods:

(1) By personal delivery, the Notice being effective on delivery;
(2) By first class mail, the Notice being effective four (4) mail delivery days after deposit, postage prepaid, in a United States Postal Service office or mailbox;

(3) By certified mail, Notice being effective on delivery if confirmed by a return receipt;

(4) By overnight delivery by Federal Express or similar service, Notice being effective on delivery if delivery is confirmed by the delivery service;

(5) By facsimile transmission, Notice being effective on receipt, provided that (i) either (A) a duplicate Notice is promptly given by one of the other methods permitted by this Article, or (B) the receiving party delivers a written confirmation of receipt, and (ii) any Notice given by facsimile transmission shall be deemed received on the next business day if it is received after 4:30 p.m. Pacific Time or on a nonbusiness day.

(b) Notices shall be given to the following addresses and facsimile numbers:

Contracting Officer:

Area Manager, South-Central California Area Office
Bureau of Reclamation
2666 North Grove Industrial Drive
Suite 106
Fresno, California 93727-1551
Facsimile number: (209) 487-5397
Contractor:
Santa Barbara County Water Agency
123 East Anapamu Street
Santa Barbara, California 93101
Facsimile number: (805) 568-3434

With a copy to:
Cachuma Project Authority
3301 Laurel Canyon Road
Santa Barbara, California 93105
Facsimile number: (805) 569-5825

Carpinteria County Water District
PO Box 578 (93014-0578)
1301 Santa Ynez Avenue
Carpinteria, California 93013
Facsimile number: (805) 684-3170

Goleta Water District
4699 Hollister Avenue (93110)
Goleta, California 93110-0781
Facsimile number: (805) 964-7002

Montecito Water District
PO Box 5037
583 San Ysidro Road (93108)
Montecito, California 93150-5037
Facsimile number: (805) 969-7261

City of Santa Barbara
630 Garden Street (93101)
PO Box 1990
Santa Barbara, California 93102-1990
Facsimile number: (805) 564-5467

Santa Ynez River Water Conservation District
Improvement District No. 1
PO Box 157
3622 Sagunto Street
Santa Ynez, California 93460-0157
Facsimile number: (805) 688-3078
Any party may change its address or facsimile number by giving the other party Notice of
the change in any manner permitted by this Article.

THIRD PARTY BENEFICIARY

30. This contract is entered into by the Contractor acting as an agent for the
Cachuma Member Units. As third party beneficiaries, the Cachuma Member Units shall
have an independent right to enforce their rights pursuant to Reclamation law and under
this contract.

CONTRACTS BETWEEN CONTRACTOR AND CACHUMA MEMBER UNITS

31. Prior to the delivery of Project Water under this contract, the Contractor
shall enter into a contractual relationship with each of the Cachuma Member Units,
which shall provide that the terms thereof are subject to the terms of this contract.

CONTRACT NOT TO AFFECT RATES SET BY CACHUMA MEMBER UNITS

32. This contract shall not affect how payments to be made to the Contractor
are to be allocated as between the Cachuma Member Units; nor shall this contract affect
how each Cachuma Member Unit determines its own rates or how each Cachuma
Member Unit allocates revenues it collects as between payments for Irrigation Water
and M&I Water.
IN WITNESS WHEREOF, the parties hereto have executed this contract as of the day and year first above written.

THE UNITED STATES OF AMERICA

By: [Signature]

ACTING FOR Regional Director, Mid-Pacific Region
Bureau of Reclamation

APPROVED AS TO LEGAL FORM AND SUFFICIENCY:

By: [Signature]
Office of the Solicitor
Secretary of the Interior

SANTA BARBARA COUNTY WATER AGENCY

By: [Signature]
Chair, Board of Directors

APPROVED AS TO FORM:

By: [Signature]
County Counsel

APPROVED AS TO INSURANCE:

By: [Signature]
Risk Management

APPROVED AS TO FORM:

By: [Signature]
Auditor-Controller

ATTEST
ZANDRA CHOLMONDELEY
Clerk of the Board of Supervisors

By: [Signature]
Deputy Clerk

By: [Signature]

(I:RR10-26-9.wp)
### CACHUMA PROJECT

**SCHEDULE OF 1995 COST OF SERVICE WATER RATES FOR IRRIGATION AND MUNICIPAL AND INDUSTRIAL (M&I)**

**CONTRACT NO. 175R-1802R**

**Exhibit A**

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<thead>
<tr>
<th>I. Capital Rates Per AF</th>
<th>Irrigation</th>
<th>M&amp;I</th>
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<td>Conveyance</td>
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<th>II. Projected 1996 Operation and Maintenance (O&amp;M) Expenses</th>
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<th>M&amp;I</th>
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<tr>
<td>- deliveries (AF)</td>
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<td>- deliveries (AF)</td>
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<tr>
<td>Total O&amp;M Rate Per AF</td>
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<td>$9.30</td>
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</table>

| III. 1995 Cost of Service Rate Per AF                     | $111.34    | $52.95 |

---

1/ Refer to the Cachuma Project "Schedule of Unpaid Irrigation and M&I Capital Costs by Component and/or Facility"(WIN:95CAP3A.B38) for details. Note ... M&I rate includes interest at 3.00%.

2/ Reclamation O&M provided by MP-320 (SS) ... Cachuma Project PF-3 Program Activity, revised date of 10/30/95). Water Marketing costs, which were originally included in the Program Goals total amounts, have been separated from the Storage costs and prorated between Irrigation and M&I. Water deliveries are based on the 1994-95 water entitlement as shown in the March 17, 1994 letter from Santa Barbara CWA. For "Conveyance" purposes, Santa Ynez's deliveries have been removed as they are a "Storage" only contractor.

**Note:** Cachuma O&M Board costs are excluded from these rates and are the direct responsibility of the Cachuma member units.

**Source:** As cited.

**Purpose:** To provide the annual Cost of Service water rates for Cachuma Project water service contractor(s) for both irrigation and M&I functions assuming repayment by 2015.
<table>
<thead>
<tr>
<th>Component/Facility</th>
<th>Capital Costs @ AD/AF 1994</th>
<th>Allocation of Capital (20%)</th>
<th>Allocation of Repayment (50%) Realized (k)</th>
<th>Net Unpaid Capital Costs ($9/30/94)</th>
<th>Projected Deliveries 1995-2015 k</th>
<th>Unpaid Capital Rate Per AF</th>
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</thead>
<tbody>
<tr>
<td>Storage</td>
<td></td>
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</tr>
<tr>
<td>Bradbury Dam &amp; Reservoir</td>
<td>$34,975,354</td>
<td>$7,367,007</td>
<td>$7,238,347</td>
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<td>Other Physical Property</td>
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<td>666</td>
<td>6,641</td>
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<td>$14,888,951</td>
<td>7,843,603</td>
<td>7,244,788</td>
<td>$2,055,002</td>
<td>$2,971,029</td>
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<tr>
<td>Conveyance</td>
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<tr>
<td>Carpinteria Regulating Reservoir</td>
<td>465,473</td>
<td>238,074</td>
<td>226,409</td>
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<tr>
<td>Facilities Structures Improvements</td>
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<tr>
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<td>582,640</td>
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<tr>
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<td>South Coast Conduit-Goleta</td>
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<td>8,726</td>
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<tr>
<td>Telescopc Tunnel</td>
<td>14,813,262</td>
<td>7,502,418</td>
<td>7,110,784</td>
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<tr>
<td>Total Conveyance</td>
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<td>12,174,872</td>
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<td>4,992,734</td>
<td>$9,541,414</td>
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<td>Distribution Systems</td>
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<td></td>
</tr>
<tr>
<td>Carpinteria Distribution System</td>
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<td>1,372,639</td>
<td>1,279,750</td>
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<tr>
<td>Goleta Distribution System</td>
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<td>2,642,579</td>
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<tr>
<td>Summerland Distribution System</td>
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<td>91,160</td>
<td>84,968</td>
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<tr>
<td>Total Distribution Systems</td>
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<td>3,274,826</td>
<td>3,106,304</td>
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<tr>
<td>Safety of Dams (Bradbury DAR) &amp; Construction WIP</td>
<td>460,200</td>
<td>36,055</td>
<td>34,174</td>
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</tr>
<tr>
<td>Capitalized Movable Equipment</td>
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<td></td>
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<tr>
<td>Grand Total</td>
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<td>$24,442,870</td>
<td>$20,981,892</td>
<td>$6,623,490</td>
<td>$8,448,951</td>
<td>$15,053,324</td>
</tr>
</tbody>
</table>

1/ Capital costs are taken from Schedules 1 & 2 of the 1994 Cachuma Project's Statement of Project Construction Cost and Repayment (SPCCR).

2/ Storage, Conveyance, Safety of Dams, Construction WIP, and Capitalized Movable Equipment are allocated on the basis of historical (1956 - 1994) and projected (1995 - 2015) water deliveries (see M&LCP55-20A,553 for details). The Distribution systems are allocated on the basis of the individual contract provisions as stated on Schedule No. 3 of the 1994 SPCCR's.

3/ Repayment Realized is from the "Summary" of the 1994 SPCCR and is prorated to the Storage and Conveyance components on the basis of these components capital costs to the total.

4/ M&L capital costs are amortized at 3% for this calculation and will be adjusted at the end of ten years (2005) to the applicable Treasury rate, at contract execution, for the remainder of the repayment period.

5/ As provided by Article 6 (a)(1)(A) of the "Draft" renewal contract with Santa Barbara CWA, we are using 25,714 AF annually to be allocated to irrigation (30%) and M&L (70%) on the basis of their 1994-95 water entitlement as shown in the March 17, 1994 letter from Santa Barbara CWA (see detail on pg. 2 below). For "Conveyance" purposes, Santa Ynez was deleted from the calculation as they are a "Storage" only contractor. Also note that these deliveries are based on the project being repaid by 2015.

6/ In accordance with the Safety of Dams Act, 15% of these costs are reimbursable by project beneficiaries and will be repaid through a separate repayment contract.
CACHUMA PROJECT
SCHEDULE OF UNPAID IRRIGATION AND M&I CAPITAL COSTS BY COMPONENT AND/OR FACILITY
AS OF SEPTEMBER 30, 1994

1995 IRRIGATION AND M&I CONTRACTOR WATER RATES

<table>
<thead>
<tr>
<th>Cachuma Project Member Unit</th>
<th>Irrigation</th>
<th>M&amp;I</th>
<th>Irrigation</th>
<th>M&amp;I</th>
<th>Irrigation</th>
<th>M&amp;I</th>
<th>Irrigation</th>
<th>M&amp;I</th>
<th>Irrigation</th>
<th>M&amp;I</th>
<th>Total</th>
</tr>
</thead>
<tbody>
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<td>1,598</td>
<td>4,026</td>
<td>5,296</td>
<td>4,026</td>
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<td>9,322</td>
<td>5,296</td>
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<td>6,322</td>
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<tr>
<td>City of Santa Barbara</td>
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<td>8,277</td>
<td>8,277</td>
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<tr>
<td>Carpinteria County WD</td>
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<td>1,215</td>
<td>1,215</td>
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<td>Montecito WD</td>
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<tr>
<td>sub-total</td>
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<tr>
<td>Summerland County WD</td>
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<td>Santa Ynez River WCD</td>
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<td>1,506</td>
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<td>sub-total</td>
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<tr>
<td>Grand Total</td>
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<td>7,714</td>
<td>18,000</td>
<td>25,714</td>
<td></td>
<td></td>
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</tbody>
</table>

1/ Based on 1994-1995 water entitlement as shown in the March 17, 1994 letter from Santa Barbara CWA.

2/ This analysis provides for a projected safe yield for the project of 25,714 AF based on the 1994-1995 water entitlement as shown in 1/ above. In addition, this analysis utilizes contract renewal allocations of 30% Irrigation (7,714 AF) and 70% M&I (18,000 AF). In order to achieve the ratio by contract, it was necessary to remove the City of Santa Barbara and Summerland County WD from the total acre-feet (25,714-6,277-321) and allocate the remaining acre-feet (17,116) to all of the other contractors at the following ratios: Irrigation 43.1944% ((7,714 - 321) / 17,116) M&I 56.8056% ((18,000 - 6,277) / 17,116)
CACHUMA PROJECT

SCHEDULE OF UNPAID M&I "STORAGE" CAPITAL COSTS
AMORTIZED AT 3 1/2% THROUGH THE END OF THE REPAYMENT PERIOD
AS OF SEPTEMBER 30, 1994

<table>
<thead>
<tr>
<th>Year</th>
<th>Beginning Capital Balance</th>
<th>Capital Payment Schedule</th>
<th>Ending Capital Balance</th>
<th>Projected Deliveries (AF)</th>
<th>Capital Rate Per AF</th>
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<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>1995</td>
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<td>$149,034</td>
<td>$277,246</td>
<td>$4,124,726</td>
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<td>119,137</td>
<td>158,110</td>
<td>277,246</td>
<td>3,813,111</td>
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<tr>
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<td>162,583</td>
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<td>172,771</td>
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$1,548,414  $4,273,759  $5,822,173

Notes:
(1) The unpaid capital balance is amortized over the remaining years of repayment of the repayment period at 3.00% interest (per House Document No. 587, pg. 32).

(2) Projected deliveries are based on 18,000 AF (see Pg. 2) annually through the end of the repayment period.