APPENDIX B – CVP Contract Documents

Amendatory Contract
No. 8-07-20-W0130A

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

SECOND AMENDMENT TO CONTRACT BETWEEN THE UNITED STATES AND SAN BENITO COUNTY WATER DISTRICT FOR WATER SERVICE AND FOR OPERATION AND MAINTENANCE OF CERTAIN WORKS OF THE SAN FELIPE DIVISION

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UNITED STATES
DEPARTMENT OF THE INTERIOR
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SECOND AMENDMENT TO
CONTRACT BETWEEN
THE UNITED STATES AND SAN BENITO COUNTY WATER DISTRICT
FOR WATER SERVICE
AND FOR OPERATION AND MAINTENANCE
OF CERTAIN WORKS OF THE SAN FELIPE DIVISION

THIS SECOND AMENDMENT CONTRACT No. 8-07-20-W0130A, is made this 28th day of March, 2007 in pursuance generally of the Act of June 17, 1902 (32 Stat. 388), and acts amendatory and supplementary thereto, including but not limited to, the Acts of August 26, 1937 (50 Stat. 844), as amended and supplemented; August 4, 1939 (53 Stat. 1187), as amended and supplemented; July 2, 1956 (70 Stat. 483), June 21, 1963 (77 Stat. 68), August 27, 1967 (81 Stat. 173), October 12, 1982 (96 Stat. 1263), October 27, 1986 (100 Stat. 3050), as amended, and Title XXXIV of the Act of October 30, 1992, (106 Stat 4706), all collectively hereinafter referred to as Federal Reclamation law, between THE UNITED STATES OF AMERICA, hereinafter referred to as the United States, and THE SAN BENITO COUNTY WATER DISTRICT, hereinafter referred to as the Contractor, a public agency of the State of California, duly organized, existing, and acting pursuant to the laws thereof;

23 WITNESSETH, That:

24 EXPLANATORY RECITALS

25 [1st] WHEREAS, the United States has constructed and is operating the Central Valley
26 Project (Project), California, for diversion, storage, carriage, distribution and beneficial use, for
27 flood control, irrigation, municipal, domestic, industrial, fish and wildlife mitigation, protection
28 and restoration, generation and distribution of electric energy, salinity control, navigation and
29 other beneficial uses, of waters of the Sacramento River, the American River, the Trinity River,
30 and the San Joaquin River and their tributaries; and

31 [2nd] WHEREAS, the Contractor and the United States entered into a contract for
32 delivery of Central Valley Project water to the Contractor, Contract No. 8-07-20-W0130, dated
33 April 15, 1978, which established terms for the delivery to the Contractor of Central Valley
34 Project Water from June 1, 1987 through February 29, 2028 and was subsequently amended on
35 February 28, 1992, (hereinafter referred to as the "Existing Contract"); and

36 [3rd] WHEREAS, in 1992, Congress enacted the Central Valley Project Improvement
37 Act (CVPIA) (106 Stat. 4706), which addressed the renewal of existing long-term water service
38 contracts and established that certain terms should be included in contracts renewed or amended
39 after January 1, 1988; and

40 [4th] WHEREAS, to promote compliance with the CVPIA, consistent with the goal of
41 ensuring a reliable long-term water supply for the Contractor, the parties desire to amend the
42 Existing Contract pursuant to Federal Reclamation law on the terms and conditions set forth
43 below;

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

MODIFICATION TO EXISTING CONTRACT

1. **Article 1 of the Existing Contract entitled DEFINITIONS is amended as follows:**

a) **Subdivisions (d) and (e) are hereby deleted in their entirety and replaced with the following definitions, and the remaining definitions are redesignated (e) – (k) accordingly:**

(d) "San Felipe Division Facilities" shall mean those existing and future Project facilities generally west of San Luis Reservoir used to divert, store and convey water to the Contractor(s). San Felipe Facilities are divided into reaches, as defined as follows:

i) "Reach 1" shall mean the facilities from the Pacheco Tunnel to and including the Pacheco Bifurcation Structure, including but not limited to, the Pacheco Pumping Plant Substation, Pacheco Pumping Plant Substation-70kvLine, Pacheco Tunnel (including the inlet works in and under San Luis Reservoir), Pacheco Conduit and Pacheco Bifurcation Structure;

ii) "Reach 2" shall mean the facilities from, but not including, the Pacheco Bifurcation Structure to and including the Watsonville Turnout facility, and Santa Clara Tunnel and Conduit;

iii) "Reach 3" shall mean the facilities from, but not including, the Watsonville Turnout facility to and including the Coyote Pumping Plant, including but not

65 limited to, the Santa Clara Tunnel and Conduit, Coyote Pumping Plant, Coyote Pumping Plant
66 Substation and Coyote Pumping Plant 115 kv Line;
67 iv) "San Benito Facilities" shall mean San Felipe Division Facilities
68 used to deliver water to the San Benito Water District exclusively, including the Hollister
69 Conduit and the San Justo Dam and Reservoir.
70 **b) The following definitions are hereby added to Article 1 as follows:**
71 (l) "Charges" shall mean the payments required by Federal Reclamation law
72 in addition to the Rates and Tiered Pricing Component specified in this Contract as determined
73 annually by the Contracting Officer pursuant to this Contract;
74 (m) "Contract" shall mean the Existing Contract as amended hereby;
75 (n) "Contractor's Service Area" shall mean the area to which the Contractor is
76 permitted to provide Project Water under this Contract as set forth on Exhibit "A" attached
77 hereto, which may be modified from time to time without amendment to this Contract;
78 (o) "Delivered Water" or "Water Delivered" shall mean Project water
79 diverted for use by the Contractor at the point(s) of delivery approved by the Contracting
80 Officer;
81 (p) "Full Cost Rate" shall mean an annual rate, as determined by the
82 Contracting Officer, that shall amortize the expenditures for construction properly allocable to
83 the Project irrigation or M&I functions, as appropriate, or facilities in service including all O&M
84 deficits funded, less payments, over such periods as may be required under Federal Reclamation
85 law or applicable contract provisions. Interest will accrue on both the construction expenditures

86 and funded O&M deficits from October 12, 1982, on costs outstanding at that date, or from the
87 date incurred in the case of costs arising subsequent to October 12, 1982, and shall be calculated
88 in accordance with subsections 202(3)(b) and (3)(C) of the RRA. The Full Cost Rate includes
89 actual operation, maintenance, and replacement costs consistent with Section 426.2 of the Rules
90 and Regulations of the RRA;

91 (q) "Operating Non-Federal Entity" shall mean the Operating Non-Federal
92 Entity(ies) and their successors or assigns, which have the obligation to operate and maintain all
93 or a portion of the Project facilities including the Division Facilities pursuant to written
94 agreements with the United States. As of the effective date of this Contract, the Operating Non-
95 Federal Entity(ies) were the San Luis & Delta-Mendota Water Authority with respect to certain
96 Delta Division Facilities, Santa Clara Valley Water District with respect to certain Division
97 Facilities, and the San Benito County Water District with respect to certain Division Facilities;

98 (r) "Rates" shall mean the payments determined annually by the Contracting
99 Officer in accordance with the then current applicable ratesetting policies for the Project, as
100 described in Article 11 of this Contract;

101 (s) "M&I Full Cost Water Rate" shall mean the Full Cost Rate applicable to
102 the delivery of M&I Water;

103 (t) "Tiered Pricing Component" shall be the incremental amount to be paid
104 for each acre-foot of Water Delivered as described in subdivision (j) of Article 11 of this
105 Contract.

106 2. **The last sentence of subdivision (b) of Article 7 of the Existing Contract**
107 **entitled <u>WATER SHORTAGE AND APPORTIONMENT</u> is hereby deleted and replaced**
108 **with the following:**
109 "In the event that reduced deliveries within the Division are necessary, Project water furnished
110 under this Contract will be allocated in accordance with the Central Valley Project M&I Water
111 Shortage Policy. Such policy shall be amended, modified, or superseded only through a public
112 notice and comment procedure."
113 3. **Article 8 of the Existing Contract entitled <u>QUALITY OF WATER</u> is**
114 **amended to add the following subdivision:**
115 (b) The Contractor shall be responsible for compliance with all State and
116 Federal water quality standards applicable to the Contractor for surface and subsurface
117 agricultural drainage discharges generated through the use of Federal facilities for Water
118 Delivered to the Contractor.
119 4. **Article 9(d)(1) of the Existing Contract entitled <u>POINT OF DELIVERY –</u>**
120 **<u>MEASUREMENT – RESPONSIBILITY FOR DISTRIBUTION</u> is deleted in its entirety**
121 **and replaced with the following:**
122 (d)(1)(i) The Contractor has established a measuring program satisfactory to the
123 Contracting Officer. The Contractor shall ensure that all surface water delivered for irrigation
124 purposes to the Contractor's customers within the Contractor's Service Area is measured at each
125 agricultural turnout and such water delivered for M&I purposes to the Contractor's customers is
126 measured at each M&I service connection. The water measuring devices or water measuring

127 methods of comparable effectiveness must be acceptable to the Contracting Officer. The
128 Contractor shall be responsible for ensuring that its retail customers are installing, operating, and
129 maintaining and repairing all measuring devices and implementing all water measuring methods
130 at no cost to the United States. The Contractor shall use the information obtained from such
131 water measuring devices or water measuring methods to ensure its proper management of the
132 water, to bill water users for water delivered by the Contractor; and, if applicable, to record water
133 delivered for M&I purposes by customer class as defined in the Contractor's water conservation
134 plan provided for in Article 43 of this Contract. Nothing herein contained, however, shall
135 preclude the Contractor from establishing and collecting any charges, assessments, or other
136 revenues authorized by California law. The Contractor shall include a summary of all its annual
137 surface water deliveries in the annual report described in subdivision (c) of Article 43.

138 (d)(1)(ii) To the extent the information has not otherwise been provided,
139 upon execution of this Contract, the Contractor shall provide to the Contracting Officer a written
140 report describing the measurement devices or water measuring methods being used or to be used
141 to implement subdivision (d)(1)(i) of this Article and identifying the agricultural turnouts and the
142 M&I service connections or alternative measurement programs approved by the Contracting
143 Officer, at which such measurement devices or water measuring methods are being used, and, if
144 applicable, identifying the locations at which such devices and/or methods are not yet being used
145 including a time schedule for implementation at such locations. The Contracting Officer shall
146 advise the Contractor in writing within 60 days as to the adequacy, and necessary modifications,
147 if any, of the measuring devices or water measuring methods identified in the Contractor's report

148 and if the Contracting Officer does not respond in such time, they shall be deemed adequate. If
149 the Contracting Officer notifies the Contractor that the measuring devices or methods are
150 inadequate, the parties shall within 60 days following the Contracting Officer's response,
151 negotiate in good faith the earliest practicable date by which the Contractor shall modify said
152 measuring devices and/or measuring methods as required by the Contracting Officer to ensure
153 compliance with subdivision (d)(1)(i) of this Article.

154 (d)(1)(iii) All new surface water delivery systems installed within the
155 Contractor's Service Area after the effective date of this contract shall also comply with the
156 measurement provisions described in subdivision (d)(1)(i) of this Article.

157 (d)(1)(iv) The Contractor shall inform the Contracting Officer and the State
158 of California in writing by April 30 of each Year of the monthly volume of surface water
159 delivered within the Contractor's Service Area during the previous Year.

160 (d)(1)(v) The Contractor shall inform the Contracting Officer and the
161 Operating Non-Federal Entity on or before the 20th calendar day of each month of the quantity
162 of Agricultural Water and M&I Water taken during the preceding month.

163 5. **Article 11 of the Existing Contract entitled <u>RATES OF PAYMENT FOR</u>**
164 **<u>WATER</u> and Article 12 of the Existing Contract entitled <u>METHOD OF PAYMENT FOR</u>**
165 **<u>WATER</u> are hereby deleted in their entirety and replaced with the following:**

166 RATES AND METHOD OF PAYMENT FOR WATER

167 11. (a) The Contractor shall pay the United States as provided in this Article for
168 all Delivered Water at Rates, Charges, and the Tiered Pricing Component established in
169 accordance with: (i) the Secretary of the Interior's Irrigation Ratesetting Policy and the
170 Secretary's then-existing ratesetting policy for M&I water. Such ratesetting policies shall be
171 amended, modified, or superseded only through a public notice and comment procedure; (ii)
172 applicable Federal Reclamation law and associated rules and regulations, or policies; and (iii)
173 other applicable provisions of this Contract. Payments shall be made by cash transaction,
174 electronic funds transfer, or any other mechanism as may be agreed to in writing by the
175 Contractor and the Contracting Officer. The Rates, Charges, and Tiered Pricing Component
176 applicable to the Contractor upon execution of this Contract are set forth in Exhibit "B," which
177 shall be attached hereto, as may be revised annually.

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

180 (1) Prior to July 1 of each calendar year, the Contracting Officer shall
181 provide the Contractor an estimate of the Charges for Project water that will be applied to the
182 period October 1, of the current calendar year, through September 30, of the following calendar
183 year, and the basis for such estimate. The Contractor shall be allowed not less than two months
184 to review and comment on such estimates. On or before September 15 of each calendar year, the
185 Contracting Officer shall notify the Contractor in writing of the Charges to be in effect during the

186 period October 1 of the current calendar year, through September 30, of the following calendar
187 year, and such notification shall revise Exhibit "B."

188 (2) Prior to October 1 of each calendar year, the Contracting Officer
189 shall make available to the Contractor an estimate of the Rates and Tiered Pricing Component
190 for Project water for the following year and the computations and cost allocations upon which
191 those Rates are based. The Contractor shall be allowed not less than two months to review and
192 comment on such computations and cost allocations. By December 31 of each calendar year, the
193 Contracting Officer shall provide the Contractor with the final Rates and Tiered Pricing
194 Component to be in effect for the upcoming year, and such notification shall revise Exhibit "B."

195 (c) At the time the Contractor submits the initial schedule for the delivery of
196 Project water for each year pursuant to Article 4 of this Contract, the Contractor shall make an
197 advance payment to the United States equal to the total amount payable pursuant to the
198 applicable Rate(s) set under subdivision (a) of this Article, for the Project water scheduled to be
199 delivered pursuant to this Contract during the first two calendar months of the year. Before the
200 end of the first month and before the end of each calendar month thereafter, the Contractor shall
201 make an advance payment to the United States, at the Rate(s) set under subdivision (a) of this
202 Article, for the water scheduled to be delivered pursuant to this Contract during the second
203 month immediately following. Adjustments between advance payments for water scheduled and
204 payments at Rates due for Water Delivered shall be made before the end of the following month;
205 Provided, That any revised schedule submitted by the Contractor pursuant to Article 4 of this

206 Contract which increases the amount of Water Delivered pursuant to this contract during any
207 month shall be accompanied with appropriate advance payment, at the Rates then in effect, to
208 assure that Project water is not delivered to the Contractor in advance of such payment. In any
209 month in which the quantity of Water Delivered to the Contractor pursuant to this Contract
210 equals the quantity of water scheduled and paid for by the Contractor, no additional Project water
211 shall be delivered to the Contractor unless and until an advance payment at the Rates then in
212 effect for such additional Project water is made. Final adjustment between the advance
213 payments for the water scheduled and payments for the quantities of Water Delivered during
214 each year pursuant to this Contract shall be made as soon as practicable but no later than April
215 30th of the following year.

216 (d) The Contractor shall also make a payment in addition to the Rate(s) in
217 subdivision (c) of this Article to the United States for Water Delivered, at the Charges and the
218 appropriate Tiered Pricing Component then in effect, before the end of the month following the
219 month of delivery; Provided, That the Contractor may be granted an exception from the Tiered
220 Pricing Component pursuant to subdivision (j)(2) of this Article. The payments shall be
221 consistent with the quantities of agricultural water and M&I water delivered as shown in the
222 water delivery report for the subject month prepared by the Operating Non-Federal Entity(ies) or,
223 if there is no Operating Non-Federal Entity, by the Contracting Officer. The water delivery
224 report shall be deemed a bill for the payment of Charges and the applicable Tiered Pricing
225 Component for Water Delivered. Adjustment for overpayment or underpayment of Charges
226 shall be made through the adjustment of payments due to the United States for Charges for the

227 next month. Any amount to be paid for past due payment of Charges and the Tiered Pricing
228 Component shall be computed pursuant to Article 14 of this Contract.

229 (e) The Contractor shall pay for any Water Delivered under subdivision (h) or
230 (i) of Article 3 of this Contract as determined by the Contracting Officer pursuant to applicable
231 statutes, associated regulations, any applicable provisions or guidelines or ratesetting policies;
232 Provided, That the Rate for Water Delivered under subdivision (h) or (i) of Article 3 of this
233 Contract shall be no more than the otherwise applicable Rate for agricultural water or M&I water
234 under subdivision (a) of this Article;

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

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

241 (h) The Contracting Officer shall keep its accounts pertaining to the
242 administration of the financial terms and conditions of its long-term contracts, in accordance
243 with applicable Federal standards, so as to reflect the application of Project costs and revenues.
244 The Contracting Officer shall, each year upon request of the Contractor, provide to the
245 Contractor a detailed accounting of all Project and Contractor expense allocations, the

246 disposition of all Project and Contractor revenues, and a summary of all water delivery
247 information. The Contracting Officer and the Contractor shall enter into good faith negotiations
248 to resolve any discrepancies or disputes relating to accountings, reports, or information.

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

256 (j) (1) Beginning at such time as deliveries of Project water in a year
257 exceed 80 percent of the total available pursuant to this Contract, then before the end of the
258 month following the month of delivery the Contractor shall make an additional payment to the
259 United States equal to the applicable Tiered Pricing Component. The Tiered Pricing Component
260 for the amount of Water Delivered in excess of 80 percent of the total available pursuant to this
261 Contract, but less than or equal to 90 percent of that total, shall equal one-half of the difference
262 between the Rate established under subdivision (a) of this Article and the Full Cost Rate for
263 agricultural water or Full Cost Rate for M&I water, whichever is applicable. The Tiered Pricing
264 Component for the amount of Water Delivered which exceeds 90 percent of the total available
265 pursuant to the Contract shall equal the difference between (i) the Rate established under

266 subdivision (a) of this Article and (ii) the Full Cost Rate for agricultural water or Full Cost Rate
267 for M&I water, whichever is applicable.

268 (2) Subject to the Contracting Officer's written approval, the
269 Contractor may request and receive an exemption from such Tiered Pricing Component for
270 Project water delivered to produce a crop which the Contracting Officer determines will provide
271 significant and quantifiable habitat values for waterfowl in fields where the water is used and the
272 crops are produced; Provided, That the exemption from the Tiered Pricing Component for
273 agricultural water shall apply only if such habitat values can be assured consistent with the
274 purposes of the CVPIA through binding agreements executed with or approved by the
275 Contracting Officer prior to use of such water.

276 (3) For purposes of determining the applicability of the Tiered Pricing
277 Component pursuant to this Article, Water Delivered shall include Project water that the
278 Contractor transfers to others and Project water provided to the Contractor pursuant to
279 subdivision (h) of Article 3 of this Contract, but shall not include Project water transferred to the
280 Contractor.

281 (k) For the term of this Contract, Rates applied under the respective
282 ratesetting policies will be established to recover only reimbursable O&M (including any
283 deficits) and capital costs of the Project, as those terms are used in the then-current Project
284 ratesetting policies, and interest, where appropriate, except in instances where a minimum Rate is
285 applicable in accordance with the relevant Project ratesetting policy. Changes of significance in

286 practices which implement the Contracting Officer's ratesetting policies will not be implemented
287 until the Contracting Officer has provided the Contractor an opportunity to discuss the nature,
288 need, and impact of the proposed change.

289 (l) Except as provided in subsections 3405(a)(1)(B) and 3405(f) of the
290 CVPIA, the Rates for Project water transferred by the Contractor shall be the Contractor's Rates
291 adjusted upward or downward to reflect the changed costs, if any, incurred by the Contracting
292 Officer in the delivery of the transferred Project water to the transferee's point of delivery in
293 accordance with the then applicable Project ratesetting policy. If the Contractor is receiving
294 lower Rates and Charges because of inability to pay and is transferring Project water to another
295 entity whose Rates and Charges are not adjusted due to inability to pay, the Rates and Charges
296 for transferred Project water shall not be adjusted to reflect the Contractor's inability to pay.

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

299 REPAYMENT OBLIGATION

300 The Contractor's repayment obligation is described below:

301 12. (a) Repayment of San Felipe Division Facilities. The Contractor and Santa
302 Clara Valley Water District are each entering into contracts with the United States committing to
303 repay their separate, individual share of the total reimbursable capital costs for the San Felipe
304 Division Facilities. These contracts collectively will provide for repayment of the unpaid
305 reimbursable capital costs as of September 30, 2006. Until the final accounting of such costs is

306 available, the Contractor's and Santa Clara Valley Water District's interim repayment terms will
307 be based on the September 30, 2004, reimbursable capital costs for San Felipe Division
308 Facilities, which totaled $319,417,648, as shown on Exhibit C, which exhibit may be revised by
309 mutual agreement of the parties and Santa Clara Valley Water District without amending this
310 Contract. These reimbursable capital costs for the San Felipe Division are summarized below:
311 (1) Reach 1 Facilities. The total reimbursable capital cost of Reach 1
312 Facilities including allocated interest during construction as of September 30, 2004, is
313 $154,767,574.
314 (2) Reach 2 Facilities and Reach 3 Facilities. The total reimbursable
315 capital cost of Reach 2 Facilities and Reach 3 Facilities including allocated interest during
316 construction as of September 30, 2004, is $102,546,257.
317 (3) San Benito Facilities. The total reimbursable capital costs of the
318 San Benito Facilities including allocated interest during construction as of September 30, 2004,
319 is $62,103,817.
320 (4) Interest During Construction. The reimbursable San Felipe
321 Division interest during construction, as of September 30, 2004, is $32,227,149.
322 (b) Final Accounting for San Felipe Division Facilities. In the event that the
323 September 30, 2006, final accounting of the unpaid reimbursable capital costs for the San Felipe
324 Division Facilities is not available by December 31, 2007, the Contractor's and Santa Clara
325 Valley Water District's repayment obligations will be based on the most recent total
326 reimbursable capital costs available, and include all payments through December 31, 2007.

327 (c) San Felipe Division Facilities Interest Rates. The interest rate for the
328 Pacheco Tunnel Inlet used for M&I purposes is 3.137 percent per annum. The interest rate for
329 the San Felipe Division Facilities, not including the Pacheco Tunnel Inlet, used for M&I
330 purposes is 3.50 percent per annum. Any calculation or recalculation of the semi-annual
331 payment schedule shown in Exhibit D in this Contract, or in any subsequent renewed or amended
332 contract during the remainder of the 50-year repayment period, shall be based on these interest
333 rates.

334 (d) Repayment of Unpaid Capital Interest. The Contractor shall pay for
335 unpaid capital interest, consistent with the "Agreement Among the United States, City of Fresno,
336 City of Coalinga, Contra Costa Water District, Keswick County Service Area #25, Mountain
337 Gate Community Services District, Sacramento Municipal Utility District, San Juan Water
338 District, Santa Clara Valley Water District, Shasta County Water Agency, and City of Tracy for
339 Settlement of the CVP M&I Ratesetting Lawsuit" entered into in 2005 to resolve City of Fresno
340 v. United States, Civ. No. F-03-5350 (E.D.Cal). As specified in the settlement agreement, the
341 interest rate for the unpaid balance shall be 3.50 percent per annum.

342 (e) Repayment Obligation and Annual Payment Schedule.

343 (1) Interim Repayment Obligation. The Contractor's interim
344 repayment obligation will be computed by totaling its separate, individual share of reimbursable
345 capital costs for Reach 1 Facilities and San Benito Facilities, as of September 30, 2004, shown
346 on Exhibit C, plus its unpaid capital interest, minus its accumulated repayment as of

347 September 30, 2004. The Contractor's semiannual payment schedule shown on Exhibit D
348 reflects a stepped repayment structure. Reach 1 Facilities costs are allocated 18.98% to the
349 Contractor, and Reach 1 interest during construction (IDC) costs are allocated 5.184% to the
350 Contractor.

351 (2) Final Repayment Obligation. Using the same allocation of Reach
352 1 Facilities cost to the Contractor and the same stepped repayment structure as in subparagraph
353 (e)(1), the Contractor's final repayment obligation for San Felipe Division Facilities will be
354 computed by totaling its separate, individual share of reimbursable capital costs for Reach 1
355 Facilities, and San Benito Facilities, as of September 30, 2006, plus its final balance of unpaid
356 capital interest, minus its final accumulated repayment. The reimbursable San Felipe Division
357 capital costs shown on Exhibit C, and the Contractor's semi-annual payment schedule on Exhibit
358 D will be revised in a manner consistent with the above, without amending this Contract.

359 (f) Supplemental Payments and Relief from Payment Schedule.

360 (1) The Contractor may, at any time prior to the expiration of this
361 Contract, make supplemental payment(s) of all or part of the unpaid balance for any or part of
362 the Contractor's share of Reach 1 Facilities, and San Benito Facilities, or its unpaid capital
363 interest, in which case the repayment schedule in Exhibit D will be shortened and will maintain
364 the same stepped repayment structure over the remaining repayment period. Exhibit D may be
365 revised by mutual agreement of the Parties without amending this Contract.

366 (2) If circumstances arise that compromise the Contractor's ability to
367 make payments according to Exhibit D, the Contractor may request a deferment of said
368 payments consistent with Reclamation law, and if approved, Exhibit D shall be revised
369 accordingly by mutual agreement without amending this Contract.

370 (g) Upon repayment of the amounts required under this Article, the Contractor
371 shall have no further repayment obligations associated with the capital costs of San Felipe
372 Division Facilities or unpaid capital interest.

373 6. **Article 14 of the Existing Contract entitled <u>PENALTY FOR DELINQUENT</u>**
374 **<u>PAYMENTS</u> is hereby deleted in its entirety and replaced with the following:**

375 <u>CHARGES FOR DELINQUENT PAYMENTS</u>

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

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

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

393 7. **Subdivision (5) of Article 16 of the Existing Contract entitled**
394 **CONVEYANCE OF NON-PROJECT WATER is hereby amended by deleting the words:**
395 "the provisions of Articles 24, 25 and 26" and substituting therefore the words "the provisions of
396 subdivision (b) of Article 31 of this Contract."

397 8. **Article 17 of the Existing Contract entitled TRANSFER OF CARE,**
398 **OPERATION, AND MAINTENANCE OF SAN BENITO FACILITIES TO THE**
399 **CONTRACTOR is hereby amended by changing its designation as article 17, to article**
400 **"17.1", and the following is added as article 17:**

401 OPERATION AND MAINTENANCE BY OPERATING NON-FEDERAL ENTITY

402 17. (a) The operation and maintenance (O&M) of a portion of the Project
403 facilities which serve the Contractor, and responsibility for funding a portion of the costs of such
404 O&M, have been transferred to the San Luis & Delta-Mendota Water Authority, and Operating
405 Non-Federal Entity by separate agreement (8-07-20-X0354) between the United States and the
406 Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority. That separate
407 agreement shall not interfere with or affect the rights or obligations of the Contractor or the
408 United States hereunder.

409 (b) The Contracting Officer has previously notified the Contractor in writing
410 that the Operation and Maintenance of a portion of the Project facilities which serve the
411 Contractor has been transferred to the Operating Non-Federal Entity San Luis & Delta-Mendota

412 Water Authority, and therefore, the Contractor shall pay directly to the Operating Non-Federal
413 Entity San Luis & Delta-Mendota Water Authority, or to any successor approved by the
414 Contracting Officer under the terms and conditions of the separate agreement between the United
415 States and the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority
416 described in subdivision (a) of this Article, all rates, charges, or assessments of any kind,
417 including any assessment for reserve funds, which the Operating Non-Federal Entity San Luis &
418 Delta-Mendota Water Authority or such successor determines, sets, or establishes for the O&M
419 of the portion of the Project facilities operated and maintained by the Operating Non-Federal
420 Entity San Luis & Delta-Mendota Water Authority or such successor. Such direct payments to
421 the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority or such successor
422 shall not relieve the Contractor of its obligation to pay directly to the United States the
423 Contractor's share of the Project Rates, Charges, and Tiered Pricing Component except to the
424 extent the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority collects
425 payments on behalf of the United States in accordance with the separate agreement identified in
426 subdivision (a) of this Article.

427 (c) For so long as the O&M of any portion of the Project facilities serving the
428 Contractor is performed by the Operating Non-Federal Entity San Luis & Delta-Mendota Water
429 Authority, or any successor thereto, the Contracting Officer shall adjust those components of the
430 Rates for Water Delivered under this Contract representing the cost associated with the activity
431 being performed by the Operating Non-Federal Entity San Luis & Delta-Mendota Water
432 Authority or its successor.

433 (d) In the event the O&M of the Project facilities operated and maintained by
434 the Operating Non-Federal Entity San Luis & Delta-Mendota Water Authority is re-assumed by
435 the United States during the term of this Contract, the Contracting Officer shall so notify the
436 Contractor, in writing, and present to the Contractor a revised Exhibit "B" which shall include
437 the portion of the Rates to be paid by the Contractor for Project Water under this Contract
438 representing the O&M costs of the portion of such Project facilities which have been re-assumed.
439 The Contractor shall, thereafter, in the absence of written notification from the Contracting
440 Officer to the contrary, pay the Rates, Charges, and Tiered Pricing Component specified in the
441 revised Exhibit "B" directly to the United States in compliance with Article 7 of this Contract.

442 9. **Article 18 of the Existing Contract entitled <u>CARE, OPERATION, AND</u>**
443 **<u>MAINTENANCE OF TRANSFERRED AND OTHER DIVISION WORKS</u> is hereby**
444 **amended as follows:**

445 **A new subdivision (c) is added as follows, and the remaining subdivisions are redesignated**
446 **(d) – (r) accordingly:**

447 **(c)** The Contractor is authorized under this Contract to undertake activities
448 necessary for the complete care, operation, maintenance and replacement of the San Benito
449 Facilities, to ensure efficient and reliable operating condition and fulfillment of authorized
450 San Felipe Division purposes. The Contracting Officer shall use its best efforts to promptly
451 review proposals for work to be undertaken by the Contractor pursuant to said agreement, and to
452 promptly coordinate and facilitate such work. To the extent that the approval or determination of

453 the Contracting Officer is required in connection with any such activities, such approval or
454 determination shall not be unreasonably withheld.

455 10. **The Existing Contract is hereby amended to add Articles 18.1 and 18.2**
456 **entitled RIGHT TO RECOVER COSTS INCURRED BY SAN BENITO COUNTY**
457 **WATER DISTRICT; and RIGHT TO RECOVER COSTS INCURRED BY SANTA**
458 **CLARA VALLEY WATER DISTRICT:**

459 RIGHT TO RECOVER COSTS INCURRED BY SAN BENITO COUNTY WATER
460 DISTRICT

461 18.1 (a) In addition to operation and maintenance charges, the Contractor, as the
462 Operating Non-Federal Entity for the San Benito Facilities, has the right to impose upon any
463 entity a charge to recover costs incurred by the Contractor in accordance with this Contract,
464 provided such charges are just and reasonable.

465 (b) In any contract with an entity or individual to deliver Project water or non-
466 Project water through the San Benito Facilities, the Contracting Officer shall require that such
467 entity or individual enter into an agreement with the Contractor to pay such charges as are just
468 and reasonable for use of the San Benito Facilities.

469 RIGHT TO RECOVER COSTS INCURRED BY SANTA CLARA VALLEY WATER
470 DISTRICT

471 18.2 (a) Santa Clara Valley Water District, as the Operating Non-Federal Entity,
472 has the right to require any entity to pay Santa Clara Valley Water District an amount(s) to
473 recover costs incurred by Santa Clara Valley Water District for Reach 1 Facilities, Reach 2
474 Facilities, and Reach 3 Facilities, in addition to O&M costs, provided that such amount(s) are

475 just and reasonable. In any contract or approval by the Contracting Officer to deliver water
476 through such Facilities, the Contracting Officer shall require the entity to pay such amount(s) to
477 Santa Clara Valley Water District, upon presentation of Santa Clara Valley Water District's
478 invoice therefore;

479 (b) Unless otherwise agreed, Santa Clara Valley Water District's right to
480 recover capital costs from the Contractor is limited to such capital costs for its share of Reach 1
481 Facilities that are not paid directly to the United States by the Contractor under the terms of this
482 Contract as may be further amended or renewed. The Contractor's share of Reach 1 Facilities
483 shall be based on Article 3(b) of Contract No. 6-07-20-X0290 entitled Contract For The Transfer
484 Of The Operation And Maintenance Of Certain San Felipe Division Facilities between the
485 United States and Santa Clara Valley Water District dated September 8, 1986, or as otherwise
486 mutually agreed upon by the Contractor and Santa Clara Valley Water District in a separate
487 contract.

488 11. **Article 24 of the Existing Contract entitled LANDS NOT TO RECEIVE**
489 **WATER FURNISHED TO CONTRACTOR BY UNITED STATES UNTIL OWNERS**
490 **THEREOF EXECUTE CERTAIN CONTRACTS, Article 25 of the Existing Contract**
491 **entitled VALUATION AND SALE OF EXCESS LANDS and Article 26 of the Existing**
492 **Contract entitled EXCESS LANDS are hereby deleted in their entirety and the following is**
493 **added as subdivision (b) of Article 31 entitled RULES AND REGULATIONS:**

494 (b) Except as provided by the San Felipe Division Act of August 28,
495 1967 (81 Stat. 173), the parties agree that the delivery of agricultural water or use of Federal
496 facilities pursuant to this Contract is subject to Federal Reclamation law, including but not
497 limited to the Reclamation Reform Act of 1982 (43 U.S.C.390aa et seq.), as amended and
498 supplemented, and the rules and regulations promulgated by the Secretary of the Interior under
499 Federal Reclamation law.

500 12. **The Existing Contract is hereby amended to add Article 43 entitled WATER**
501 **CONSERVATION:**

502 WATER CONSERVATION

503 43. (a) Prior to the delivery of water provided from or conveyed through
504 Federally constructed or Federally financed facilities pursuant to this Contract, the Contractor
505 shall be implementing an effective water conservation and efficiency program based on the
506 Contractor's water conservation plan that has been determined by the Contracting Officer to meet
507 the conservation and efficiency criteria for evaluating water conservation plans established under
508 Federal law. The water conservation and efficiency program shall contain definite water
509 conservation objectives, appropriate economically feasible water conservation measures, and
510 time schedules for meeting those objectives. Continued Project water delivery pursuant to this
511 Contract shall be contingent upon the Contractor's continued implementation of such water
512 conservation program. In the event the Contractor's water conservation plan or any revised water
513 conservation plan completed pursuant to this Contract have not yet been determined by the
514 Contracting Officer to meet such criteria, due to circumstances which the Contracting Officer

515 determines are beyond the control of the Contractor, water deliveries shall be made under this
516 Contract so long as the Contractor diligently works with the Contracting Officer to obtain such
517 determination at the earliest practicable date, and thereafter the Contractor immediately begins
518 implementing its water conservation and efficiency program in accordance with the time
519 schedules therein.

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

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

528 (d) At 5 year intervals, the Contractor shall revise its water conservation plan
529 to reflect the then current conservation and efficiency criteria for evaluating water conservation
530 plans established under Federal law and submit such revised water management plan to the
531 Contracting Officer for review and evaluation. The Contracting Officer will then determine if
532 the water conservation plan meets Reclamation's then current conservation and efficiency
533 criteria for evaluating water conservation plans established under Federal law.

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

PRESERVATION OF EXISTING CONTRACT

13. Except as expressly modified by the provisions hereof, the Existing Contract shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment Contract No. 8-7-20-W0130A on the day and year first above written.

APPROVED AS TO LEGAL FORM AND SUFFICIENCY
James E. Turner
OFFICE OF REGIONAL SOLICITOR
DEPARTMENT OF THE INTERIOR

THE UNITED STATES OF AMERICA

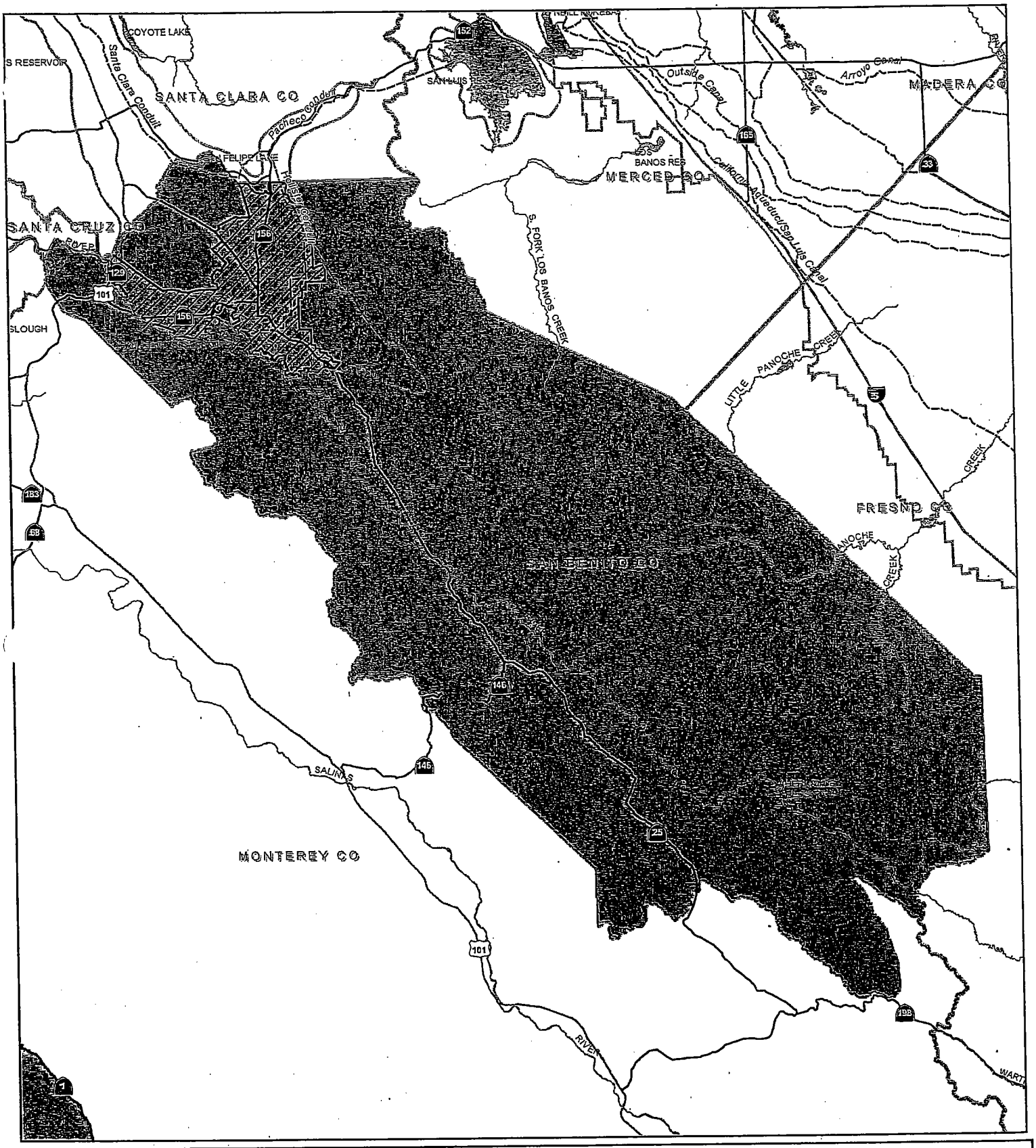
By: _____
Regional Director, Mid-Pacific Region
Bureau of Reclamation

SAN BENITO COUNTY WATER DISTRICT

By: _____
President of the Board of Directors

Attest:

By: _____
Secretary of the Board of Directors



San Benito Co. W.D.

San Benito Co. WD Boundary

San Benito Co WD Service Area

Consolidated Place of Use

San Benito Co W.D. Contract No. 8-07-20-W0130A
Exhibit A

0 10 20 Miles

Date: June 27, 2006
File Name: N:\Districts\Contracts\SantaClaraSanBenitoJoint\SanBenito.mxd

921-202-6

EXHIBIT B
[RATES AND CHARGES]

EXHIBIT B

March 1, 2007 to February 28, 2008, Water Rates
for Second Amendment to Contract No. 8-07-20-W0130
San Benito County Water Conservation and Flood Control District

BUREAU OF RECLAMATION O&M COST-OF-SERVICE RATES:	Rates per Acre-Foot Irrigation Water	M&I Water
Capital Rate	$9.19	$14.73
O&M Rates:		
Water Marketing	6.86	5.76
Storage	7.23	9.10
Direct Pumping	8.69	8.69
TOTAL O&M RATES	$22.78	$23.55
CFO/PFR Adjustment Rate:	$0.00	$0.00
Deficit Rates:		
Non-Interest Bearing	N/A	N/A
Interest Bearing	$0.00	$0.00
TOTAL DEFICIT RATE	$0.00	$0.00
TOTAL COST-OF-SERVICE RATES (COS)	**$31.97**	**$38.28**
FULL COST RATES		
Section 202(3) Rates is applicable to a Qualified Recipient or to a Limited Recipient receiving irrigation water on or before October 1, 1981.	**$46.92**	

Section 205(a)(3) Rate is applicable to a Limited Recipient that did not receive irrigation water on or before October 1, 1981.	**$55.57**	

TIERED PRICING RATES

Tier 1 Pricing Rate <= 80% of Contract total [COS Rate]	**$31.97**	**$38.28**
Tier 2 Pricing Rate > 80% <= 90% of Contract Total [Full Cost Rate [(202(3)) + (COS Rate)/2][1]	**$39.45**	**$43.71**
Tier 3 Pricing Rate > 90% of Contract Total [Full Cost Rate [202(3)][1]	**$46.92**	**$49.13**

[1] ***When triggered, district must assess those irrigation users already subject to full cost rates. Greater rate will apply.***

SURCHARGES UNDER P.L. 102-575 TO RESTORATION FUND *

Restoration Payments (3407 (d)(2)(A))	**$8.58**	**$17.15**

* Conveyance and Conveyance Pumping Operation & Maintenance cost were removed for ratesetting purposes and are to be billed directly to the water authorities.

** The surcharges are payments in addition to water rates and were determined pursuant to Title XXXIV of Public Law 102-575. These surcharges are on a fiscal year basis (10/1-9/30) and will change each fiscal year.

M&I HISTORIC USE
FOR 2006 CONTRACT YEAR:

4,288 acre-feet

EXHIBIT C
SAN FELIPE DIVISION REIMBURSABLE CAPITAL COSTS

	Total	Reach 1 Facilities	Reach 2 Facilities	Reach 3 Facilities	SBCWD Facilities
Reclamation Facilities					
Pacheco Pumping Plant	$30,220,448	$30,220,448			
Pacheco Substation 70 kv Line	$239,745	$239,745			
Pacheco Substation 70-kv IDC	$5,044	$5,044			
Pacheco Tunnel	$75,352,668	$75,352,668			
Pacheco Conduit	$29,764,210	$29,764,210			
Santa Clara Tunnel and Conduit	$67,877,286		$23,186,694	$44,690,592	
Coyote Pumping Plant	$16,493,415			$16,493,415	
Coyote Pumping Plant - 115 kv Line	$1,923,559			$1,923,559	
Coyote Pumping Plant - 115 kv Line IDC	$18,082			$18,082	
Hollister Canal and Conduit	$26,032,191				$26,032,191
San Justo Dam & Reservoir	$35,286,142				$35,286,142
San Felipe Division IDC	$32,227,149	$17,075,058	$4,907,593	$9,459,014	$785,484
San Felipe Division Permanent Operating Facilities	$234,222	$234,222			
San Felipe Division Wildlife Mitigation Lands	$301,445	$301,445			
Power System					
Pacheco Pumping Plant Substation	$1,203,910	$1,203,910			
Pacheco Pumping Plant IDC	$370,824	$370,824			
Coyote Pumping Plant Substation	$1,649,124			$1,649,124	
Coyote Pumping Plant IDC	$218,184			$218,184	
	$319,417,648	$154,767,574	$28,094,287	$74,451,970	$62,103,817

Amounts listed for each facility include interest during construction.
Amounts reflected are as of September 30, 2004

Amendatory Contract
No. 8-07-20-W0130A

EXHIBIT D
SAN BENITO COUNTY WATER DISTRICT
REPAYMENT SCHEDULE

Irrigation	M&I *	Unpaid Capital Interest	TOTAL
$68,924,535.02	$19,471,641.66	$2,036,399.00	$90,432,575.67
0.0000%	3.4874%	3.5000%	

Payment Due Date		Payment #	Payment: Irrigation	Payment: M&I	Payment: Unpd Cap Int	Payment: Total	Interest Charges: M&I	Interest Charges: Unpd Cap Int	Principal: Irrigation	Principal: M&I	Principal: Capital Interest	Remaining Balance: Irrigation 0.0000%	Remaining Balance: M&I 3.4874%	Remaining Balance: Capital Interest 3.5000%	Total
												$68,924,535.02	$19,471,941.66	$2,036,399.00	$90,432,575.67
2007	January 1	1	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$0.00	$0.00	$125,000.00	$516,931.86	$54,143.92	$68,799,535.02	$18,954,709.80	$1,982,255.08	$89,736,499.90
	July 1	2	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$330,513.27	$34,689.46	$125,000.00	$186,418.58	$19,454.45	$68,674,535.02	$18,768,291.22	$1,962,800.63	$89,405,626.87
2008	January 1	3	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$327,262.69	$34,349.01	$125,000.00	$189,669.16	$19,794.91	$68,549,535.02	$18,578,622.06	$1,943,005.73	$89,071,162.80
	July 1	4	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$323,955.43	$34,002.60	$125,000.00	$192,976.42	$20,141.32	$68,424,535.02	$18,385,645.63	$1,922,864.41	$88,733,045.06
2009	January 1	5	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$320,590.50	$33,650.13	$125,000.00	$196,341.36	$20,493.79	$68,299,535.02	$18,189,304.28	$1,902,370.62	$88,391,209.92
	July 1	6	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$317,166.90	$33,291.49	$125,000.00	$199,764.96	$20,852.43	$68,174,535.02	$17,989,539.32	$1,881,518.19	$88,045,592.53
2010	January 1	7	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$313,683.60	$32,926.57	$125,000.00	$203,248.26	$21,217.35	$68,049,535.02	$17,786,291.06	$1,860,300.84	$87,696,126.92
	July 1	8	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$310,139.56	$32,555.26	$125,000.00	$206,792.30	$21,588.65	$67,924,535.02	$17,579,498.77	$1,838,712.19	$87,342,745.97
2011	January 1	9	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$306,533.72	$32,177.46	$125,000.00	$210,398.14	$21,966.45	$67,799,535.02	$17,369,100.63	$1,816,745.74	$86,985,381.38
	July 1	10	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$302,865.01	$31,793.05	$125,000.00	$214,066.85	$22,350.87	$67,674,535.02	$17,155,033.78	$1,794,394.87	$86,623,963.67
2012	January 1	11	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$299,132.32	$31,401.91	$125,000.00	$217,799.53	$22,742.01	$67,549,535.02	$16,937,234.25	$1,771,652.87	$86,259,422.13
	July 1	12	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$295,334.55	$31,003.93	$125,000.00	$221,597.30	$23,139.99	$67,424,535.02	$16,715,636.95	$1,748,512.87	$85,888,684.84
2013	January 1	13	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$291,470.56	$30,598.98	$125,000.00	$225,461.29	$23,544.94	$67,299,535.02	$16,490,175.65	$1,724,967.93	$85,514,678.60
	July 1	14	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$287,539.19	$30,186.94	$125,000.00	$229,392.66	$23,956.98	$67,174,535.02	$16,260,782.99	$1,701,010.96	$85,136,328.96
2014	January 1	15	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$283,539.27	$29,767.69	$125,000.00	$233,392.58	$24,376.22	$67,049,535.02	$16,027,390.41	$1,676,634.73	$84,753,560.15
	July 1	16	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$279,469.61	$29,341.11	$125,000.00	$237,462.25	$24,802.81	$66,924,535.02	$16,789,928.16	$1,651,831.92	$84,366,295.10
2015	January 1	17	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$275,328.98	$28,907.05	$125,000.00	$241,602.88	$25,236.86	$66,799,535.02	$16,548,325.28	$1,626,595.07	$83,974,455.36
	July 1	18	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$271,116.15	$28,465.41	$125,000.00	$245,815.71	$25,678.50	$66,674,535.02	$16,302,509.57	$1,600,916.56	$83,677,961.15
2016	January 1	19	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$266,829.86	$28,016.04	$125,000.00	$250,102.00	$26,127.88	$66,549,535.02	$15,052,407.57	$1,574,788.69	$83,176,731.28
	July 1	20	$125,000.00	$516,931.86	$54,143.92	$696,075.77	$262,468.93	$27,558.80	$125,000.00	$254,463.03	$26,585.11	$66,424,535.02	$14,797,944.55	$1,548,203.57	$82,770,693.14
2017	January 1	21	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$258,031.76	$27,093.56	$400,000.00	$258,900.10	$27,050.35	$66,024,535.02	$14,539,044.45	$1,521,153.22	$82,084,732.69
	July 1	22	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$253,517.02	$26,620.18	$400,000.00	$263,414.64	$27,523.74	$65,624,535.02	$14,275,629.91	$1,493,629.48	$81,393,794.41
2018	January 1	23	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$248,924.16	$26,138.52	$400,000.00	$268,007.70	$28,005.40	$65,224,535.02	$14,007,622.22	$1,465,624.08	$80,697,761.32
	July 1	24	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$244,250.91	$25,648.42	$400,000.00	$272,680.95	$28,495.49	$64,824,535.02	$13,734,941.27	$1,437,128.59	$79,996,604.87
2019	January 1	25	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$239,496.17	$25,149.75	$400,000.00	$277,435.69	$28,994.17	$64,424,535.02	$13,457,505.58	$1,408,134.42	$79,290,175.02
	July 1	26	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$234,658.52	$24,642.35	$400,000.00	$282,273.33	$29,501.56	$64,024,535.02	$13,175,232.25	$1,378,632.86	$78,578,400.13
2020	January 1	27	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$229,736.52	$24,126.08	$400,000.00	$287,195.33	$30,017.84	$63,624,535.02	$12,888,036.92	$1,348,615.02	$77,861,186.95
	July 1	28	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$224,728.70	$23,600.76	$400,000.00	$292,203.16	$30,543.15	$63,224,535.02	$12,595,833.77	$1,318,071.86	$77,138,440.64
2021	January 1	29	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$219,633.55	$23,066.26	$400,000.00	$297,298.30	$31,077.66	$62,824,535.02	$12,298,535.46	$1,286,994.20	$76,410,064.68
	July 1	30	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$214,449.56	$22,622.40	$400,000.00	$302,482.29	$31,621.52	$62,424,535.02	$11,996,053.17	$1,255,372.69	$75,675,960.87
2022	January 1	31	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$209,175.18	$21,969.02	$400,000.00	$307,756.68	$32,174.89	$62,024,535.02	$11,688,296.49	$1,223,197.79	$74,936,029.30
	July 1	32	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$203,808.83	$21,405.96	$400,000.00	$313,123.03	$32,737.95	$61,624,535.02	$11,375,173.46	$1,190,459.84	$74,190,168.32
2023	January 1	33	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$198,348.90	$20,833.05	$400,000.00	$318,582.96	$33,310.87	$61,224,535.02	$11,056,590.51	$1,157,148.97	$73,438,274.49
	July 1	34	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$192,793.77	$20,250.11	$400,000.00	$324,138.09	$33,893.81	$60,824,535.02	$10,732,452.42	$1,123,255.16	$72,680,242.59
2024	January 1	35	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$187,141.77	$19,656.97	$400,000.00	$329,790.08	$34,486.95	$60,424,535.02	$10,402,662.34	$1,088,768.21	$71,915,965.56
	July 1	36	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$181,391.22	$19,053.44	$400,000.00	$335,540.63	$35,090.47	$60,024,535.02	$10,067,121.70	$1,053,677.74	$71,145,334.45
2025	January 1	37	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$175,540.40	$18,439.36	$400,000.00	$341,391.45	$35,704.56	$59,624,535.02	$9,725,730.25	$1,017,973.18	$70,368,238.44
	July 1	38	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$169,587.56	$17,814.53	$400,000.00	$347,344.30	$36,329.39	$59,224,535.02	$9,378,385.95	$981,643.79	$69,584,564.76
2026	January 1	39	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$163,530.92	$17,178.77	$400,000.00	$353,400.94	$36,965.15	$58,824,535.02	$9,024,985.01	$944,678.64	$68,794,198.67
	July 1	40	$400,000.00	$516,931.86	$54,143.92	$971,075.77	$157,368.66	$16,531.86	$400,000.00	$359,563.19	$37,612.04	$58,424,535.02	$8,665,421.82	$907,066.60	$67,997,023.44

Exhibit D
Revised
8/6/07
See new schedule
following pg 34

EXHIBIT D
SAN BENITO COUNTY WATER DISTRICT
REPAYMENT SCHEDULE

Payment Due Date		Payment #	Payment				Interest Charges		Principal			Remaining Balance			Total
			Irrigation	M&I	Unpd Cap Int	Total	M&I	Unpd Cap Int	Irrigation	M&I	Capital Interest	Irrigation 0.0000%	M&I 3.4874%	Capital Interest 3.5000%	
												$68,924,535.02	$19,471,641.66	$2,036,399.00	$90,432,575.67
2027	January 1	41	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$151,098.96	$15,673.67	$2,921,226.75	$365,832.90	$38,270.25	$55,603,308.26	$18,299,598.92	$1968,796.35	$64,671,693.54
	July 1	42	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$144,719.93	$15,203.94	$2,921,226.75	$372,211.92	$38,939.98	$52,582,081.51	$17,927,377.00	$1929,856.37	$61,339,314.89
2028	January 1	43	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$138,229.97	$14,522.49	$2,921,226.75	$378,702.18	$39,621.43	$49,660,854.76	$17,548,674.82	$1890,234.94	$57,999,764.52
	July 1	44	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$131,626.24	$13,829.11	$2,921,226.75	$385,305.61	$40,314.80	$46,739,628.01	$17,163,369.20	$1849,920.14	$54,652,917.35
2029	January 1	45	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$124,907.87	$13,123.60	$2,921,226.75	$392,024.19	$41,020.31	$43,818,401.26	$16,771,345.02	$1808,899.82	$51,298,646.10
	July 1	46	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$118,071.94	$12,405.76	$2,921,226.75	$398,859.91	$41,738.17	$40,897,174.51	$16,372,485.10	$1767,161.65	$47,936,821.27
2030	January 1	47	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$111,117.02	$11,675.33	$2,921,226.75	$405,814.83	$42,468.58	$37,975,947.76	$15,966,670.27	$1724,693.07	$44,567,311.10
	July 1	48	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$104,040.83	$10,933.13	$2,921,226.75	$412,891.03	$43,211.79	$35,054,721.01	$15,553,779.24	$1681,481.28	$41,189,891.53
2031	January 1	49	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$96,841.25	$10,175.92	$2,921,226.75	$420,090.61	$43,967.99	$32,133,494.26	$15,133,688.64	$1637,513.29	$37,804,696.18
	July 1	50	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$89,516.13	$9,406.48	$2,921,226.75	$427,415.73	$44,737.43	$29,212,267.51	$14,706,272.91	$1592,775.85	$34,411,316.27
2032	January 1	51	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$82,053.28	$8,623.66	$2,921,226.75	$434,868.58	$45,520.34	$26,291,040.76	$14,271,404.33	$1447,255.51	$31,009,700.60
	July 1	52	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$74,480.48	$7,826.97	$2,921,226.75	$442,451.39	$46,316.94	$23,369,814.01	$13,828,952.95	$1400,938.57	$27,599,705.53
2033	January 1	53	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$66,765.45	$7,016.42	$2,921,226.75	$450,166.40	$47,127.49	$20,448,587.26	$13,378,786.55	$1353,811.08	$24,181,184.80
	July 1	54	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$58,916.90	$6,191.69	$2,921,226.75	$458,015.95	$47,952.22	$17,527,360.50	$12,920,770.60	$1305,858.86	$20,763,989.95
2034	January 1	55	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$50,929.48	$5,352.53	$2,921,226.75	$466,002.38	$48,791.39	$14,606,133.75	$12,454,768.22	$1257,067.47	$17,317,969.44
	July 1	56	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$42,803.79	$4,498.68	$2,921,226.75	$474,128.06	$49,645.24	$11,684,907.00	$11,980,640.15	$1207,422.23	$13,872,969.39
2035	January 1	57	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$34,536.42	$3,629.89	$2,921,226.75	$482,395.43	$50,514.03	$8,763,680.25	$11,498,244.72	$1156,908.21	$10,418,833.18
	July 1	58	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$26,124.89	$2,745.89	$2,921,226.75	$490,806.96	$51,398.02	$5,842,453.50	$11,007,437.76	$1105,510.18	$6,955,401.44
2036	January 1	59	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$17,566.89	$1,845.43	$2,921,226.75	$499,365.16	$52,297.49	$2,921,228.75	$508,072.59	$53,212.69	$3,482,512.04
	July 1	60	$2,921,226.75	$516,931.86	$54,143.92	$3,492,302.52	$8,859.26	$931.22	$2,921,226.75	$508,072.59	$53,212.69	$0.00	$0.00	$0.00	$0.00
		Total	$68,924,535.02	$31,015,911.35	$3,248,634.98	$103,189,081.35	$11,544,269.70	$1,212,238.98	$68,924,535.02	$19,471,641.66	$2,036,399.00	$3,151,764,483.27	$662,055,955.89	$69,270,627.36	$3,883,091,066.54

* Weighted composite rate [Pacheco Inlet ($6,327,528) at 3.137%; all other facilities at 3.500%]

Revised 8/6/07

See new schedule next page

(Note: Revised Exhibit D) cc: NS ✓ LJ ✓ PAD

United States Department of the Interior

BUREAU OF RECLAMATION
Mid-Pacific Regional Office
2800 Cottage Way
Sacramento, California 95825-1898

IN REPLY REFER TO:
MP-440
WTR 4.00

AUG - 6 2007

RECEIVED
AUG 09 2007
SAN BENITO COUNTY WATER DISTRICT

Mr. Robert Swanson
President
San Benito County Water District
P.O. Box 899
Hollister, CA 95024

Subject: Financial Analysis of Article 12 (Repayment Obligation) of the San Benito County Water District (District) Amendatory Contract No. 8-07-20-W0130A – San Felipe Division – Central Valley Project, California

Dear Mr. Swanson:

The purpose of this letter is to notify the District of a change in the application of payments submitted pursuant to Amendatory Contract No. 8-07-20-W0130A (W0130A). As you know, Article 12 of the District's Amendatory Contract requires that the District make semi-annual payments toward repayment of the capital costs of the District's share of the San Felipe Division facilities. The original Repayment Schedule (Exhibit D) included in Contract No. W0130A identified an inaccuracy in the application of each semi-annual payment. Current Departmental Accounting Directives require that the Bureau of Reclamation recover all interest on investment first, prior to applying any remaining revenues to the other loan functions, i.e., irrigation/-municipal and industrial (M&I) principal. Upon receipt of each payment made under the contract, revenues are applied as follows:

(1) Current year's interest on the total Federal investment.
(2) Unpaid prior year expenses (deficits) (which includes prior unpaid interest).
(3) Amortization of investment in descending order of interest rates, except that net revenues will be applied first to any required repayment of investment.

The original Repayment Schedule identified revenues being applied to principal prior to total interest being recovered. This is inconsistent with Federal accounting standards. Pursuant to Article 12(e)(2) of Contract No. W0130A, Reclamation has revised Exhibit D to accurately reflect the application of revenues, and no amendment to the contract is required. Semi-annual payment amounts will remain the same.

Please note that based on the revised application, the District will now recognize an overall savings based on payments being directed to interest-bearing M&I capital and interest under the

Federal standards. Enclosed is a revised Exhibit D for Contract No. W0130A. Please discard the original Exhibit D, and replace with the enclosed new Exhibit D. No other changes are being made to the contract at this time.

Reclamation has sent to the District a Bill for Collection dated July 20, 2007, for payments due on January 1 and July 1, 2007. Please remit payment within 30 days of the bill date to avoid late payment penalties. Once received, these payments will be applied using the current accounting standards. For questions regarding the application of payments to the District's account, please contact Ms. Lora Close, Assistant Financial Manager, at 916-978-5352. For all other contract related questions, please contact Mr. Richard Stevenson, Chief, Water Rights and Contracts Branch, at 916-978-5250.

Sincerely,

Richard J. Woodley
Regional Resources Manager

cc: Ms. Shelley Giancola
San Benito County Water District
P.O. Box 899
Hollister, CA 95024

Ms. Janet K. Goldsmith
Attorney
Kronick, Moskovitz, et al.
400 Capital Mall, 27th Floor
Sacramento, CA 95814-4417

Exhibit D
San Benito County Water District Repayment Schedule

Payment Due Date		Pmnt #	Payment Total	Current Year Interest Charges: M&I CY IOI	Current Year Interest Charges: Int on Deficit	Total Current Year Interest	Payment Application, Repayment Order Per FIN 06-30: 1. CY Interest	2. Pymt on Deficit	3. M&I Cap	4. Irrigation	Remaining Balance: Int on Deficit	M&I Cap	Irr Cap
											3.5000%	3.4874%	0.0000%
2007						-	-	-	-	-	2,036,398.00	19,471,642.00	68,924,535.00
	July 1	1&2	1,392,151.54	679,054.04	71,273.93	750,327.97	750,327.97	641,823.57	-	-	2,036,398.00	19,471,642.00	68,924,535.00
2008	January 1	3	696,075.77	339,527.02	24,405.05	363,932.07	363,932.07	332,143.70	-	-	1,394,574.43	19,471,642.00	68,924,535.00
	July 1	4	696,075.77	339,527.02	18,592.54	358,119.56	358,119.56	337,956.21	-	-	1,062,430.74	19,471,642.00	68,924,535.00
2009	January 1	5	696,075.77	339,527.02	12,678.30	352,205.33	352,205.33	343,870.44	-	-	724,474.53	19,471,642.00	68,924,535.00
	July 1	6	696,075.77	339,527.02	6,660.57	346,187.59	346,187.59	349,888.18	-	-	380,604.08	19,471,642.00	68,924,535.00
2010	January 1	7	696,075.77	339,527.02	537.53	340,064.55	340,064.55	30,715.91	325,295.31	-	30,715.91	19,471,642.00	68,924,535.00
	July 1	8	696,075.77	333,854.85	-	333,854.85	333,854.85	-	362,220.92	-	-	19,146,346.69	68,924,535.00
2011	January 1	9	696,075.77	327,538.80	-	327,538.80	327,538.80	-	368,536.97	-	-	18,784,125.76	68,924,535.00
	July 1	10	696,075.77	321,112.62	-	321,112.62	321,112.62	-	374,963.15	-	-	18,415,588.79	68,924,535.00
2012	January 1	11	696,075.77	314,574.39	-	314,574.39	314,574.39	-	381,501.38	-	-	18,040,625.65	68,924,535.00
	July 1	12	696,075.77	307,922.15	-	307,922.15	307,922.15	-	388,153.62	-	-	17,659,124.26	68,924,535.00
2013	January 1	13	696,075.77	301,153.92	-	301,153.92	301,153.92	-	394,921.85	-	-	17,270,970.64	68,924,535.00
	July 1	14	696,075.77	294,267.66	-	294,267.66	294,267.66	-	401,808.11	-	-	16,876,048.79	68,924,535.00
2014	January 1	15	696,075.77	287,261.33	-	287,261.33	287,261.33	-	408,814.44	-	-	16,474,240.68	68,924,535.00
	July 1	16	696,075.77	280,132.84	-	280,132.84	280,132.84	-	415,942.93	-	-	16,065,426.25	68,924,535.00
2015	January 1	17	696,075.77	272,880.04	-	272,880.04	272,880.04	-	423,195.73	-	-	15,649,483.31	68,924,535.00
	July 1	18	696,075.77	265,500.78	-	265,500.78	265,500.78	-	430,574.99	-	-	15,226,287.59	68,924,535.00
2016	January 1	19	696,075.77	257,992.84	-	257,992.84	257,992.84	-	438,082.93	-	-	14,795,712.59	68,924,535.00
	July 1	20	696,075.77	250,353.99	-	250,353.99	250,353.99	-	445,721.78	-	-	14,357,629.66	68,924,535.00
2017	January 1	21	971,075.77	242,581.94	-	242,581.94	242,581.94	-	728,493.83	-	-	13,911,907.88	68,924,535.00
	July 1	22	971,075.77	229,879.19	-	229,879.19	229,879.19	-	741,196.58	-	-	13,183,414.05	68,924,535.00
2018	January 1	23	971,075.77	216,954.95	-	216,954.95	216,954.95	-	754,120.82	-	-	12,442,217.47	68,924,535.00
	July 1	24	971,075.77	203,805.34	-	203,805.34	203,805.34	-	767,270.43	-	-	11,688,096.65	68,924,535.00
2019	January 1	25	971,075.77	190,426.45	-	190,426.45	190,426.45	-	780,649.32	-	-	10,920,826.22	68,924,535.00
	July 1	26	971,075.77	176,814.26	-	176,814.26	176,814.26	-	794,261.51	-	-	10,140,176.89	68,924,535.00
2020	January 1	27	971,075.77	162,964.73	-	162,964.73	162,964.73	-	808,111.04	-	-	9,345,915.39	68,924,535.00
	July 1	28	971,075.77	148,873.69	-	148,873.69	148,873.69	-	822,202.08	-	-	8,537,804.34	68,924,535.00
2021	January 1	29	971,075.77	134,536.96	-	134,536.96	134,536.96	-	836,538.81	-	-	7,715,602.27	68,924,535.00
	July 1	30	971,075.77	119,950.23	-	119,950.23	119,950.23	-	851,125.54	-	-	6,879,063.46	68,924,535.00
2022	January 1	31	971,075.77	105,109.15	-	105,109.15	105,109.15	-	865,966.62	-	-	6,027,937.91	68,924,535.00
	July 1	32	971,075.77	90,009.29	-	90,009.29	90,009.29	-	881,066.48	-	-	5,161,971.30	68,924,535.00
2023	January 1	33	971,075.77	74,646.14	-	74,646.14	74,646.14	-	896,429.63	-	-	4,280,904.82	68,924,535.00
	July 1	34	971,075.77	59,015.09	-	59,015.09	59,015.09	-	912,060.68	-	-	3,384,475.19	68,924,535.00
2024	January 1	35	971,075.77	43,111.49	-	43,111.49	43,111.49	-	927,964.28	-	-	2,472,414.51	68,924,535.00
	July 1	36	971,075.77	26,930.58	-	26,930.58	26,930.58	-	944,145.19	-	-	1,544,450.23	68,924,535.00
2025	January 1	37	971,075.77	10,467.52	-	10,467.52	10,467.52	-	600,305.04	360,303.21	-	600,305.04	68,924,535.00
	July 1	38	971,075.77	-	-	-	-	-	-	971,075.77	-	-	68,564,231.79
2026	January 1	39	971,075.77	-	-	-	-	-	-	971,075.77	-	-	67,593,156.02
	July 1	40	971,075.77	-	-	-	-	-	-	971,075.77	-	-	66,622,080.25
2027	January 1	41	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	65,651,004.48
	July 1	42	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	62,158,701.96
2028	January 1	43	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	58,666,399.44
	July 1	44	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	55,174,096.92
2029	January 1	45	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	51,681,794.40
	July 1	46	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	48,189,491.88
2030	January 1	47	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	44,697,189.36
	July 1	48	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	41,204,886.84
2031	January 1	49	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	37,712,584.32
	July 1	50	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	34,220,281.80
2032	January 1	51	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	30,727,979.28
	July 1	52	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	27,235,676.76
2033	January 1	53	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	23,743,374.24
	July 1	54	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	20,251,071.72
2034	January 1	55	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	16,758,769.20
	July 1	56	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	13,266,466.68
2035	January 1	57	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	9,774,164.16
	July 1	58	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	6,281,861.64
2036	January 1	59	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	2,789,559.12
	July 1	60	3,492,302.52	-	-	-	-	-	-	3,492,302.52	-	-	(702,743.40)
			103,189,081.20	8,427,312.36	134,147.92	8,561,460.28	8,561,460.28	2,036,398.00	19,471,642.00	73,119,680.92			(4,195,045.92)
	Check Figure		103,189,081.20										

E> 'll be updated to include capital costs from October 2004 through March 2007
Ea ıual Period Includes Interest from October through September

30 yrs

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Operation and Maintenance of Certain Works of the San Felipe Division" and authorizes the President of the Board of Directors of District to sign the Contract.

BE IT FURTHER RESOLVED, that the District makes the following CEQA finding and determination:

> The Second Amendment provides for repayment of San Felipe Division facilities, implementation of tiered pricing and water conservation reporting consistent with the CVPIA. The Second Amendment will not result in any change in water deliveries, facilities, distribution or management of water than would otherwise occur under the District's existing CVP contract. None of the provisions of the Second Amendment will result in direct physical change to the environment or result in any reasonably foreseeable indirect change to the environment. Therefore, the Second Amendment does not constitute a "project" as defined by CEQA.

BE IT FURTHER RESOLVED that the District Manager/Engineer is authorized to sign and file with the San Benito County Clerk a Notice of Exemption from CEQA.

BE IT FURTHER RESOLVED, that counsel for the District is authorized to file a Validating Proceeding pursuant to CCP § 860 et seq. in the San Benito County Superior Court for the purpose of obtaining a judgment from the court validating the Second Amendment.

The foregoing Resolution was passed and adopted by the Board of Directors of the San Benito County Water District this 31st day of January, 2007, by the following vote:

AYES: DIRECTORS: Swanson, Bettencourt, Tobias and Perry
NOES: DIRECTORS: None
ABSENT: DIRECTORS: Flores

Robert M. Swanson, President

Attest: Shelley Giancola
Shelley Giancola, District Secretary

RESOLUTION NO. 2007- 04

RESOLUTION APPROVING OF THE SECOND AMENDMENT TO CONTRACT BETWEEN THE UNITED STATES AND THE SAN BENITO COUNTY WATER DISTRICT FOR WATER SERVICE AND FOR OPERATION AND MAINTENANCE OF CERTAIN WORKS OF THE SAN FELIPE DIVISION AND AUTHORIZING THE PRESIDENT TO SIGN, AUTHORIZING THE FILING OF A NOTICE OF EXEMPTION UNDER THE CALIFORNIA ENVIRONMENTAL QUALITY ACT, AND DIRECTING THE FILING OF A VALIDATION ACTION

WHEREAS, the United States of America (United States) and the San Benito County Water District (District) entered into a contract for the delivery of Central Valley Project water to the District, Contract No. 8-07-20-W0130 dated April 15, 1978, which was subsequently amended on February 28, 1992 (Existing Contract); and

WHEREAS, the Central Valley Improvement Act (CVPIA) was enacted in 1992 and addressed the renewal of long-term water service contracts and required that certain terms be included in contracts renewed or amended after January 1, 1988; and

WHEREAS, the parties desire to amend the Existing Contract on the terms set forth in the Second Amendment to Contract in order to comply with the CVPIA; and

WHEREAS, none of the provisions of the Second Amendment will result in direct physical change to the environment, nor any reasonably foreseeable indirect change to the environment, and, therefore, is not a project as defined by the California Environmental Quality Act (CEQA) and is exempt therefrom; and

WHEREAS, it the District's desire to validate the Second Amendment by filing an action in the San Benito County Superior Court under CCP § 860 et seq.

NOW, THEREFORE, BE IT RESOLVED, that the District hereby approves of the "Second Amendment to Contract Between the United States and San Benito County Water District for Water Service and For