

Irrigation and Other  
Contract No. 14-06-200-1911E

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

AGREEMENT FOR PARTIAL ASSIGNMENT OF  
LEWIS CREEK WATER DISTRICT  
WATER SERVICE AND FACILITIES REPAYMENT CONTRACT TO  
HILLS VALLEY IRRIGATION DISTRICT

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1 UNITED STATES  
2 DEPARTMENT OF THE INTERIOR  
3 BUREAU OF RECLAMATION  
4 Friant Division, Central Valley Project, California

5 AGREEMENT FOR PARTIAL ASSIGNMENT OF  
6 LEWIS CREEK WATER DISTRICT'S  
7 WATER SERVICE AND FACILITIES REPAYMENT CONTRACT TO  
8 HILLS VALLEY IRRIGATION DISTRICT

9 THIS AGREEMENT, made this 12<sup>th</sup> day of April, 2013,

10 is entered into by and among the UNITED STATES OF AMERICA, hereinafter referred to as  
11 the "United States", through the United States Bureau of Reclamation ("Reclamation"); Lewis  
12 Creek Water District, hereinafter referred to as "Lewis Creek", and Hills Valley Irrigation  
13 District, hereinafter referred to as "Hills Valley", both public agencies of the State of California,  
14 duly organized, existing, and acting pursuant to the laws thereof, with its principal place of  
15 business in California. Lewis Creek, Hills Valley, and Reclamation may sometimes be  
16 collectively referred to herein as the "Parties" and individually as a "Party".

17 WITNESSETH, That:

18 EXPLANATORY RECITALS

19 A. On February 19, 1965, the United States and Lewis Creek entered into Contract  
20 No. 14-06-200-1911A, as amended, providing for the annual delivery to Lewis Creek of up to  
21 1,450 acre-feet of Class 1 water from the Friant Division of the Central Valley Project  
22 (hereinafter referred to as the "Project") through February 28, 1995.

23 B. The United States and Lewis Creek entered into a series of interim renewal  
24 contracts, identified as Contract Nos. 14-06-200-1911A-IR1, IR2, IR3, and IR4, which provided  
25 for the continued water service to Lewis Creek from March 1, 1995 through February 28, 2005.

26 C. Subsequently, the United States and Lewis Creek entered into a long-term  
27 renewal contract identified as Contract No. 14-06-200-1911A-LTR1, which provided for  
28 continued water service to Lewis Creek through February 28, 2026, which was amended  
29 January 18, 2007.

30 D. On December 29, 2010, the United States and Lewis Creek entered into  
31 Repayment Contract No. 14-06-200-1911D, providing for continued water service and facilities  
32 repayment. Hereinafter, Lewis Creek's Repayment Contract, as it may be modified from time to  
33 time in accordance with law, and as supplemented herein, will be referred to as the "Existing  
34 Contract".

35 E. On January 24, 2011, Lewis Creek remitted to the United States \$297,861.37,  
36 representing payment in full of the Repayment Obligation, as that term is used in the Existing  
37 Contract. With the payment of the Repayment Obligation and in accordance with subdivision (b)  
38 of Article 2 of the Existing Contract, Exhibit "E", attached to the Existing Contract, became the  
39 entire agreement between Lewis Creek and Reclamation and the tiered pricing component and  
40 the acreage limitations, reporting, and full cost pricing provisions of the Reclamation Reform  
41 Act of 1982 were no longer applicable to Lewis Creek.

42 F. On May 11, 1976, the United States, the Department of Water Resources, and  
43 Hills Valley entered into Contract No. 14-06-200-8466A, as amended, providing for the annual  
44 delivery to Hills Valley of up to 3,346 acre-feet of Project Water from the Project through  
45 February 29, 1996.

46 G. The United States, the Department of Water Resources, and Hills Valley  
47 subsequently entered into a series of interim renewal contracts identified as Contract

48 Nos. 14-06-200-8466A-IR1 through IR14, which provide for continued water service to Hills  
49 Valley through February 28, 2014.

50 H. Lewis Creek has requested that Reclamation approve a partial assignment of the  
51 Existing Contract to Hills Valley to provide an additional source of Project Water, as that term is  
52 used in the Existing Contract, hereinafter referred to as “Project Water”, to Hills Valley.

53 I. Article 32 of the Existing Contract provides for assignment of the Existing  
54 Contract, or any interest therein, with the written approval of the Contracting Officer acting on  
55 behalf of the United States.

56 J. Lewis Creek intends to hereby assign a portion of the Existing Contract to Hills  
57 Valley in exchange for monetary consideration. Lewis Creek and Hills Valley now wish to  
58 secure Reclamation’s approval of the assignment of a portion of the Project Water referenced in  
59 the Existing Contract to Hills Valley.

60 K. Upon the effective date of this Agreement, Lewis Creek’s partial assignment to  
61 Hills Valley will be final and Hills Valley will accept and be fully responsible for all rights and  
62 obligations of a Contractor, as that term is used under the Existing Contract, with respect to  
63 250 acre-feet of Class 1 Project Water (hereinafter referred to as the “Assigned Project Water”).

64 L. Lewis Creek and Hills Valley will comply with all applicable Federal, state, and  
65 local laws, rules, and ordinances that apply to this Agreement.

66 M. The Parties to this Agreement each have complied with all environmental and  
67 other laws applicable to their respective approval and implementation of this Agreement,  
68 including but not limited to, the National Environmental Policy Act, the California  
69 Environmental Quality Act, Reclamation Law, and the Federal Endangered Species Act.

70 IT IS THEREFORE AGREED AMONG THE PARTIES:

71 TERMS AND CONDITIONS

72 1. (a) Upon the effective date of this Agreement, the assignment to Hills Valley  
73 of Lewis Creek's rights to the Assigned Project Water will be complete and Hills Valley  
74 acknowledges and accepts the obligation to pay its proportionate share of the Additional Capital  
75 Obligation, as that term is used in the Existing Contract. Hills Valley will, commencing on the  
76 effective date of this Agreement, assume all rights, duties, and interests of a Contractor, as that  
77 term is used in the Existing Contract, as they apply to the Assigned Project Water, separately  
78 from Lewis Creek. Hills Valley accepts all obligations, terms and conditions with respect to the  
79 Existing Contract applicable to the Contractor, as that term is used under the Existing Contract,  
80 as they apply to the Assigned Project Water. This Agreement shall not constitute an amendment  
81 or modification of the terms, conditions, obligations, and duties in the Existing Contract.

82 (b) Reclamation's approval of this Agreement shall not constitute a release by  
83 Reclamation of Lewis Creek from any of its duties and obligations under the Existing Contract  
84 as to all Project Water other than the Assigned Project Water. Reclamation will consider Hills  
85 Valley separately from Lewis Creek as a Contractor, as that term is used under the Existing  
86 Contract, and as to those quantities assigned hereby will hold Hills Valley responsible for  
87 compliance with the terms and conditions of the Existing Contract in connection within the  
88 Assigned Project Water.

89 PAYMENT OF EXISTING OPERATION AND MAINTENANCE DEFICITS

90 2. (a) Prior to the effective date of this Agreement, Lewis Creek shall have paid  
91 in full to the United States any operation and maintenance deficit that may be owed by Lewis

92 Creek to the United States as a result of the previous delivery of the Assigned Project Water to  
93 Lewis Creek pursuant to the Existing Contract.

94 (b) Reclamation acknowledges and agrees that, upon the satisfaction of  
95 subdivision (a) above, no operation and maintenance deficit is owed by Lewis Creek to the  
96 United States as a result of the delivery of the Project Water as of September 30, 2011.

97 However, if Reclamation determines there is any additional amount owed or at any time needs to  
98 make an adjustment to its past water contractor accountings, resulting in an amount that is  
99 outstanding or overpaid as a result of delivery of Project Water to Lewis Creek, including  
100 Restoration Fund charges, such amount or adjustment shall be owed by Lewis Creek if  
101 outstanding, or credited or refunded to Lewis Creek if overpaid.

102 CONTRACTOR SERVICE AREA AND POINTS OF DIVERSION

103 3. Consistent with the Existing Contract, on or after the effective date of this  
104 Agreement, the Assigned Project Water will be delivered to Hills Valley's service area as shown  
105 on Exhibit "A" attached to this Agreement. Hills Valley will divert the Assigned Project Water  
106 from existing points of diversion located on the Friant-Kern Canal, or other points approved in  
107 writing by Reclamation.

108 RESERVATION OF INTEREST

109 4. (a) Upon full execution of this Agreement, Hills Valley shall be the  
110 Contractor under the Existing Contract as to the Assigned Project Water, and Lewis Creek shall  
111 continue to be the Contractor under the Existing Contract for all Project Water other than the  
112 Assigned Project Water.

113 (b) Any breach or default by Hills Valley of any obligation with respect to the  
114 Assigned Project Water shall not affect the rights, duties, obligations, and interests of Lewis

115 Creek with respect to the Existing Contract, and shall not constitute a breach or default of Lewis  
116 Creek with respect to the balance of Project Water under the Existing Contract.

117 (c) In the event of termination of this Agreement, Lewis Creek hereby retains  
118 a right of reverter, as described below in this subdivision, to all of the Contractor's rights and  
119 obligations under the Existing Contract to the full contractual quantities set forth in Article 3 of  
120 the Existing Contract. The Parties agree that in the event that this Agreement is terminated and  
121 provided that any curable breaches by Hills Valley, as determined by the Contracting Officer,  
122 existing at the time of termination of this Agreement are cured within a reasonable time by Lewis  
123 Creek, then Lewis Creek's rights and obligations related to all contract quantities specified in  
124 Article 3 of the Existing Contract shall fully revert to Lewis Creek. Hills Valley's rights and  
125 obligations related to the Assigned Project Water as established by this Agreement shall  
126 terminate, as of the date of such reversion.

127 WATER RATES AND CHARGES

128 5. The Assigned Project Water shall be subject to the applicable Rates and Charges  
129 as shown in Exhibit "B", attached to this Agreement, which shall be subject to annual adjustment  
130 as provided in subdivision (c) of Article 7 in the Existing Contract, and crediting determined  
131 annually in accordance with Federal law, associated regulations and the then-existing Central  
132 Valley Project Ratesetting policies. Hills Valley shall submit to Reclamation water delivery  
133 schedules as required by the Existing Contract, as may be amended. Upon the effective date of  
134 this Agreement, all historic, present, and future costs and credits accrued under the Existing  
135 Contract, that relates to the Assigned Project Water, will be recognized and established under  
136 separate financial accountings for Hills Valley.

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RECOVERED WATER ACCOUNT

6. On the effective date of this Agreement, Hills Valley will be entitled to a proportionate share of any subsequent Recovered Water Account credits made available by the United States pursuant to the Existing Contract. The manner in which the Recovered Water Account will be administered will be developed in accordance with subdivision (k) of Article 7 of the Existing Contract, the San Joaquin River Restoration Settlement Act, and Paragraph 16 of the Stipulation of Settlement.

FRIANT SURCHARGE REDUCTION  
CALCULATIONS—EXHIBITS “C-1” AND “C-2”

7. Hills Valley’s applicable reduction of the Friant Surcharge and other values, as set forth in subdivision (c) of Article 7 in the Existing Contract, are reflected in Exhibit “C-1” attached to this Agreement. Lewis Creek’s applicable reduction of the Friant Surcharge and other values, as set forth in subdivision (c) of Article 7 in the Existing Contract, are reflected in Exhibit “C-2” attached to this Agreement.

APPLICABILITY OF THE RECLAMATION REFORM ACT OF 1982

8. The acreage limitations, reporting, and Full Cost pricing provisions of the Reclamation Reform Act of 1982 (96 Stat. 1293), hereinafter referred to as “RRA”, shall no longer apply to lands in Hills Valley’s Service Area with respect to the Assigned Project Water pursuant to this Agreement. Hills Valley is currently subject to the acreage limitations, reporting, and Full-Cost pricing provisions of the RRA, through separate contracts, other than this Agreement. The terms and conditions in such other contracts shall continue to apply, and if such terms and conditions so require, the lands to receive Project Water under such other contracts shall be properly designated by Hills Valley and such Project Water is to be delivered

160 in accordance with the RRA including any applicable acreage limitations, reporting, and Full  
161 Cost pricing provisions.

162 TERMINATION CLAUSE

163 9. This Agreement shall become effective on the date referenced in Article 14 and  
164 shall continue so long as Hills Valley is complying with the terms and conditions of the Existing  
165 Contract, making the annual payments required and paying any other amounts owing under the  
166 Existing Contract, this Agreement and applicable law, as they apply to the Assigned Project  
167 Water, unless it is terminated by the Contracting Officer by reason of a material uncured breach  
168 by Hills Valley; *Provided*, That the Contracting Officer shall not seek to terminate this  
169 Agreement by reason of an asserted material uncured breach by Hills Valley unless it has first  
170 provided at least 60 days' written notice of the asserted breach to Hills Valley and Hills Valley  
171 has failed to cure such breach (or to diligently commence curative actions satisfactory to the  
172 Contracting Officer for a breach that cannot be fully cured within 60 days) within the 60-day  
173 notice period; *Provided further*, That this Agreement may be terminated at any time by mutual  
174 consent of the Parties hereto. If this Agreement is terminated pursuant to this Article 9, the  
175 provisions of subdivision (c) of Article 4 shall apply.

176 UNITED STATES APPROVAL

177 10. The United States hereby approves this Agreement, accepts the assignment  
178 contemplated hereby and accepts Hills Valley as a Contractor, as that term is used in the Existing  
179 Contract, and finds that no further action by the United States is necessary to put this Agreement  
180 into effect.

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AGREEMENT DRAFTING CONSIDERATIONS

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11. Articles 1 through 10 and 14 of this Agreement have been drafted, negotiated, and reviewed by the Parties hereto, each of whom is sophisticated in the matters to which this Agreement pertains, and no one Party shall be considered to have drafted the stated articles.

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ASSIGNMENT LIMITED—SUCCESSORS AND ASSIGNS OBLIGATED

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12. The provisions of this contract shall apply to and bind the successors and assigns of the Parties hereto, but no assignment or transfer of this contract or any right or interest therein by either Party shall be valid until approved in writing by the other Party.

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NOTICES

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13. Any notice, demand, or request authorized or required by this contract shall be deemed to have been given, on behalf of Hills Valley and Lewis Creek, when mailed, postage prepaid, or delivered to the Area Manager, South-Central California Area Office, Bureau of Reclamation, 1243 "N" Street, Fresno, California 93721, and on behalf of the United States, when mailed, postage prepaid, or delivered to the Board of Directors of Hills Valley, Post Office Box 911, Visalia, California 93279 and the Board of Directors of Lewis Creek, Post Office Box 911, Visalia, California 93279. The designation of the addressee or the address may be changed by notice given in the same manner as provided in this article for other notices.

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EFFECTIVE DATE

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14. The effective date of this Agreement shall be October 1, 2012; *Provided*, That it is

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fully executed by all the Parties.

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

203 LEWIS CREEK WATER DISTRICT

204 By *David Unke*  
205 President, Board of Directors

(Seal)

206 Attest:  
207 By: *Ed Murray*  
208 Secretary of the Board of Directors

209 HILLS VALLEY IRRIGATION DISTRICT

210 By *Joren Booth*  
211 President, Board of Directors

(Seal)

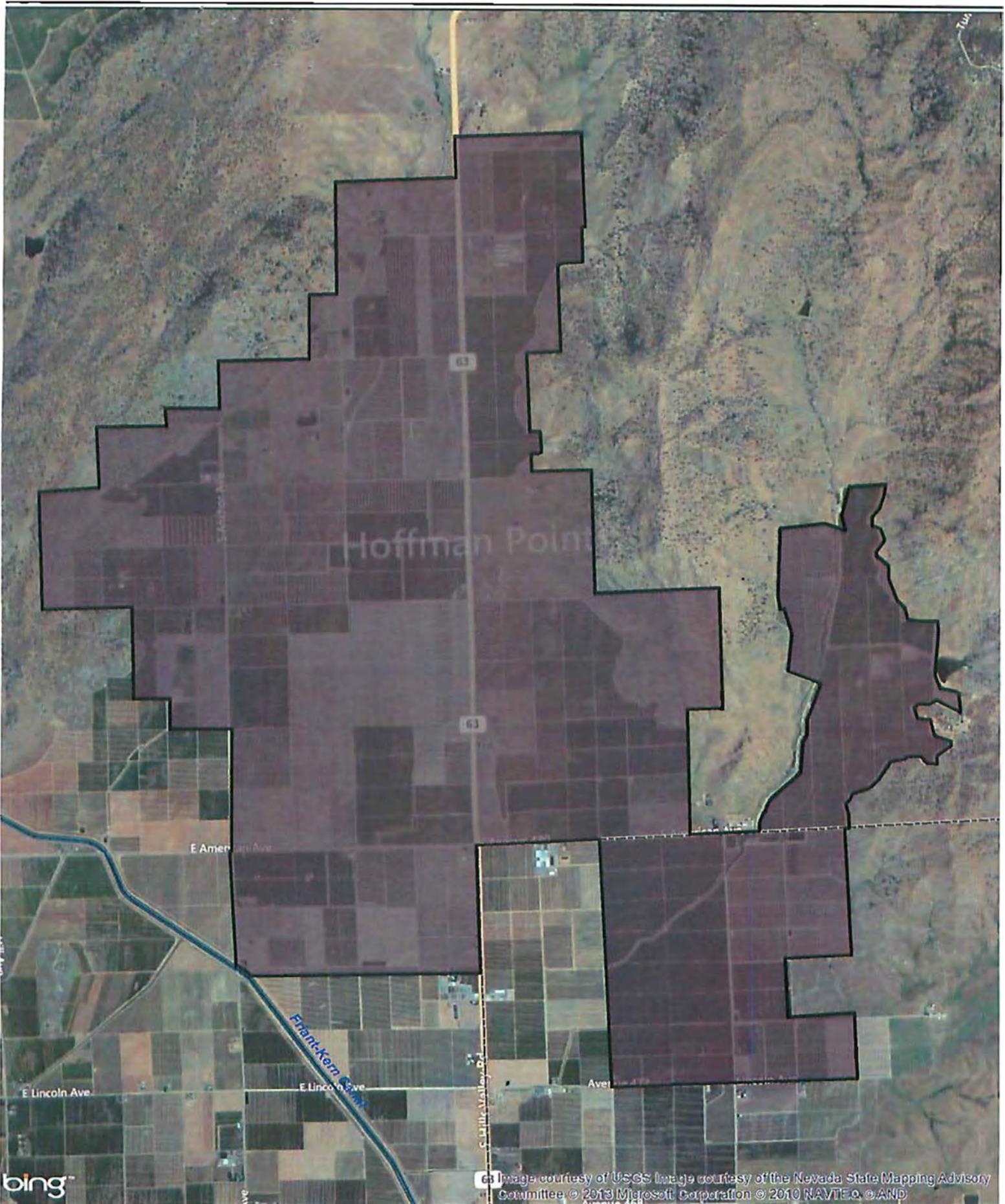
212 Attest:  
213 By: *Dennis P. Kaler*  
214 Secretary of the Board of Directors

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

217 UNITED STATES OF AMERICA

218 APPROVED AS TO LEGAL  
219 FORM AND SUFFICIENCY  
*Kaler*  
220 Office of the Regional Solicitor  
Department of the Interior

By *David G. Murrell*  
Regional Director, Mid-Pacific Region  
Bureau of Reclamation



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# Hills Valley I.D.

Contract No. 14-06-200-1911E  
Exhibit A

Contractor's Service Area Boundary

-  Contractor's Service Area (Irrigation Only)
-  District Boundary



**EXHIBIT B**  
**HILLS VALLEY IRRIGATION DISTRICT**  
**2012 Rates and Charges**  
**(Per Acre-Foot)**

	<b>Irrigation Water Class 1</b>	<b>Other Water Class 1</b>
<b>COST-OF-SERVICE (COS) RATES</b>		
Capital Component <sup>1</sup>		
O&M Components		
Water Marketing	\$6.43	\$3.13
Storage	\$8.03	\$7.49
Conveyance Pumping <sup>2</sup>		
Conveyance	\$0.15	
American Recovery and Reinvestment Act (ARRA)	\$0.02	
<b>TOTAL COS RATES</b>	<b>\$14.63</b>	<b>\$10.62</b>
<b>MINIMUM OTHER WATER RATE<sup>3</sup></b>		<b>\$15.00</b>
<b>CHARGES AND ASSESSMENTS</b> ( <i>Payments in addition to Rates</i> )		
P.L. 102-575 Surcharges		
Restoration Fund Payment [Section 3407(d)(2)(A)]	\$9.79	\$19.58
Friant Surcharge [Section 3406(c)(1)]	\$7.00	\$7.00
P.L. 106-377 Assessment (Trinity Public Utilities District) [Appendix B, Section 203]	\$0.05	\$0.05

**EXPLANATORY NOTES**

- 1 Contractor's rate reflects contract has converted to 9(d) pursuant to the San Joaquin River Restoration Settlement Act. As such, all current and future obligations for construction costs will be repaid through a separate repayment agreement.
- 2 Conveyance and Conveyance Pumping operation and maintenance costs were removed for Irrigation ratesetting purposes and are to be direct billed by the Operating Non-Federal Entity.
- 3 Cost of Service rate is the greater of the CVP minimum rate of \$15.00 per acre-foot or the cost of service rate.

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

Exhibit C-1  
Friant Surcharge Reduction Calculation

Friant Contractor:  
San Joaquin River Restoration Act

Hills Valley ID

**Modified**  
**9/18/12**

Average Annual Delivery - Forecasted for 2020-2039*	213
Total Projected deliveries (over 20 yr period)**	4,260
Article 7(c)	4,260
20 yr CMT as of 10/1/2010	3.400%
1/2 20 yr CMT as of 10/1/2010	1.700%
Irrigation Portion of Existing Capital Obligation	\$61,006
NPV at Half CMT (Repayment Obligation)	\$51,351
NPV at Full CMT	\$43,747
Financing Cost Offset*: [Article 7(c)(1)]	\$7,604
NPV of FS Reduction	\$6,783
Difference between Financing Cost Offset and NPV of FS Reduction	\$821
2020 Other Obligation Credit (FV of difference) (Art. 7(c)(2))***	\$1,110

Year	Irrigation portion of Allocated Capital Cost		CVPIA Friant Surcharges		Reduction in Friant Surcharge			
	Beginning Balance	Straight Line Repayment	Surcharge per Acre-Foot Before Reduction	Friant Surcharge Reduction per Article 7(c)(1)	Friant Surcharge due per A/F after Reduction	Projected Total Annual Credit	2020 Other Obligation Credit Calculation (Art. 7(c)(2))	
2011	\$ 61,006	\$ 3,050	\$ 7.00		\$ 7.00	0	\$ 821.39	
2012	\$ 57,956	\$ 3,050	\$ 7.00		\$ 7.00	0	\$ 849.32	
2013	\$ 54,905	\$ 3,050	\$ 7.00		\$ 7.00	0	\$ 878.20	
2014	\$ 51,855	\$ 3,050	\$ 7.00		\$ 7.00	0	\$ 908.05	
2015	\$ 48,805	\$ 3,050	\$ 7.00		\$ 7.00	0	\$ 938.93	
2016	\$ 45,754	\$ 3,050	\$ 7.00		\$ 7.00	0	\$ 970.85	
2017	\$ 42,704	\$ 3,050	\$ 7.00		\$ 7.00	0	\$ 1,003.86	
2018	\$ 39,654	\$ 3,050	\$ 7.00		\$ 7.00	0	\$ 1,037.99	
2019	\$ 36,604	\$ 3,050	\$ 7.00		\$ 7.00	0	\$ 1,073.28	
2020	\$ 33,553	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(\$639)	\$ 1,109.77	
2021	\$ 30,503	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2022	\$ 27,453	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2023	\$ 24,402	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2024	\$ 21,352	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2025	\$ 18,302	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2026	\$ 15,251	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2027	\$ 12,201	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2028	\$ 9,151	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2029	\$ 6,101	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2030	\$ 3,050	\$ 3,050	\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2031			\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2032			\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2033			\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2034			\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2035			\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2036			\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2037			\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2038			\$ 7.00	(\$3.00)	\$ 4.00	(639)		
2039			\$ 7.00	(\$3.00)	\$ 4.00	(639)		
	\$ 61,006					(\$12,780)		

**Exhibit C-1**  
Friant Surcharge Reduction Calculation

**Footnotes**

\* Average annual delivery forecast indicated above is a mutually agreed upon estimate of deliveries during the period 2020-2039 for purposes of calculating the Friant Surcharge reduction and related credits only.

\*\* This figure represents the total cumulative deliveries the reduced surcharge is applicable to, but not beyond 2039. If cumulative actual deliveries exceed this amount prior to 2039, the full Friant Surcharge is applicable to deliveries in excess of this amount.

\*\*\* The difference represents the amount of financing costs that are not offset through the reduced Friant Surcharge computed on this schedule. Pursuant to Section 7(c)(2), this amount shall offset the Contractor's other outstanding or future obligations. After 2020, the Contractor's other obligations shall be reduced in the following order to fully offset this amount: 1) Payments or prepayments due for O&M expenses and, to the extent applicable, 2) Additional Capital Obligation.

@ Amount of reduction in Friant Surcharge is computed using FPV of Financing Costs adjusted to Yr 2020. Annual Friant Surcharge reduction to fully offset Financing costs is computed and presented on a per a/f basis. Friant surcharge may be reduced up to \$3 per a/f.

**Friant Surcharge (FS) Reduction Calculations**

FV of Total Financing Cost for Offset	\$	10,624
Annual Credit Target	\$	(716)
FS Reduction w/o limit	\$	(3.36)
FS Reduction Limit	\$	(3.00)

**Exhibit C-2**  
Restated Friant Surcharge Reduction Calculation

**Friant Contractor;  
San Joaquin River Restoration Act**

Lewis Creek WD

**Modified  
9/18/12**

Average Annual Delivery - Forecasted for 2020-2039*	1,020
Total Projected deliveries (over 20 yr period)**	20,400
Article 7(c)	20,400
20 yr CMT as of 10/1/2010	3.400%
1/2 20 yr CMT as of 10/1/2010	1.700%
Irrigation Portion of Existing Capital Obligation	\$292,857
NPV at Half CMT (Repayment Obligation)	\$246,510
NPV at Full CMT	\$210,005
Financing Cost Offset <sup>1</sup> : (Article 7(c)(1))	\$36,505
NPV of FS Reduction	\$32,482
Difference between Financing Cost Offset and NPV of FS Reduction	\$4,023
2020 Other Obligation Credit (FV of difference) (Art. 7(c)(2)) <sup>-</sup>	\$5,435

Year	Irrigation portion of Allocated Capital Cost		CVPIA Friant Surcharges		Reduction in Friant Surcharge			2020 Other Obligation Credit Calculation (Art. 7(c)(2))
	Beginning Balance	Straight Line Repayment	Surcharge per Acre-Foot Before Reduction	Friant Surcharge Reduction per Article 7(c)(1)	Friant Surcharge due per A/F after Reduction	Projected Total Annual Credit		
2011	\$ 292,857	\$	14,643	\$7.00		\$7.00	0	\$ 4,022.63
2012	\$ 278,214	\$	14,643	\$7.00		\$7.00	0	\$ 4,159.40
2013	\$ 263,571	\$	14,643	\$7.00		\$7.00	0	\$ 4,300.82
2014	\$ 248,928	\$	14,643	\$7.00		\$7.00	0	\$ 4,447.05
2015	\$ 234,285	\$	14,643	\$7.00		\$7.00	0	\$ 4,598.25
2016	\$ 219,642	\$	14,643	\$7.00		\$7.00	0	\$ 4,754.59
2017	\$ 205,000	\$	14,643	\$7.00		\$7.00	0	\$ 4,916.25
2018	\$ 190,357	\$	14,643	\$7.00		\$7.00	0	\$ 5,083.40
2019	\$ 175,714	\$	14,643	\$7.00		\$7.00	0	\$ 5,256.24
2020	\$ 161,071	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(\$3,060)	\$ 5,434.95
2021	\$ 146,428	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2022	\$ 131,785	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2023	\$ 117,143	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2024	\$ 102,500	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2025	\$ 87,857	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2026	\$ 73,214	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2027	\$ 58,571	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2028	\$ 43,928	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2029	\$ 29,286	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2030	\$ 14,643	\$	14,643	\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2031				\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2032				\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2033				\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2034				\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2035				\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2036				\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2037				\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2038				\$7.00	(\$3.00)	\$ 4.00	(3,060)	
2039				\$7.00	(\$3.00)	\$ 4.00	(3,060)	
	\$ 292,857						(\$61,200)	

**Exhibit C-2**  
Restated Friant Surcharge Reduction Calculation

**Footnotes**

\* Average annual delivery forecast indicated above is a mutually agreed upon estimate of deliveries during the period 2020-2039 for purposes of calculating the Friant Surcharge reduction and related credits only.

\*\* This figure represents the total cumulative deliveries the reduced surcharge is applicable to, but not beyond 2039. If cumulative actual deliveries exceed this amount prior to 2039, the full Friant Surcharge is applicable to deliveries in excess of this amount.

\*\*\* The difference represents the amount of financing costs that are not offset through the reduced Friant Surcharge computed on this schedule. Pursuant to Section 7(c)(2), this amount shall offset the Contractor's other outstanding or future obligations. After 2020, the Contractor's other obligations shall be reduced in the following order to fully offset this amount: 1) Payments or prepayments due for O&M expenses and, to the extent applicable, 2) Additional Capital Obligation.

@ Amount of reduction in Friant Surcharge is computed using FPV of Financing Costs adjusted to Yr 2020. Annual Friant Surcharge reduction to fully offset Financing costs is computed and presented on a per a/f basis. Friant surcharge may be reduced up to \$3 per a/f.

**Friant Surcharge (FS) Reduction Calculations**

FV of Total Financing Cost for Offset	\$	50,998
Annual Credit Target	\$	(3,439)
FS Reduction w/o limit	\$	(3.37)
FS Reduction limit	\$	(3.00)

**BEFORE THE BOARD OF DIRECTORS  
OF THE  
HILLS VALLEY IRRIGATION DISTRICT**

IN THE MATTER OF:

RESOLUTION NO: 2012-#6

**APPROVING AND AUTHORIZING THE EXECUTION OF A  
CONTRACT WITH THE UNITED STATES AND LEWIS CREEK WATER DISTRICT  
FOR THE ASSIGNMENT OF 250 ACRE-FEET OF LEWIS CREEK WATER  
DISTRICT'S CENTRAL VALLEY PROJECT FRIANT DIVISION CLASS 1 WATER  
TO HILLS VALLEY IRRIGATION DISTRICT**

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

WHEREAS, the United States constructed Friant Dam (thereby creating Millerton Lake) and the Friant-Kern and Madera Canals, hereinafter collectively referred to as the Friant Division Facilities, which will be used in part for the furnishing of CVP Water to Lewis Creek Water District (hereinafter "LCWD") and Hills Valley Irrigation District (hereinafter "HVID"); and

WHEREAS, HVID is a Cross Valley CVP contractor with a contract with Reclamation (Contract No. 14-06-200-8446A-IR14) for 3,346 AF CVP Water from the Sacramento-San Joaquin River Delta (Delta), and is a subcontractor with the County of Tulare on its Cross Valley CVP contract (Contract No. 14-06-200-8293A-IR14); and

WHEREAS, LCWD is a Friant Division Central Valley Project (hereinafter "CVP") contractor with a 9(d) Repayment Contract (Contract No. 14-06-200-1911D) with Reclamation for 1,450 AF of Class 1 agricultural supply with United States Bureau of Reclamation (hereinafter "Reclamation") for a Class 1 allocation of 1,450 acre-feet of CVP water; and

WHEREAS, LCWD ran into some financial management issues in the 1990's and implemented a Financial Recovery Plan (hereinafter "FRP") in 2002, in which LCWD partnered with HVID, with the approval of Reclamation, to resolve the prior financial and administrative issues; and

WHEREAS, under the FRP, HVID provided funds to LCWD in exchange for an annual obligation to transfer 622 AF of LCWD's Class 1 allocation to HVID; and

WHEREAS, HVID and LCWD have since requested Reclamation approval for the assignment of 250 AF of LCWD's Class 1 supply to HVID (hereinafter the "Project"), which

would eliminate and otherwise replace LCWD's annual obligations under the FRP to transfer 622 AF of its' Class 1 supply to HVID; and

WHEREAS, an Environmental Assessment ("EA")/Initial Study ("IS") was jointly prepared for the Project by Reclamation as the federal lead agency to satisfy the requirements of the National Environmental Policy Act ("NEPA") and LCWD as the California lead agency to satisfy the requirements California Environmental Quality Act ("CEQA"); and

WHEREAS, on September 12, 2012, at a duly notice public meeting, the Board of Directors for the LCWD adopted a Negative Declaration for the Project pursuant to the requirements of CEQA, which concludes that the Project will not have a significant effect on the environment; and

WHEREAS, HVID is a California responsible agency pursuant to CEQA, and has reviewed and considered the information in the CEQA documents prepared by LCWD for the Project; and

WHEREAS, Reclamation (on behalf of the United States), LCWD and HVID have negotiated that certain "Agreement for Partial Assignment of Lewis Creek Water District water services and facilities repayment contract to Hills Valley Irrigation District" (hereinafter "Assignment Contract"), which memorializes the terms and conditions for the Project; and

WHEREAS, the HVID Board of Directors has reviewed the Assignment Contract and finds that that the assignment of two hundred and fifty (250) acre-feet of LCWD's CVP Friant Division Class 1 water supply to HVID is in the best interests of the HVID and its landowners, and that the Assignment Contract should be executed in substantially the form attached as Exhibit A hereto, which execution shall occur upon the completion of all necessary approvals for the Project.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Hills Valley Irrigation District:

1. Determines that the foregoing recitals and findings are true and correct, and incorporates them herein by this reference; and
2. Declares that it has reviewed and considered the IS and the Negative Declaration, along with all documents and materials which constitute the record of proceedings for CEQA review for the Project, including all comments received within the LCWD and HVID public comment periods prior to the date of this Resolution; and
3. Finds that there is no substantial evidence in the record to suggest that the Project will have a significant effect on any of the environment; and
4. Approves and authorizes execution of the Assignment Contract by the President and Secretary in substantially the form attached hereto as Exhibit A, which

execution shall be subject to the completion of all necessary approvals for the Project; and

5. Authorizes and directs the Secretary to provide certified copies of the foregoing resolution to the Bureau of Reclamation; and
6. Authorizes and directs the HVID's officers, staff and consultants to take all additional actions they deem necessary or appropriate to facilitate the execution of the Assignment Contract and to comply with its terms and conditions.

All of the foregoing, being on the motion of Director Schroeder, and seconded by Director Nicher, was authorized by the following vote:

AYES: 2  
NOES: 0  
ABSTAINING: 0  
ABSENT: 1

I HEREBY CERTIFY that the foregoing resolution is the resolution of said Hills Valley Irrigation District as duly passed and adopted by said Board of Directors on the Fourteenth day of September, 2012.

WITNESS my hand and seal of the Board of Directors this Fourteenth day of September, 2012.

Dennis R. Keller  
Secretary of the Board of Directors

**BEFORE THE BOARD OF DIRECTORS  
OF THE  
LEWIS CREEK WATER DISTRICT**

IN THE MATTER OF:

RESOLUTION NO: 2012-2013-3

**APPROVING AND AUTHORIZING THE EXECUTION OF A  
CONTRACT WITH THE UNITED STATES AND HILLS VALLEY IRRIGATION  
DISTRICT FOR THE ASSIGNMENT OF 250 ACRE-FEET OF LEWIS CREEK WATER  
DISTRICT'S CENTRAL VALLEY PROJECT FRIANT DIVISION CLASS 1 WATER  
TO HILLS VALLEY IRRIGATION DISTRICT; AND AUTHORIZING FILING OF A  
NOTICE OF DETERMINATION PURSUANT TO THE CALIFORNIA  
ENVIRONMENTAL QUALITY ACT**

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

WHEREAS, the United States constructed Friant Dam (thereby creating Millerton Lake) and the Friant-Kern and Madera Canals, hereinafter collectively referred to as the Friant Division Facilities, which will be used in part for the furnishing of CVP Water to Lewis Creek Water District (hereinafter "LCWD") and Hills Valley Irrigation District (hereinafter "HVID"); and

WHEREAS, LCWD is a Friant Division Central Valley Project (hereinafter "CVP") contractor with a 9(d) Repayment Contract (Contract No. 14-06-200-1911D) with Reclamation for 1,450 AF of Class 1 agricultural supply with United States Bureau of Reclamation (hereinafter "Reclamation") for a Class 1 allocation of 1,450 acre-feet of CVP water; and

WHEREAS, HVID is a Cross Valley CVP contractor with a contract with Reclamation (Contract No. 14-06-200-8446A-IR14) for 3,346 AF CVP Water from the Sacramento-San Joaquin River Delta (Delta), and is a subcontractor with the County of Tulare on its Cross Valley CVP contract (Contract No. 14-06-200-8293A-IR14); and

WHEREAS, LCWD ran into some financial management issues in the 1990's and implemented a Financial Recovery Plan (hereinafter "FRP") in 2002, in which LCWD partnered with HVID, with the approval of Reclamation, to resolve the prior financial and administrative issues; and

WHEREAS, under the FRP, HVID provided funds to LCWD in exchange for an annual obligation to transfer 622 AF of LCWD's Class 1 allocation to HVID; and

WHEREAS, HVID and LCWD have since requested Reclamation approval for the assignment of two hundred and fifty (250) acre-feet of LCWD's Class I supply under Contract No. 175r-4309D to HVID (hereinafter the "Project"), which would eliminate and otherwise replace LCWD's annual obligations under the FRP to transfer 622 AF of its' Class 1 supply to HVID; and

WHEREAS, an Environmental Assessment ("EA")/Initial Study ("IS") was jointly prepared for the Project by Reclamation as the federal lead agency to satisfy the requirements of the National Environmental Policy Act ("NEPA") and LCWD as the California lead agency to satisfy the requirements California Environmental Quality Act ("CEQA"); and will be considered by HVID as a California responsible agency prior to HVID's approval of the Project; and

WHEREAS, the Board of Directors for LCWD has adopted a Negative Declaration for the Project pursuant to the requirements of CEQA, concluding that the Project will not have a significant effect on the environment; and

WHEREAS, Reclamation (on behalf of the United States), LCWD and HVID have negotiated that certain "Agreement for Partial Assignment of Lewis Creek Water District water services and facilities repayment contract to Hills Valley Irrigation District" (hereinafter "Assignment Contract"), which memorializes the terms and conditions for the Project; and

WHEREAS, the LCWD Board of Directors has reviewed the Assignment Contract and finds that assigning two hundred and fifty (250) acre-feet of LCWD Friant Division Class I CVP Water under Contract No. 175r-4309D to HVID is in the best interests of the LCWD and its landowners, and that the Assignment Contract should be executed in substantially the form attached as Exhibit A hereto, which execution shall occur upon the completion of all necessary approvals for the Project.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Lewis Creek Water District:

1. Determines that the foregoing recitals and findings are true and correct, and incorporates them herein by this reference; and
2. Approves and authorizes execution of the Assignment Contract by the President and Secretary in substantially the form attached hereto as Exhibit A, which execution shall be subject to the completion of all necessary approvals for the Project; and
3. Authorizes and directs the Secretary to provide certified copies of the foregoing resolution to the Bureau of Reclamation; and
4. Authorizes and directs LCWD's officers, staff and consultants to take all additional actions they deem necessary or appropriate to facilitate the execution of the Assignment Contract and to comply with its terms and conditions.

NOW, THEREFORE, BE IT FURTHER RESOLVED that Board of Directors for the Lewis Creek Water District authorizes and directs staff to file a Notice of Determination for the Project approval, in substantially the form attached hereto as Exhibit B, pursuant to the requirements of CEQA.

All of the foregoing, being on the motion of Director Murray, and seconded by Director Sliskovich, was authorized by the following vote:

AYES: 4

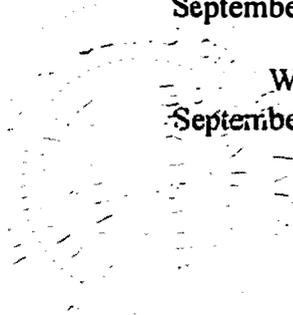
NOES: 0

ABSTAINING: 0

ABSENT: 1

I HEREBY CERTIFY that the foregoing resolution is the resolution of said District as duly passed and adopted by said Board of Directors on the Twelfth day of September, 2012.

WITNESS my hand and seal of the Board of Directors this Twelfth day of September, 2012.

 Assistant Secretary of the Board of Directors  
Quinn R. Kaler  
Secretary of the Board of Directors