# UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

CONTRACT BETWEEN THE UNITED STATES
AND THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT
FOR DELIVERY OF WATER AND REPAYMENT OF COSTS OF THE
CENTRAL ARIZONA PROJECT

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UNITED STATES
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CONTRACT BETWEEN THE UNITED STATES
AND THE CENTRAL ARIZONA WATER CONSERVATION DISTRICT
FOR DELIVERY OF WATER AND REPAYMENT OF COSTS OF THE
CENTRAL ARIZONA PROJECT

1. PARTIES

The parties to this contract, executed as of this 15th day
of December, 1972, are the United States of America, acting
through the Department of the Interior, and the Central Arizona Water
Conservation District, a water conservation district organized under
the laws of Arizona, with its principal place of business in Phoenix, Arizona.

2. AUTHORITIES

This contract is made pursuant to:

2.1 Act of June 17, 1902, 32 Stat. 388, and acts amendatory
thereof and supplementary thereto.

2.2 Boulder Canyon Project Act, approved December 21, 1928,
45 Stat. 1057, a supplement to the Federal Reclamation Laws.

2.3 Reclamation Project Act of 1939, approved August 4, 1939,
53 Stat. 1187, as amended.

2.4 Colorado River Basin Project Act, approved September 30,

2.5 Arizona Revised Statutes, §§ 45-2601 et seq.
3. RECITALS

3.1 The Colorado River Basin Project Act provides, among other things, that for the purposes of furnishing irrigation water and municipal and industrial water supplies to water-deficient areas in Arizona and western New Mexico through direct diversion or exchange of water, control of floods, conservation and development of fish and wildlife resources, enhancement of recreation opportunities, and for other purposes, the Secretary of the Interior shall construct, operate, and maintain the Central Arizona Project, consisting of the principal works hereinafter described in Article 6.3.

3.2 Pursuant to the provisions of Arizona Revised Statutes, §§ 45-2601 et seq., the Central Arizona Water Conservation District has been organized with the power to enter into a contract or contracts with the Secretary of the Interior to accomplish the purposes of Arizona Revised Statutes, §§ 45-2601 et seq.

4. ARTICLES OF AGREEMENT

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

5. DEFINITIONS

When used herein, unless otherwise distinctly expressed, or manifestly incompatible with the intent hereof, the terms:
5.1 "Federal Reclamation Laws" or "Reclamation Laws" shall mean the Act of June 17, 1902, 32 Stat. 388, and all acts amendatory thereof or supplementary thereto.

5.2 "Basin Project Act" shall mean the Colorado River Basin Project Act, 82 Stat. 885, dated September 30, 1968, which is a supplement to the Federal Reclamation Laws.

5.3 "Secretary" shall mean the Secretary of the Interior of the United States.

5.4 "Contracting Officer" shall mean the Secretary or his authorized designee acting in his behalf.

5.5 "Contractor" shall mean the Central Arizona Water Conservation District, organized pursuant to Arizona Revised Statutes, §§ 45-2601 et seq.

5.6 "Service area" shall mean the area now included within the Central Arizona Water Conservation District, consisting of Maricopa, Pinal, and Pima Counties of Arizona and such other counties as may hereafter become part of the District, exclusive of any Indian reservation land lying wholly or partly within said Counties.

5.7 "Subcontractor" shall mean any irrigation district, municipality, individual, or any entity which enters into a water service contract, water delivery contract, or water exchange contract with the United States and the Contractor in furtherance of the provisions of the Basin Project Act.
5.8 "Central Arizona Project" or "project" shall mean the project and works authorized by Section 301(a) of the Basin Project Act and constructed by the United States pursuant to the provisions of said Act and this contract.

5.9 "Project works" shall mean the principal works described in Section 301(a) of the Basin Project Act, and appurtenances thereto, or as modified pursuant to Article 6.4 hereof, together with lands, interests in lands, and rights-of-way for such works and appurtenances.

5.10 "Separate feature of the project" shall mean (a) Hooker Dam, (b) Charleston Dam and San Pedro Aqueduct, or (c) the remaining principal works of the project listed in Subarticle 6.2(a) which is hereinafter referred to as "main system." The main system shall also include any other separate feature or features of the project if constructed concurrently with the main system, as determined by the Secretary.

5.11 "Water supply system" shall mean the facilities, including appurtenant works, of the project necessary to divert and convey the project water supply to Contractor's service area, but shall not include any distribution works.

5.12 "Distribution works" shall mean those facilities constructed or financed by the United States under the authorization in Section 309(b) of the Basin Project Act for the primary purpose of
distributing the project water supply to irrigable lands in the
service area after said project water supply has been transported
or delivered through the water supply system.

5.13 "Agricultural water" or "irrigation water" shall mean project
water used primarily in the commercial production of agricultural crops
or livestock, including domestic use incidental thereto.

5.14 "Miscellaneous water" shall mean water delivered from
the project, or by exchange for project water, for recreational and
fish and wildlife purposes at other than project facilities and shall
be considered in the water and cost allocations to irrigation but shall
have a lesser priority of use than agricultural water.

5.15 "Municipal and industrial water," hereinafter referred
to as "M&I," shall mean water other than agricultural or miscellaneous
water delivered by means of the project works.

5.16 "Lands not having a recent irrigation history" shall
mean, except where otherwise determined by the Secretary for efficiency
of Subcontractor's operation, lands which the Secretary determines
were not irrigated during the period September 30, 1958, to
September 30, 1968.

5.17 "OM&R" shall mean the care, operation, maintenance, and
replacement of project works.
5.18 "Exchange water" shall mean Colorado River water made available in exchange for or in replacement of existing supplies from surface sources other than the mainstream of the Colorado River.

5.19 "Transferred works" shall mean the separate features of the project or such facilities of the water supply system as to which OM&R responsibility is transferred from the United States.

5.20 "Operating Agency" shall mean the entity or entities authorized to assume OM&R responsibility of transferred works and approved for that purpose by the Contracting Officer.

5.21 "Transfer notice" shall mean a written notice or notices, numbered consecutively, which the Contracting Officer transmits to the Operating Agency and which shall designate:

(a) the transferred works;

(b) items of equipment and supplies available for transfer to the Operating Agency; and

(c) the date upon which such transfer will be effected.

5.22 "Gila River system waters" shall mean waters of the Gila River and tributaries thereof east of the Yuma-Maricopa County line.

5.23 "Notice of completion" shall mean the notice or notices which the Contracting Officer issues to Contractor to announce the substantial completion of a separate feature of the project, or of
the entire project if constructed concurrently, thereby initiating
the payments therefor allocated to Contractor.

5.24 "Development Fund" shall mean the separate fund, known
as the Lower Colorado River Basin Development Fund, established in
the Treasury of the United States pursuant to Section 403(a) of the
Basin Project Act.

5.25 "Year" shall mean the period January 1 through the next
succeeding December 31.

5.26 "Contractor's Construction Cost Repayment Obligation,"
hereinafter referred to as "repayment obligation," shall mean the total
amount of all construction costs, O&M costs during construction,
and interest on costs allocated to the M&I and power functions during
construction, of the Central Arizona Project, incurred therefor
and as determined by the United States and further described in
Article 6.2 hereof, excluding reimbursable costs allocated to fish
and wildlife and recreation, and costs associated with the delivery
of water to entities other than the Contractor or Subcontractors, and
which is determined by the Secretary, after consultation with the
Contractor, to be allocable to and repayable by the Contractor in
accordance with the provisions of the Basin Project Act and this contract.

5.27 "Separate feature repayment obligation" shall mean that
portion of the repayment obligation allocated by the Secretary to a
separate feature of the project.
5.28 "Return flow" shall mean all agricultural, M&I, and miscellaneous waste water, seepage, and ground water which originates or results from water contracted for from the Central Arizona Project.

5.29 "Project water" shall mean (a) Colorado River mainstream water, (b) all other water conserved and developed by Central Arizona Project dams and reservoirs and lawfully available for delivery by the United States, and (c) return flow captured by the Secretary for project use.

5.30 "Indian lands" shall mean the lands within any Indian reservation for which an allocation of project water has or will be made by the Secretary for delivery through project works.

5.31 "Navajo Project" shall mean the interests of the United States in the Navajo Generating Station and the Transmission System, or any replacement thereof, as authorized by Section 303 of the Basin Project Act and as described in contracts entered into pursuant to that Act.

6.  PROJECT CONSTRUCTION

6.1 Agreement of the United States. Subject to the terms and conditions of this contract and within the limits of the funds made available therefor by Congress, the United States will expend toward the construction of the project, exclusive of interest costs during construction, not to exceed $832,180,000 based on 1967 cost estimates,
plus or minus such amounts, if any, as may be justified by reason of
ordinary fluctuations in construction costs as indicated by engineering
cost indices applicable to the types of construction involved therein,
or so much of such amount, as in the opinion of the Secretary, is
necessary to construct said project, whichever amount is the lesser.
The aforementioned amount includes the United States' costs of
participation in the Navajo Project.

6.2 Costs of Project.

(a) The estimated construction cost of $832,180,000 for the
project, based upon 1967 prices, has been arrived at as follows:

<table>
<thead>
<tr>
<th>Main System</th>
<th>$ 1,000's</th>
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<tr>
<td>Granite Reef Division</td>
<td>407,740</td>
</tr>
<tr>
<td>Orme Division</td>
<td>42,340</td>
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<tr>
<td>Salt-Gila Division</td>
<td>47,170</td>
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<tr>
<td>Tucson Aqueduct (Colorado River source)</td>
<td>46,300</td>
</tr>
<tr>
<td>Buttes Dam</td>
<td>35,240</td>
</tr>
<tr>
<td>Navajo Project</td>
<td>106,000</td>
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<td>Subtotal</td>
<td>684,790</td>
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<tr>
<td>Hooker Dam</td>
<td>$ 31,730</td>
</tr>
<tr>
<td>Charleston Dam &amp; San Pedro Aqueduct (San Pedro River source)</td>
<td>36,420</td>
</tr>
<tr>
<td>Subtotal</td>
<td>68,150</td>
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Miscellaneous Features

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<tr>
<td>*Gila River Division</td>
<td>5,250</td>
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<tr>
<td>Indian Distribution System</td>
<td>19,970</td>
</tr>
<tr>
<td>Colorado River Division</td>
<td>42,450</td>
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<tr>
<td>Drainage System</td>
<td>11,570</td>
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Subtotal 79,240

Total Project 832,180

*Note: Fish hatchery costs, some of which may be located on the Colorado River.

Provided, however, That (i) the adjustment provisions of Subarticle 6.1 apply to the total construction costs of the project and not to the costs of the individual line items set out in this Subarticle 6.2(a), and (ii) in accordance with provisions of Article 6.4 herein, the references to the individual line items set out in this Subarticle 6.2(a) are not to be deemed a determination that each of the features referred to in the individual line items will be constructed or that costs will be incurred for each of said individual line items based upon a percentage which the estimated costs for each individual line item bears to the project's total estimated construction costs.

(b) The Central Arizona Project costs incurred by the United States which are to be repaid by Contractor shall include
the share allocated to the Contractor of (i) construction costs of the project, (ii) all expenses of whatsoever kind or nature heretofore or hereafter incurred by the United States in connection with, growing out of, or resulting from the construction, and (iii) the OM&R during construction of project works. The aforementioned share of allocated costs shall also include, but shall not be limited to, interest during construction on costs allocated to the M&I and power functions, the cost of labor, materials, equipment, engineering, legal services, surveys, investigations, property, superintendence, administration, overhead, general expenses, special services, damages of all kinds and character, inspection, repair, and protection of project works and water supply, and the costs of all lands, interests in lands, and rights-of-way acquired by the United States for the project, all as determined by the Secretary.

6.3 Principal Works of Project. The works and facilities to be constructed under this contract shall consist of the following principal works:

(a) A system of main conduits and canals, including a main canal and pumping plants (Granite Reef Aqueduct and pumping plants), for diverting and carrying water from Lake Havasu to Orme Dam or suitable alternative, which system will have a capacity of 3,000 cubic feet per second;
(b) Orme Dam and Reservoir and pumping plants or suitable alternative;

(c) Buttes Dam and Reservoir;

(d) Hooker Dam and Reservoir or suitable alternative which shall be constructed in such manner as to give effect to the provisions of Section 304(f) of the Basin Project Act;

(e) Charleston Dam and Reservoir and the San Pedro Aqueduct;

(f) Tucson aqueduct and pumping plants;

(g) Salt-Gila aqueducts;

(h) related canals, regulating facilities and electric transmission facilities required for the operation of said principal works;

(i) related water distribution and drainage works; and

(j) appurtenant works.

No works or facilities for the treatment of water are included in the project works to be constructed by the United States. Nothing contained herein shall be construed to indicate the order in which the aforedescribed works will be constructed.

6.4 Changes in Project Works. Should the Secretary, either before or during construction, determine it to be in the best interests of the project, he may, upon the completion of studies currently being made or to be made, including land classifications, hydrological,
engineering, geological, sedimentation, water supply, and repayment
ability, and after consultation with the Contractor, change the location,
size, or capacity of any of the project works, or may eliminate
works, including one or more of the separate features other than the
main system, or add works to those described above, and the Secretary's
decision on such changes, eliminations, and additions shall be
conclusive.

6.5 Construction Conditions. The United States shall be under
no obligation to commence or, having commenced, to continue construction
of project works until transfer from the State of Arizona of such
State-owned lands or interests therein, in a form acceptable to the
Attorney General of the United States, as the Secretary determines
is necessary in the construction, operation, or maintenance of the
project.

6.6 Annual Work Program. During construction of the project
works the Contracting Officer will consult with the Contractor and/or
with any Subcontractor through or within whose service area project
works are to be constructed to achieve maximum coordination between
such construction program and the annual programs of any affected
Subcontractor. Within 30 days following the enactment by
Congress and Presidential approval of annual or supplementary
appropriation acts and the allotment of funds thereunder for continued
collection of the project, the United States will furnish the
Contractor with a notice and statement showing the proposed construction
program for the balance of the current fiscal year and for the following
fiscal year or years. If so requested in writing by the Contractor
within 30 days of its receipt of such notice, the Secretary
will consult with the Contractor and/or the affected Subcontractor
with respect to the proposed program. The action of the Contracting
Officer concerning the program after such consultation shall be final.

6.7 Inability of the United States to Complete Project on Basis
of Cost Estimates. If construction of the project works shall have
been commenced but, prior to completion, the Secretary determines
that the cost of constructing the project will exceed the maximum
amount to be expended therefor by the United States as provided for
in Article 6.1 hereof, the Secretary may after consultation with the
Contractor terminate construction and declare the obligations of the
United States hereunder with regard to completion of construction
of the project to have been fulfilled. If appropriations for the
continuance and/or completion of construction in amounts sufficient
in the opinion of the Secretary to complete said construction are
authorized by Congress and are available, the Secretary shall consult
with the Contractor and shall make continuation of construction

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Art. 6.7
contingent upon the execution of an amendatory contract with the
Contractor wherein the Contractor's maximum repayment obligation is
increased so as to cover the increased reimbursable costs as determined
by the Secretary; Provided, however, That the Contractor shall not utilize
any part of the completed or unfinished project facilities in
the absence of written agreement with the Secretary for reimbursement
therefor.

7. PROJECT OPERATION, MAINTENANCE, AND REPLACEMENT

7.1 Operation and Maintenance and Water Deliveries by the
United States Prior to Completion of Construction. Prior to completion
of project works by the United States, as determined and announced
to the Contractor in writing by the Secretary, the United States will
operate and maintain said project facilities. The cost of said OM&R
allocated to the Contractor shall be included in the Contractor's
repayment obligation; Provided, however, That said OM&R cost shall
not be included within the project cost ceiling set out in Article 6.1
hereof. During the aforesaid period, project water, if available,
may be disposed of by the Secretary at charges which the Secretary
determines to be appropriate; Provided, however, That to the extent
deemed feasible by the Secretary, preference will be given to
Subcontractors and Indian lands. Payment for water shall be made in
advance by the water user. The places of measurement and delivery of
said water shall be established by the Secretary after consultation

Art. 7., 7.1
with the Contractor. The proceeds accruing from the disposal of such
water shall be credited to the Development Fund and applied toward
the costs of the project as determined by the Secretary.

7.2 Operation and Maintenance and Water Deliveries after
Completion of Construction. Upon completion of construction of a
separate feature of the project and upon completion of construction
of the project, the United States shall operate and maintain the
project and shall make water available to water users therefrom until
such time as the United States transfers OM&R responsibility
to the Operating Agency pursuant to a contract therefor to be entered
into.

8. DELIVERY OF WATER:

8.1 Obligation of United States. Subject to the terms, conditions,
and provisions set forth herein, the United States will deliver project
water to Contractor and during such periods as it operates and maintains
the water supply system the United States will also transport and
deliver said water to the Subcontractors. After transfer of OM&R the
United States will make deliveries of Colorado River water to the
Operating Agency; deliveries of other project waters will be made
pursuant to rules and regulations issued by the Secretary.

8.2 Term of Contract. Subject to the terms, conditions, and
provisions set forth herein, this contract is for permanent service.
8.3 Conditions Relating to Delivery.

(a) The obligation of the United States to deliver water under this contract is subject to:

(i) The availability of such water for use in Arizona under the provisions of the Colorado River Compact, executed November 24, 1922; the Boulder Canyon Project Act, 45 Stat. 1057, dated December 21, 1928; the Colorado River Basin Project Act, dated September 30, 1968, 82 Stat. 885; the contract between the United States and the State of Arizona, dated February 9, 1944; the Opinion of the Supreme Court of the United States in the case of Arizona v. California et al., 373 U.S. 546, rendered June 3, 1963; and the March 9, 1964, Decree of that Court in said case, 376 U.S. 340, as now issued or hereafter modified.

(ii) Executive A, Seventy-eighth Congress, Second Session, a treaty between the United States of America and the United Mexican States, signed at Washington on February 3, 1944, relating to the utilization of the waters of the Colorado River and Tijuana River and of the Rio Grande from Fort Quitman, Texas, to
the Gulf of Mexico, and Executive H,

Seventy-eighth Congress, Second Session, a
protocol signed at Washington on November 14,
1944, supplementary to the Treaty, all hereinafter
referred to as the Mexican Water Treaty.

(iii) The express understanding and agreement by the
Contractor that this contract is subject to
the condition that Hoover Dam and Lake Mead shall
be used: first, for river regulation, improvement
of navigation, and flood control; second, for
irrigation and domestic uses and satisfaction of
present perfected rights in pursuance of Article VIII
of the Colorado River Compact approved by
Section 13(a) of the Boulder Canyon Project Act;
and third, for power; and furthermore, that
this contract is made upon the express condition
and with the express covenant that all rights
hereunder shall be subject to and controlled by the
Colorado River Compact and that the United States
and the Contractor shall observe and be subject
to and controlled by said Colorado River Compact
and Boulder Canyon Project Act in the construction,
management, and operation of Hoover Dam,
Lake Mead, canals and other works, and the
storage, diversion, delivery, and use of water
to be delivered to Contractor hereunder.

(iv) The right of the United States temporarily
to discontinue or reduce the amount of water to
be delivered hereunder whenever such discontinuance
or reduction is made necessary for purposes of
investigations, inspections, replacements,
maintenance, or repairs to any works whatsoever
affecting, utilized or, in the opinion of the
Secretary, necessary for delivery of water hereunder,
it being understood that so far as feasible the
United States will (1) do so during periods of low
water demands and (2) give reasonable notice in
advance of such temporary discontinuance or
reduction.

(b) Delivery of Colorado River water by the United States
under this contract shall be charged to the State of Arizona's
apportionment under the aforementioned Supreme Court Decree of
March 9, 1964, in Arizona v. California and will discharge to that
extent the obligation of the United States to deliver water under

Art. 8.3
the aforementioned contract between the United States and the State of
Arizona, dated February 9, 1944.

8.4 Delivery Points. Colorado River water to be furnished to the
Contractor pursuant to this contract will be delivered by the
United States in the Colorado River at the point of diversion
from Lake Havasu where the intake structures of the pumping plant
are constructed. Gila River system waters will be delivered to the
Contractor at Charleston, Buttes, and Orme Dams. Delivery points for
return flow will be determined by the Contracting Officer after
consultation with the Contractor and/or the Subcontractor therefor.

8.5 Measurement.

(a) The quantity of Colorado River water pumped from
Lake Havasu for the project shall be measured by means of measuring
devices to be installed as part of the project works. If, for
any reason, in the opinion of the Secretary, said measuring devices
shall fail to operate satisfactorily, the Secretary will, from the
best information available, estimate the amount of water delivered
to the Contractor.

(b) Deliveries of project water to the various
Subcontractors shall be measured by means of measuring devices to
be installed as part of the project works at the points along the
various aqueducts at which such water may be diverted for each of

Art. 8.4, 8.5
said Subcontractors, and/or at the points in the various reservoirs formed by the dams constructed as part of the project works at which such water may be diverted for Subcontractors and/or at the points where return flow may be delivered. These points of measurement will be established by the Secretary after consultation with Contractor and the affected Subcontractor. If, for any reason, in the opinion of the Secretary, said measuring devices shall fail to operate satisfactorily, the Secretary will, from the best information available and after consultation with the Contractor and the affected Subcontractor, estimate the amount of water delivered to each Subcontractor. The Secretary shall at all times have access over any lands and rights-of-way of a Subcontractor for the purpose of inspecting and checking said measuring devices.

8.6 Responsibility for Distribution of Water after Leaving Water Supply System. Whether or not the United States operates and maintains the project facilities, the United States shall not be responsible for the control, carriage, handling, use, disposal, or distribution of water after said water has been diverted from the water supply system. At such time as the Operating Agency assumes responsibility for the OM&R of project works, the responsibility for diversion, carriage, and transportation of the water through the water supply system shall be the sole responsibility of the
Operating Agency. Responsibility for distribution of water beyond the water supply system shall be that of the Subcontractors to whom said water is delivered from the water supply system. Nor shall the United States, its officers, agents, and employees, be liable for damage or claim of damage of any nature whatsoever for which there is legal responsibility arising out of or connected with the control, carriage, handling, use, disposal, or distribution of such water, and each Subcontractor shall hold the United States, its officers, agents, and employees, harmless from any and all such claims.

8.7 Quantity of Water to be Delivered.

(a) The Secretary reserves the right to determine that quantity of Colorado River water to be released each year from Lake Mead for use by the Central Arizona Project pursuant to applicable law, which shall include the quantity of water which may be allocated by the Secretary for use on Indian lands.

(b) The quantity of Colorado River water available under this contract for project purposes shall not exceed the quantity of water available to Arizona under the aforementioned Supreme Court Decree in Arizona v. California and in Arizona’s water delivery contract with the United States after first providing for satisfaction of:
(i) present perfected rights and perfected rights described in Article II(D) of the Decree and the rights of other Federal reservations established prior to September 30, 1968; Provided, however, that the quantities of Colorado River water reserved to satisfy the aforesaid rights shall not, except as provided in said Decree, be reduced under any circumstances or for any reason whatsoever including, without limitation, a temporary use permitted by the Secretary by other water users in Arizona, California, or Nevada, of water reserved pursuant to the foregoing but not needed during any calendar year; And provided further, That no rights to the recurrent use of such water shall accrue by reason of said temporary use; and

(ii) the quantities of water provided for in all water delivery contracts between the United States and water users in Arizona as of September 30, 1968.

(c) The quantity of Colorado River water available under this contract for project purposes, including water for use on Indian
lands shall have the same priority as to delivery as the quantities of
Colorado River water delivered pursuant to:

(i) contracts between the United States and water
users in Arizona entered into heretofore but
subsequent to September 30, 1968; Provided, however,
That the Contractor shall hold the United States,
its officers, agents, employees, and successors
or assigns, harmless as to any and all claims
for damages to persons or to property direct or
indirect and of whatever nature, arising out of
or which may in any manner be connected with the
operation and/or effect of this Subarticle; and

(ii) water delivery contracts and arrangements entered
into subsequent to the date of this contract
for use on Federal, State, or privately owned
lands along the Colorado River between the Secretary
and the Federal and/or State agencies charged with
the administration of said lands and/or the owners
thereof.
8.8 Subcontracts.

(a) The United States shall be a party to subcontracts.

(b) The Secretary and the Contractor shall require in each subcontract that:

(i) unless and until otherwise provided by Congress, water from the Central Arizona Project shall not be made available directly or indirectly for the irrigation of lands not having a recent irrigation history, as determined by the Secretary, except in the case of Indian lands, national wildlife refuges, and, with the approval of the Secretary, State-administered wildlife management areas;

(ii) there be in effect measures, adequate in the judgment of the Secretary and the Contractor, to control expansion of irrigation from aquifers affected by irrigation in the contract service area and to reduce pumping of ground water in the agricultural Subcontractors' service areas by the amount of project water received by said agricultural Subcontractors.

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(iii) the canals and distribution systems through which water is conveyed after its delivery to the Subcontractors shall be provided and maintained with linings adequate in the Secretary's judgment to prevent excessive conveyance losses;

(iv) neither the Secretary, the Contractor nor any Subcontractor shall pump or permit others to pump ground water from within the exterior boundaries of the service area of a Subcontractor receiving water from the Central Arizona Project for any use outside of said Subcontractor's service area unless the Secretary, the Contractor, and such Subcontractor shall agree, or shall have previously agreed, that a surplus of ground water exists and that drainage is or was required.

(v) neither the Contractor nor any Subcontractor shall sell or otherwise dispose of or permit the sale or other disposition of any project water, including return flows, for use outside the Contractor's service area;

(vi) irrigation water made available thereunder may be made available by the Secretary for M&I
purposes if and to the extent that such water
is no longer required by the Subcontractor for irrigation
purposes and shall be made available in all cases
where lands receiving project water have been
converted to municipal or industrial use; Provided,
however, That Subcontracts effectuating such
transfers are subject to the approval of the
Secretary and the Contractor, which approval shall
not be withheld unreasonably; And provided further,
That it shall be deemed unreasonable for the
Secretary or the Contractor to withhold such
approval on the basis that the right to convert
from irrigation to M&I use for a specific development
could better be exercised in some other Subcontractor's
service area. The water so converted from
irrigation to M&I purposes will be delivered with
the same priority and at the same rate per acre-foot
as other M&I water. Likewise, subcontracts for
furnishing water for M&I purposes shall provide
that, if water to be delivered thereunder is not
presently required for such purposes, such water
may be made available by the Secretary to other
users; Provided, further, That the Subcontractor
shall be relieved of its payment obligation under
its Subcontract only to the extent of the amount
paid by such other users.

(vii) the acreage limitation provisions of the Reclamation
Laws shall apply, except in the case of Indian
lands, to irrigable lands held in private ownership
by any one owner in excess of 160 irrigable acres
within the Contractor's service area which are
furnished project water through project facilities for
irrigation use; Provided, however, That in the
event the Congress of the United States repeals or
amends the excess lands provisions of the Federal
Reclamation Laws, the United States agrees, at the
option of the Contractor and/or Subcontractor,
to negotiate amendments of appropriate articles of
the subcontract, consistent with the provisions
of such repeal or amendment.

(viii) except as specifically provided therein, it shall
be subject to the provisions of this contract
which shall be controlling in the event of any
inconsistency between this contract and any subcontract.
(ix) the Subcontractor shall levy all necessary assessments, tolls, and other charges and shall use all of the authority and resources available to the Subcontractor to collect the same in order that the Subcontractor may meet its obligations thereunder to make in full all payments required under said subcontract on or before the date such payments become due and to meet other obligations under the subcontracts.

(x) the Subcontractor establish, maintain, and provide the United States and the Contractor with land, water use, and crop census records.

8.9 Shortages. As provided in Section 301(b) of the Basin Project Act, Article II(B)(3) of the Decree of the Supreme Court of the United States in Arizona v. California, 376 U.S. 340, dated March 9, 1964, shall be so administered that in any year in which, as determined by the Secretary, there is insufficient mainstream Colorado River water available for release to satisfy the annual consumptive use of 7,500,000 acre-feet in Arizona, California, and Nevada, diversions from the mainstream of the Colorado River for the Central Arizona Project and for other uses in Arizona under contracts or other agreements with the United States executed
subsequent to September 30, 1968, shall be so limited as to assure
the availability of water in quantities sufficient to provide for
the aggregate annual consumptive use by holders of present perfected
rights, by other users in the State of California served under
contracts existing as of September 30, 1968, with the United States
by diversion works heretofore constructed, and by other Federal
reservations in California of 4,400,000 acre-feet of Colorado River
water, and by users of the same character in Arizona and Nevada. Water
users in the State of Nevada shall not be required to bear shortages
in any proportion greater than would have been imposed in the absence
of said Section 301(b), nor shall said Section affect the relative
priorities, among themselves, of water users in Arizona, California,
and Nevada which are senior to diversions for the Central Arizona
Project, or amend any provisions of said Decree. The aforesaid
limitation stated in Section 301(b) shall not apply so long as the
Secretary shall determine and proclaim that means are available and
in operation which augment the water supply of the Colorado River system
in such quantity as to make sufficient Colorado River mainstream
water available for release to satisfy annual consumptive use of
7,500,000 acre-feet in Arizona, California, and Nevada.

8.10 Rate of Diversions of Colorado River Water. Subject to
(a) the first proviso in Section 301(a) of the Basin Project Act,
(b) the provisions of Subarticle 10.6(a) hereof, and (c) the
provisions of Subarticle 8.7(a) hereof, any capacity in the Granite Reef Aqueduct in excess of 2,500 cubic feet per second may be utilized in the operations of the project so as to maximize project benefits; Provided, however, That the use of such capacity shall not result in the annual diversion of a quantity of water in excess of the project's legal entitlement under the Basin Project Act.

8.11 Priority in Case of Shortage. Subject to the provisions of Section 304(e) of the Basin Project Act, any water furnished through project facilities shall, in the event of shortages, be reduced pro rata until exhausted, first for miscellaneous uses and next for agricultural uses, before water furnished for M&I uses is reduced. Thereafter, water for M&I uses will be reduced pro rata among all M&I water users. Each subcontract or other water delivery arrangement entered into pursuant to this contract shall so provide. This article shall not apply to Indian uses; Provided, however, That the relative priorities between Indian and non-Indian uses shall be as determined by the Secretary.

8.12 No Guarantee of Availability of Water. The United States assumes no responsibility with respect to the quantity of water available for delivery pursuant to this contract. In no event shall the United States, its officers, agents, or employees, be liable for any damages, direct or indirect, of whatsoever nature, arising out of or in any way connected with any suspension or reduction in the delivery of water pursuant to this contract or with any shortage

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in the quantity of water available for delivery hereunder or to any
Subcontractor for any cause whatsoever including, but not limited to,
drought, delay in the construction of the Navajo Project, the failure
of the Navajo Project to be completed, or the lack of power for
pumping.

8.13 Secretarial Control of Return Flow.

(a) The Secretary reserves the right to capture all return
flow flowing from the exterior boundaries of the Contractor as a
source of supply and for distribution to and use of the Central Arizona
Project to the fullest extent practicable. The Secretary also
reserves the right to capture for project use return flows within the
boundaries of Contractor if in his judgment such return flow is not
being put to a beneficial use. Any Subcontractor may sell its return
flow; Provided, however, That such return flow may not be sold
for use outside the Contractor’s exterior boundaries; And provided
further, That if the price received for such return flow is higher than
the price paid for project water, the amount of the excess price
shall be paid by such Subcontractor to the Contractor for application
against the Contractor’s repayment obligation to the United States.

(b) Any return flow captured by the United States and
determined by the Secretary to be suitable and available for use on
lands within the service area and/or by any Subcontractor therein may
be delivered by the United States to a Subcontractor as a part of
the water supply for which the Subcontractor contracts hereunder and
such water shall be accounted and paid for pursuant to the provisions
hereof.

8.14 Water and Air Pollution Control. The Contractor and all
Subcontractors shall comply fully with all applicable Federal laws,
orders, and regulations, and the laws of the State of Arizona, all
as administered by appropriate authorities, concerning the pollution
of streams, reservoirs, ground water, or water courses with respect
to thermal pollution or the discharge of refuse, garbage, sewage
effluent, industrial waste, oil, mine tailings, mineral salts,
or other pollutants, and concerning the pollution of the air with respect
to radioactive materials or other pollutants.

8.15 Quality of Water. The operation and maintenance of
project facilities shall be performed in such manner as is practicable
to maintain the quality of raw water made available through such
facilities at the highest level reasonably attainable as determined by
the Contracting Officer. The United States does not warrant the
quality of water and is under no obligation to construct or furnish
water treatment facilities to maintain or better the quality of water.

8.16 Exchange Water. Where the Secretary determines that
a Subcontractor is physically able to receive Colorado River
mainstream water in exchange for or in replacement of existing
supplies of surface water from sources other than the Colorado River
to provide water supplies for users upstream from Orme and Buttes Dams,
the Secretary may require that said Subcontractor agree to accept said
mainstream water in exchange for or in replacement of said existing
supplies pursuant to the provisions of Section 304(d) of the
Basin Project Act.

8.17 Rights Reserved to the United States to Have Water Carried
by Project Facilities. As a condition to the construction of project
facilities and the delivery of water hereunder, the Contractor agrees
that all project facilities will be available for the diversion,
transportation, and carriage of water for Indian and non-Indian uses
pursuant to arrangements or contracts therefor entered into on their
behalf with the Secretary. In the event the responsibility for the
OM&R of project facilities is transferred to and assumed by the
Operating Agency, such transfer shall be subject to the condition that
the Operating Agency shall divert, transport, and carry such water for
such uses pursuant to the provisions of the aforesaid arrangements or
contracts; Provided, however, That the aforesaid arrangements or contracts
will include provisions for the payment of applicable construction costs
and of OM&R costs allocable to the delivery of water thereto based upon
the ratio obtained by dividing the estimated amount of project water
delivered to or to be made available thereunder to entities other than
the Contractor, the Subcontractors, and those entities in New Mexico to
whom project water will be made available from Hooker Dam by the
total amount of project water that will be available for
project use and that the Contractor will not be responsible for the
payment of said costs.

9. **PAYMENT OF PROJECT COSTS ALLOCATED TO CONTRACTOR**

9.1 **Allocation of Construction Costs.**

(a) Upon completion of the main system or other separate
feature the Secretary shall allocate the costs of construction as
provided in the Basin Project Act. The allocation will be made by
the separable costs-remaining benefits method.

(b) For repayment purposes the reimbursable cost allocated
to irrigation and M&I by the separable costs-remaining benefits method
will be combined and will hereinafter be termed the "water supply
allocation." When construction of the main system or other separate
feature is substantially complete and at the periodic intervals
specified in Subarticle 9.3(c), suballocation of the water supply
allocation will be made to the irrigation and M&I functions proportional
to the water estimated to be used for each purpose during the
repayment period. The cost thus suballocated to the irrigation
function will hereinafter be termed the "noninterest-bearing
allocation." The cost thus suballocated to the M&I function shall be
added to the cost allocated to the commercial power function, plus
interest during construction for each, and the sum will hereinafter be
termed the "interest-bearing allocation."

(c) During construction, simple interest at the rate of
3.342 percent per annum shall be charged on costs allocated to the
interest-bearing function as adjusted by the Secretary (i.e., net
disbursements reduced by contract holdbacks, revenues applied to
construction cost, and nonreimbursable expenses financed from
construction funds). The total amount of all interest thus accumulated
through the construction period prior to the date of completion of
the main system and other separate features of the project, as
established by announcement of the Contracting Officer, shall,
respectively, be added to and become part of the actual construction
cost of the main system and each separate feature of the project.
Interest during construction shall not accrue during any period in
which construction is deferred or postponed by the United States as a
result of a national emergency, all as determined by the Secretary,
if authority to forego such interest exists or is made available to
the Secretary.

9.2 Repayment Concepts.

(a) Costs suballocated to non-Indian irrigation water will
be repaid by the Subcontractors to the extent of their ability to pay.
(b) Costs allocated to commercial power and costs suballocated to M&I water use shall be combined and repaid with interest at a rate of 3.342 percent on the unpaid balance. Revenues received from each function, available in accordance with the Basin Project Act, shall be applied first toward retirement of the combined obligation. After retirement of that obligation such revenues shall be applied to assist irrigation revenues in retirement of the noninterest-bearing allocation within the repayment period.

(c) Reimbursable costs allocated to recreation and fish and wildlife are anticipated to be covered by a separate contract and repaid by the beneficiaries thereof.

(d) Repayment of costs allocated to irrigation of Indian lands shall be governed by the provisions of Section 402 of the Basin Project Act.

9.3 Contractor's Construction Cost Repayment Obligation.

(a) The repayment obligation shall consist of the total cost allocated to the water supply and power functions plus O&M&R during construction and interest during construction on costs allocated to the M&I and power functions, but shall not include costs allocated to fish and wildlife and recreation, and costs associated with the delivery of water to entities other than the Contractor or Subcontractors. Such entities shall include but not be limited to
Indian tribes and councils in central Arizona receiving project water and the New Mexico recipients of water service from Hooker Dam.

The costs to be excluded shall be calculated as follows:

(i) Hooker Dam costs excluded from the repayment obligation shall be determined by multiplying the project costs allocated to the water supply function by the ratio developed by dividing the quantity of project water made available throughout the repayment period to water users in Arizona in exchange for water made available to users in New Mexico from or by means of project works, by the total quantity of Colorado River water delivered by the project throughout the repayment period of the main system; Provided, however, That the quantity of exchange water will be calculated as though exchanged throughout the repayment period of the main system.

(ii) The amount of other project costs which shall be excluded from the repayment obligation shall be determined by multiplying the project costs allocated to the water supply function by a ratio developed by dividing the quantity of
project water made available throughout the repayment period to entities other than the Contractor, the Subcontractors, and those users in New Mexico to whom water has been made available through the construction of Hooker Dam by the total quantity of project water.

(b) The Contracting Officer will notify the Contractor of (i) its estimated repayment obligation when construction of the main system or other separate feature is substantially complete and (ii) the actual repayment obligation when the costs are determined by the Secretary; Provided, however, That the actual repayment obligation shall be limited to $1,200,000,000. Prior to completion of construction, the Contracting Officer may determine that the Contractor's repayment obligation will exceed $1,200,000,000. In that event, the Contracting Officer shall consult with the Contractor and continuation of construction will be contingent upon the execution of an amendatory contract to cover the increased repayment obligation.

(c) Annual percentages of the repayment obligation shall be those set out in the following schedule or any revision thereof mutually agreed upon:
9.4 Payment of Contractor's Construction Cost Repayment Obligation.

(a) The Contractor shall make annual payments to the United States, to be credited to the Lower Colorado River Basin Development Fund, which shall be sufficient, when combined with accruals from the other sources described in Section 403(f) of the Basin Project Act, to effect repayment of the repayment obligation within a period of not more than 50 years beginning with the year following substantial completion of the main system or any other separate feature. The Contractor's first payment shall be due on or before January 15 of the year following the year in which the Secretary announces the substantial completion of construction of the main system or each separate feature. Annual payments thereafter shall be due on or before January 15 of each following year. The repayment period provided for the main system and each other separate feature

*Approximate

9.4 Payment of Contractor's Construction Cost Repayment Obligation.

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<tr>
<th>Project or Separate Feature Year</th>
<th>Percent of Repayment Obligation (Annual)</th>
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9.4 Payment of Contractor's Construction Cost Repayment Obligation.

(a) The Contractor shall make annual payments to the United States, to be credited to the Lower Colorado River Basin Development Fund, which shall be sufficient, when combined with accruals from the other sources described in Section 403(f) of the Basin Project Act, to effect repayment of the repayment obligation within a period of not more than 50 years beginning with the year following substantial completion of the main system or any other separate feature. The Contractor's first payment shall be due on or before January 15 of the year following the year in which the Secretary announces the substantial completion of construction of the main system or each separate feature. Annual payments thereafter shall be due on or before January 15 of each following year. The repayment period provided for the main system and each other separate feature

*Approximate

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may not be concurrent and may overlap depending upon the date of
completion of each.

(b) The Contractor agrees to make annual payments calculated
by the Secretary as follows:

(i) Calculate the annual obligation required by the
    schedule in Subarticle 9.3(c) or any revision
    thereof.

(ii) Add to (i) the annual interest, at 3.342 percent,
    on the unpaid balance in the interest-bearing
    allocation.

(iii) Subtract therefrom the revenues estimated to be
    available from the Development Fund anticipating
    a zero balance at the end of each year in the
    revenues in the Development Fund referred to in
    Section 403(f) of the Basin Project Act.

(iv) Make adjustments for differences between estimated
    and actual revenues for the preceding year.

(c) On or before each December 15, beginning with December 15
of the year in which the Secretary notifies the Contractor of the
substantial completion of the project or separate feature thereof,
the Secretary will notify the Contractor of the amount of the annual
payment due on the following January 15, which has been determined by
the Secretary on the basis of the aforesaid calculation; Provided,
however, That on or before any July 1 during the repayment period, the Contractor may notify the Contracting Officer in writing that following the payment due on the next succeeding January 15, the Contractor elects to make equal annual payments for the remaining years of the then current period referred to in Subarticle 9.3(c) and for each subsequent period thereafter under terms and conditions and in amounts to be mutually agreed upon; Provided further, That in the event the parties are unable to agree thereon, the Contractor shall make annual payments in accordance with the provisions of Subarticle 9.4(b) hereof.

(d) The Contractor may make additional payments on the repayment obligation at any time; Provided, however, That all interest accrued hereunder is paid at the same time, whereupon appropriate adjustments in the schedule of future payments will be made on a basis satisfactory to the Secretary, who shall as promptly as possible give the Contractor written notice of the adjusted repayment schedule.

(e) It is understood and agreed that the Contractor shall be obligated for the foregoing payments and that, regardless of the delinquency or default in payment of any charges due to the Contractor from any Subcontractor, or a diminution in the water supply available to the Contractor, or regardless of any other reason, the Contractor shall complete payment of each separate feature

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restitution obligation within a 50-year period beginning in the year following the announcement by the Secretary of substantial completion of each separate feature and of availability of water for delivery therefrom.

9.5 Commercial Power Rates. The Secretary will, consistent with applicable law, periodically review and provide for appropriate adjustments in the rates established for the sales of power and energy, revenues from which contribute to the Development Fund.

9.6 Other Costs Borne by the Contractor.

(a) In addition to the payments provided for in Article 9.4 hereof, the Contractor shall make advance payments for OM&R costs incurred by the United States. The United States will furnish the Contractor with an estimate in writing at least 6 months prior to substantial completion of construction of the project, or separate feature thereof, of the OM&R cost to the end of the then current year, together with an estimate of such cost for the calendar year immediately following. Within a reasonable time of the receipt of said estimates, as determined by the Contracting Officer, the Contractor shall advance to the United States the payments for the estimated OM&R cost to the end of the then current year and without further notice or demand shall on December 15 of the then current year and on June 15 of the following year advance to the United States

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in equal semiannual installments the Contractor's share of the estimated cost, including supervision and administrative expense for the OM&R of the completed project or separate feature thereof. Advances of payments for subsequent years shall be made by the Contractor to the United States on the basis of estimates to be furnished by the United States on or before November 15 preceding said subsequent year and the advances of said payments shall be due and payable in equal semiannual payments on the following December 15 and June 15. Said OM&R costs are the total annual OM&R costs of the project allocated to the irrigation and M&I water supply functions less (i) the costs described in Subarticle 9.6(c) hereof, and (ii) an amount determined by multiplying the total of said annual costs by the ratio obtained by dividing the estimated amount of project water delivered to or to be made available in the subsequent year to entities other than the Contractor, the Subcontractors, and those entities in New Mexico to whom project water will be made available from Hooker Dam, by the total amount of project water estimated to be available for use in that year.

(b) Differences between actual OM&R costs and the estimated costs shall be determined by the Contracting Officer and shall be adjusted in next succeeding estimates; Provided, however, That if in the opinion of the Contracting Officer the amounts advanced

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by the Contractor for any year are likely to be insufficient to pay
the above-mentioned OM&R costs during such year, additional and
sufficient sums of money shall be paid forthwith by the Contractor
to the United States upon notice thereof and demand therefor by the
Contracting Officer; **Provided further, That the United States will**
give Contractor reasonable notice in advance of any such deficiency.

(c) The Contractor's obligation to pay said OM&R costs
of the project or separate feature thereof will be reduced to the
extent that project water is made available for use in New Mexico
following completion of Hooker Dam. Said reduction will be in the
proportion which the quantity of project water made available to
water users in Arizona, in exchange for Gila River system waters
made available to water users in New Mexico from or by means of
project works, bears to the total quantity of Colorado River water
estimated to be available to the project that year.

(d) During the Hoover Dam cost-repayment period, the
Contractor shall pay to the United States the sum of $0.25 for each
acre-foot of water pumped from Lake Havasu for miscellaneous and M&I
purposes as determined by the Contracting Officer. The quantity of
water pumped for such purposes will be determined by the
Contracting Officer at the end of each calendar year and the Contractor

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notified of the amount due by March 1 of each subsequent year.
Payment shall be due on May 1 following notification. Said payment
shall be credited to the Colorado River Dam Fund established by
Section 2 of the Boulder Canyon Project Act.

9.7 Repayment of Costs of Excess Capacity in Granite Reef
Aqueduct. The costs of providing any capacity in the Granite Reef
Aqueduct and pumping plants in excess of 2,500 cubic feet per second
shall be repaid by Contractor from funds available to Arizona pursuant
to the provisions of Section 403(f) of the Basin Project Act, or by
funds from sources other than the Development Fund.

9.8 Ad Valorem Taxes, Assessments, Tolls, and Other Charges.
Within the legal limits available to it, the Contractor shall levy
ad valorem taxes upon the taxable property within the service area
of the Contractor at rates determined necessary by the Contractor
to raise funds which, together with revenues from the sale of water
and with such financial assistance from the Development Fund as the
Secretary determines is available therefor, are sufficient to meet the
obligations of the Contractor to make in full all payments to the
United States on or before the date such payments become due and to meet
its other obligations under this contract.

9.9 Continuation of Payments After Project Payout. Following
repayment to the United States of the Contractor's repayment obligation,
the Contractor shall continue to make annual payments to the United States to be credited to the Development Fund in amounts equal to a rate per acre-foot for all water delivered to all Subcontractors based on the total construction payments, exclusive of interest, received by the United States from the Contractor, divided by the total number of acre-feet of water delivered to all Subcontractors during the repayment period of the project. In the event that no augmentation project, as contemplated in the Basin Project Act, has been authorized or is under active consideration by the Congress at the time project construction costs have been repaid in full, payments under this formula will not be required; Provided, however, That payments will commence after repayment of project costs pursuant to the formula, or any adjustment thereof agreed to by the parties, at such time as an augmentation project is authorized by Congress and the costs thereof allocated to the Contractor are determined by the Secretary.

9.10 Defaults.

(a) The Contractor shall pay a penalty on payments, installments or charges which become delinquent, computed at the rate of 1 percent per month on the amount of such delinquent payments, installments, or charges from and after the date when the same become due until paid: Provided, That no penalty shall be charged to the
Contractor unless such delinquency continues for more than 30 days in which event the penalty shall accrue from the initial date of delinquency.

(b) No water shall be furnished to the Contractor during any period in which the Contractor may be in arrears more than 12 months in the payments to the United States required by Article 9.4 hereof.

(c) All rights of action for breach of this contract are reserved to the United States as provided in 41 U.S.C. §§ 15.

10. GENERAL PROVISIONS

10.1 Other Contracts. The Secretary reserves the right to contract directly with other water using entities concerning water supply through project facilities. In the event this occurs, the provisions of Article 8.17 hereof shall be applicable.

10.2 Title to Project Works. Title to all water supply system works and all project facilities constructed pursuant to this contract shall be and remain in the United States until otherwise provided by Congress.

10.3 Reserve Funds.

(a) Commencing with the first payment of the repayment period and continuing thereafter the Contractor shall accumulate and maintain a reserve fund which will be available for use in the
manner, for the purposes, and in the circumstances hereinafter set forth. Such reserve fund shall consist of annual deposits by the Contractor to a special account created by the Contractor, which shall be available for the hereinafter stated purpose of not less than $100,000. Such annual deposits shall continue until the amount in the reserve fund is not less than $500,000. Expenditures shall be made from such reserve fund only for meeting major unforeseen extraordinary costs of OM&R, repair, and betterment of project works, and for OM&R during periods of special stress, such as may be caused by drought, hurricane, storms, or other like emergencies. Whenever said reserve fund is reduced below $500,000 by expenditures therefrom it shall be restored by the accumulation of annual deposits, in amounts computed on the same basis as the original deposits, commencing with the next year following that in which the fund is reduced below said amount. During any period in which any project works are operated and maintained by the United States, such fund shall be available for like use by the United States.

(b) Within a reasonable time after notice from the Contracting Officer but not earlier than 1 year following the initiation of construction of the Central Arizona Project, the Contractor shall accumulate and maintain a second reserve fund which...
will be available for the purpose of assuring payment of future obligations of the Contractor to the United States under this contract. Such reserve fund shall consist of annual deposits by the Contractor to a special account created by the Contractor for the aforesaid purpose of not less than $500,000. Such annual deposits shall continue until the amount in the second reserve fund is not less than $5,000,000. Whenever said second reserve fund is reduced below the aforesaid amount by expenditures therefrom for the purpose for which it was established, it shall be restored by the accumulation of annual deposits, in amounts computed on the same basis as the original deposits, commencing with the next year following that in which the fund is reduced below said amount.

(c) At the option of the Contractor, the reserve funds may be invested to the extent permitted by law; Provided, however, that such reserve funds may be made available within a reasonable time to meet the expenses for the purposes for which they were accumulated; Provided, that upon mutual agreement said funds and the annual installments may be adjusted to reflect the addition, deletion, or changes in project facilities and OM&R costs not contemplated when this contract was executed.
10.4 Recreational Use of Water Facilities.

(a) The enhancement of recreational opportunities in connection with the project works authorized pursuant to Title III of the Basin Project Act shall be in accordance with the provisions of the Federal Water Project Recreation Act, 79 Stat. 213, dated July 9, 1965, except as provided in Subarticle 10.4(b) hereof.

(b) Recreational development at Orme Dam and Reservoir shall be governed by the provisions of Section 302(d) of the Basin Project Act.

10.5 Court Validation of Contract.

(a) Following execution of this contract by the parties hereto the Contractor shall, without delay, file and prosecute to a final judgment, in a court of competent jurisdiction, including any appeal therefrom to the highest court of the State of Arizona, a special proceeding for the judicial examination, approval, and confirmation of the proceedings had for the organization of the Contractor and the proceedings of the governing board of the Contractor leading up to and the making of this contract and the validity of the provisions thereof. This contract shall not be binding on the United States until the proceedings had for the organization of the Contractor, and for the proceedings of the governing board of the Contractor leading up to and including the making of this contract.
and the validity of the contract and each of its provisions have
been so confirmed by a court of competent jurisdiction or pending
appellate action if ground for appeal be laid. Nothing herein
contained shall require the Contractor to assume the responsibility
of prosecuting judicial review beyond the highest court of the
State of Arizona.

(b) This contract shall be indivisible for purposes of
validation and shall not be binding on the United States or the
Contractor unless validated pursuant to the provisions of
Subarticle 10.5(a) hereof in each and all of its terms and conditions.

(c) The Secretary may, and where required by law shall,
require that all subcontracts entered into by the United States and
the Contractor with a Subcontractor for a water supply through project
facilities be validated in the manner and on the terms and
conditions set out in Subarticle 10.5(a) hereof.

(d) The Contractor shall, without delay and at its own
cost and expense, record this contract in the Offices of the County
Recorders of Maricopa, Pinal, and Pima Counties and shall furnish
the United States, for its files, with copies of all proceedings
relating to the confirmation proceedings in connection therewith
which said copies shall be properly certified by the Clerk of
the Court in which confirmatory judgment is obtained.
10.6 Rules, Regulations, and Determinations.

(a) The Contracting Officer, after an opportunity has been offered to the Contractor for consultation, shall have the right to make rules and regulations consistent with the provisions of this contract, the laws of the United States and the State of Arizona, including, without limitation, rules and regulations relative to maximizing project benefits from pumping from Lake Havasu, the rate and schedule of pumping therefrom and the rate and schedule of pumping at the Granite Reef pumping plants, to add to or modify said rules and regulations as may be deemed proper and necessary to carry out this contract, and to supply necessary details of its administration which are not covered by express provisions of this contract. The Contractor and each Subcontractor shall observe such rules and regulations and each subcontract shall so provide.

(b) Where the terms of this contract provide for action to be based upon the opinion or determination of either party to this contract, whether or not stated to be conclusive, said terms shall not be construed as permitting such action to be predicated upon arbitrary, capricious, or unreasonable opinions or determinations. In the event that the Contractor questions any factual determination made by the Contracting Officer, the
findings as to the facts shall be made by the Secretary only
after consultation with the Contractor and shall be conclusive
upon the parties.

10.7 Books, Records, and Reports. The Contractor shall
establish and maintain accounts and other books and records pertaining
to its financial transactions, changes of project works, and to other
matters pertaining to this contract or to subcontracts, as the
Contracting Officer may require. Reports thereon shall be furnished
to the Contracting Officer in such form and on such date or dates
as he may require. Subject to applicable Federal laws and regulations,
each party shall have the right during office hours to examine and
make copies of each other's books and records relating to matters
covered by this contract.

10.8 Notices. Any notice, demand, or request authorized or
required by this contract shall be deemed to have been given when
mailed, postage prepaid, or delivered to the Regional Director, Lower
Colorado Region, Bureau of Reclamation, Boulder City, Nevada 89005, on
behalf of the United States, and to the President, Central Arizona
Water Conservation District, P. O. Box 20966, Phoenix, Arizona 85036,
on behalf of the Contractor. 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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10.9 Contingent on Appropriation or Allotment of Funds. The expenditure or advance of any money or the performance of any work by the United States hereunder which may require appropriation of money by the Congress or the allotment of funds shall be contingent upon such appropriation or allotment being made. The failure of the Congress to appropriate funds or the absence of any allotment of funds shall not relieve the Contractor from any obligations under this contract. No liability shall accrue to the United States in case such funds are not appropriated or allotted.

10.10 Changes in Contractor's Organization. While this contract is in effect, no change shall be made in the Contractor's organization, by exclusion of lands, by dissolution, consolidation, merger or otherwise, except upon the Contracting Officer's written consent; Provided, however, That approval is hereby given to the inclusion of other counties as part of Contractor's service area, except, however, that the United States shall not be required, under this contract, to construct project facilities to serve lands within said additional counties.

10.11 Assignment Limited--Successors and Assigns Obligated. 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 part or interest therein shall be valid until approved by the Contracting Officer.

10.12 **Judicial Remedies Not Foreclosed.** Nothing herein shall be construed (a) as depriving either party from pursuing and prosecuting any remedy in any appropriate court of the United States or the State of Arizona which would otherwise be available to such parties even though provisions herein may declare that determinations or decisions of the Secretary or other persons are conclusive or (b) as depriving either party of any defense thereto which would otherwise be available.

10.13 **Equal Opportunity.** During the performance of this contract, the Contractor agrees as follows:

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

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

(c) The Contractor will send to each labor union or
representative of workers with which it has a collective
bargaining agreement or other contract or understanding, a
notice, to be provided by the Contracting Officer, advising the
labor union or workers' representative of the Contractor's
commitments under this Equal Opportunity clause, and shall post
copies of the notice in conspicuous places available to employees
and applicants for employment.

(d) The Contractor will comply with all provisions of
Executive Order No. 11246 of September 24, 1965, as amended, and
of the rules, regulations, and relevant orders of the Secretary
of Labor.
(e) The Contractor will furnish all information and reports required by said amended Executive Order and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to its books, records, and accounts by the Contracting Officer and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.

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

(g) The Contractor will include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of said amended Executive Order, so that such provisions will be binding upon each subcontractor or vendor.

The Contractor will take such action with respect to any subcontract
or purchase order as the Contracting Officer may direct as a means
of enforcing such provisions, including sanctions for noncompliance:

Provided, however, That in the event the Contractor becomes
involved in, or is threatened with, litigation with a subcontractor
or vendor as a result of such direction by the Contracting Officer,
the Contractor may request the United States to enter into such
litigation to protect the interests of the United States.

10.14 Title VI, Civil Rights Act of 1964.

(a) The Contractor agrees that it will comply with
Title VI of the Civil Rights Act of July 2, 1964, 78 Stat. 241,
and all requirements imposed by or pursuant to the Department of
the Interior Regulation (43 CFR 17) issued pursuant to that title,
to the end that, in accordance with Title VI of that Act and the
Regulation, no person in the United States shall, on the ground of
race, color, or national origin be excluded from participation in,
be denied the benefits of, or be otherwise subjected to discrimination
under any program or activity for which the Contractor receives
financial assistance from the United States and hereby gives
assurance that it will immediately take any measures to effectuate
this agreement.

(b) If any real property or structure thereon is provided
or improved with the aid of Federal financial assistance extended to
the Contractor by the United States, this assurance obligates the
Contractor, or in the case of any transfer of such property, any
transferee for the period during which the real property or structure
is used for a purpose involving the provision of similar services or
benefits. If any personal property is so provided, this assurance
obligates the Contractor for the period during which it retains
ownership or possession of the property. In all other cases, this
assurance obligates the Contractor for the period during which the
Federal financial assistance is extended to it by the United States.

(c) This assurance is given in consideration of and for
the purpose of obtaining any and all Federal grants, loans, contracts,
property, discounts, or other Federal financial assistance extended
after the date hereof to the Contractor by the United States,
including installment payments after such date on account of
arrangements for Federal financial assistance which were approved
before such date. The Contractor recognizes and agrees that such
Federal financial assistance will be extended in reliance on the
representations and agreements made in this assurance, and that
the United States shall reserve the right to seek judicial
enforcement of this assurance. This assurance is binding on the
Contractor, its successors, transferees, and assignees.
10.15 Officials Not to Benefit.

(a) No Member of or Delegate to Congress or Resident Commissioner shall be admitted to any share or part of this contract or to any benefit that may arise herefrom. This restriction shall not be construed to extend to this contract if made with a corporation or company for its general benefit.

(b) No official of the Contractor shall receive any benefit that may arise by reason of this contract other than as a landowner within the project and in the same manner as other landowners within the project.

IN WITNESS WHEREOF, the parties hereto have caused this contract to be executed the day and year first above written.

THE UNITED STATES OF AMERICA,

By /s/ Rogers C. B. Morton
Secretary of the Interior

CENTRAL ARIZONA WATER CONSERVATION DISTRICT,

ATTEST:

/s/ Walter D. Armer
Secretary

By /s/ Roger Ernst
President

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