

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

CENTRAL ARIZONA PROJECT

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

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1. PREAMBLE: THIS SUPPLEMENTAL CONTRACT, made this 14th day of August, 2007, pursuant to the Act of Congress approved June 17, 1902 (32 Stat. 388), and acts amendatory thereof or supplementary thereto, including but not limited to the Boulder Canyon Project Act enacted December 21, 1928 (45 Stat. 1057), as amended, the Reclamation Project Act of August 4, 1939 (53 Stat. 1187), as amended, and particularly the Colorado River Basin Project Act of September 30, 1968 (82 Stat. 885), as amended, and the Arizona Water Settlements Act (118 Stat. 3478), all of which are commonly known and referred to as Federal Reclamation law, between the UNITED STATES OF AMERICA, hereinafter called the "United States," and the CENTRAL ARIZONA WATER CONSERVATION DISTRICT, hereinafter called "CAWCD," a multi-county water conservation district organized under the laws of Arizona with its principal place of business in Phoenix, Arizona; the United States and CAWCD are each individually sometimes hereinafter called "Party" and sometimes collectively called "Parties";

WITNESSETH THAT:

2. EXPLANATORY RECITALS:

2.1 The United States and CAWCD entered into a contract entitled "Contract for the Delivery of Water and Repayment of Costs of the Central Arizona Project," Contract No. 14-06-W-245, Amendment No. 1, dated December 1, 1988, hereinafter referred to as the "Master Contract", wherein CAWCD is

defined as the "Contractor."

2.2 Pursuant to the Master Contract, the United States and CAWCD entered into water service subcontracts with individual entities for delivery and use of Central Arizona Project municipal and industrial water (CAP M&I Water).

2.3 In 1993, the Arizona legislature created a groundwater replenishment authority to be operated by CAWCD throughout its three-county service area, referred to as the Central Arizona Groundwater Replenishment District (CAGRD).

2.4 The purpose of CAGRD is to provide a mechanism for landowners, developers and water providers to demonstrate an assured water supply under assured water supply rules adopted by the Arizona Department of Water Resources pursuant to Title 45, Chapter 2, of the Arizona Revised Statutes (A.R.S.).

2.5 Certain CAP M&I Subcontractors desire to assign some or all of their existing CAP M&I Water entitlements to CAWCD, and CAWCD desires to accept, hold and put to use such assigned CAP M&I Water entitlements to fulfill its CAGRD function in the manner set forth below.

2.6 By letter dated August 4, 2004, the Arizona Department of Water Resources recommended that these assignments be approved.

2.7 The United States and CAWCD desire to create a contractual framework for CAWCD to accept, hold and put to use CAP M&I Water entitlements assigned to it for the purpose of fulfilling its CAGRD function in the manner set forth below.

NOW THEREFORE, the Parties agree as follows:

3. DEFINITIONS: Definitions in the Master Contract are applicable to this Supplemental Contract. The first letters of terms so defined are capitalized herein. For the purposes of this Supplemental Contract, the following additional definitions shall apply:

3.1 Active Management Area means a geographic area that has been designated pursuant to A.R.S. 45-411 et seq. as requiring active management of groundwater.

3.2 ADWR means the Arizona Department of Water Resources, which is responsible for making recommendations to the United States regarding assignments of CAP allocations pursuant to A.R.S. § 45-107(D).

3.3 Member Land means any real property that meets the requirements of A.R.S. § 48-3774 and for which the CAGR D enrollment process has been completed.

3.4 Member Service Area means the service area of a municipal provider that qualifies as a member service area under A.R.S. § 48-3780 and for which the CAGR D enrollment process has been completed.

4. EFFECTIVE DATE AND TERM OF SUPPLEMENTAL CONTRACT:

4.1 Notwithstanding the terms and conditions of the Master Contract, this Supplemental Contract shall become effective upon the date on which the Secretary of the Interior publishes in the Federal Register the statement of findings described in section 207(c)(1) of the Arizona Water Settlements Act, 118 Stat. 3478. This Supplemental Contract shall be for permanent service as that term is used in Section 5 of the Boulder Canyon Project Act of 1928, 43 U.S.C. §617d. With respect to the entitlements to CAP M&I Water transferred from Sunrise Water Company, West End Water Company, Litchfield Park Service Company, and New River Utility Company, as identified in the initial Exhibit A, Project water shall be delivered under the terms of this Supplemental Contract for a period of 100 years beginning January 1 of the Year following that in which the Supplemental Contract becomes effective. With respect to future, additional assignments of entitlements to CAP M&I Water to CAWCD, Project water shall be delivered under the terms of this Supplemental Contract for the period of years identified in Exhibit A, as it may be amended.

4.2 This Supplemental Contract may be renewed upon written request by CAWCD upon terms and conditions of renewal to be agreed upon the parties not later than 1 year prior to the expiration of this Supplemental Contract; provided, that such terms and conditions shall be consistent with Article 9.9 of the Master Contract.

5. ENTITLEMENT TO CAP M&I WATER AND CONDITIONS RELATING TO USE:

5.1 CAWCD is entitled to take the amount of CAP M&I Water specified in Exhibit A for M&I uses, including groundwater recharge, solely in fulfillment of its CAGR D obligations, as set forth in

paragraph 5.4 below. Nothing in this Supplemental Contract shall be construed to increase the quantity of water that the United States is obligated to deliver under the Master Contract.

5.2 This Supplemental Contract is subject to Public Law No. 108-451, Sections 104(d)(2)(C), and 104(e), relating respectively to the shortage sharing criteria described in paragraph 5.3 of the Tohono O'odham settlement agreement and to the prohibition on transfer and the exception.

5.3 CAWCD shall hold the United States, its officers, agents, and employees harmless on account of damage or claim of damage of any nature whatsoever for which there is legal responsibility, including property damage, personal injury, or death arising out of or connected with: (1) CAWCD's control, carriage, handling, use, disposal, or distribution of CAP M&I Water beyond any turnout on the Water Supply System; (2) the quality of CAP M&I Water; (3) interruptions or reductions in the quantity of water delivered as a result of operation, maintenance, replacement, repair, or failure of the Project works; or (4) reductions in the quantity of water available or delivered under Article 8.3 of the Master Contract because of the inherent priority of the water.

5.4 CAWCD will use CAP M&I Water under this Supplemental Contract first to satisfy its annual replenishment obligation for Member Lands and Member Service Areas located within the service areas of the transferring entities identified in Exhibit A. For groundwater withdrawals serving Member Lands or Member Service Areas within the boundaries of those transferring entities identified in Exhibit A, CAWCD shall replenish water either in the area of hydrologic impact of those groundwater withdrawals or within the same Active Management Area, as specified in Exhibit A. After all annual replenishment obligations for Member Lands and Member Service Areas located within the service area of the transferring entities identified in Exhibit A have been satisfied, CAWCD may use CAP M&I Water under this Supplemental Contract to satisfy its annual replenishment obligation for Member Lands enrolled as of the date of Exhibit A.

5.5 To the extent that another entity relieves CAWCD, acting in its capacity as CAGRD, of its

current and future replenishment obligation for Member Lands or Member Service Areas located within the service areas identified in Exhibit A, CAWCD will transfer to that entity an equal amount of its entitlement to CAP M&I Water up to the amount specified in Exhibit A for each service area. This transfer will be accomplished through a new or amendatory CAP M&I water service subcontract among CAWCD, the United States and the entity that has agreed to serve the Member Lands or Member Service Area. Pursuant to A.R.S. § 45-107(D), CAWCD shall submit the proposed subcontract among CAWCD, the United States, and the entity that has agreed to serve the Member Lands or Member Service Area, and all related exhibits and agreements to ADWR for review and comment.

6. OBLIGATIONS OF THE UNITED STATES AND CAWCD UNDER THE MASTER CONTRACT:

6.1 Except as provided in this Supplemental Contract, the rights and obligations of the United States and CAWCD under the Master Contract are not affected by this Supplemental Contract. The amount of CAWCD's repayment obligation to the United States under the Master Contract or the Revised Stipulation Regarding a Stay of Litigation, Resolution of Issues During the Stay and for Ultimate Judgment Upon the Satisfaction of Conditions, as it may be amended, (No. CIV 95-625-TUC-WDB(EHC), No. CIV 95-1720-PHX-EHC) shall not be affected by the execution and operation of this Supplemental Contract.

6.2 The terms and conditions in the Master Contract for CAP M&I Water shall apply to the CAP M&I Water that CAWCD obtains under this Supplemental Contract to fulfill its CAGR function, as if CAWCD were a Subcontractor. Among other things, CAWCD shall be responsible for scheduling, reporting, and paying all costs associated with the holding, using, or delivering CAP M&I Water assigned to it under this Supplemental Contract.

6.3 Any Federal costs associated with administration of this Supplemental Contract shall be paid by CAWCD to the United States under the annual work plan covered under Section 8 of the agreement entitled, "Operating Agreement Between the United States of America and the Central Arizona Water Conservation District for Operation and Maintenance of the Central Arizona Project," dated June 15, 2000.

7. CONTINGENT ON APPROPRIATION OR ALLOTMENT OF FUNDS: The expenditure or advance of any money or the performance of any obligation by the United States under this Supplemental Contract shall be contingent upon the appropriation or allotment of funds. Absence of appropriation or allotment of funds shall not relieve CAWCD from any obligations under this Supplemental Contract. No liability shall accrue to the United States in case funds are not appropriated or allocated.

8. RULES, REGULATIONS, AND DETERMINATIONS:

8.1 The Parties agree that the delivery of water or the use of Federal facilities pursuant to this Supplemental Contract is subject to Reclamation Law, as amended and supplemented, and the rules and regulations promulgated by the Secretary of the Interior under Reclamation Law.

8.2 The Contracting Officer, after an opportunity has been offered to CAWCD for consultation, shall have the right to make rules, regulations, and determinations consistent with the provisions of this Supplemental Contract, the laws of the United States and the State of Arizona, including, without limitation, rules, regulations, and determinations 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 Hayden-Rhodes pumping plants, to add to or modify said rules, regulations, and determinations as may be deemed proper and necessary to carry out this Supplemental Contract, and to supply necessary details of its administration which are not covered by express provisions of this Supplemental Contract. CAWCD shall observe such rules, regulations and determinations and each subcontract shall so provide.

8.3 Where the terms of this Supplemental Contract provide for action to be based upon the opinion or determination of either Party to this Supplemental 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 CAWCD 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 CAWCD and shall be conclusive upon the Parties.

9. ASSIGNMENT LIMITED--SUCCESSORS AND ASSIGNS OBLIGATED: The provisions of this Supplemental Contract shall apply to and bind the successors and assigns of each Party, but no assignment or transfer of this Supplemental Contract or any part or interest therein shall be valid until approved in writing by the Contracting Officer.

10. NOTICES: Any notice, demand, or request authorized or required by this Supplemental Contract shall be deemed to have been given, on behalf of each Party, when mailed, postage prepaid, or delivered to the other Party at the following addresses:

10.1 Regional Director
Bureau of Reclamation
Attention: BCOO-4000
Post Office Box 61470
Boulder City, NV 89006-1470

10.2 General Manager
Central Arizona Water Conservation District
23636 North 7th Street
Phoenix, AZ 85024-3801

11. OFFICIALS NOT TO BENEFIT: No member of or Delegate to Congress, Resident Commissioner, or official of CAWCD shall benefit from this Supplemental Contract other than as a water user or landowner in the same manner as other water users or landowners.

12. EQUAL OPPORTUNITY: During the performance of this Supplemental Contract, CAWCD agrees as follows:

12.1 CAWCD will not discriminate against any employee or applicant for employment because of race, color, religion, sex, disability, or national origin. CAWCD 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, disability, 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. CAWCD agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the Contracting Officer setting forth the provisions of this nondiscrimination clause.

12.2 CAWCD will, in all solicitations or advertisements for employees placed by or on behalf of CAWCD, state that all qualified applicants will receive consideration for employment without discrimination because of race, color, religion, sex, disability, or national origin.

12.3 CAWCD 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 said labor union or workers' representative of CAWCD's commitments under Section 202 of Executive Order 11246 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

12.4 CAWCD 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.

12.5 CAWCD 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.

12.6 In the event of CAWCD's noncompliance with the nondiscrimination clauses of this Supplemental Contract or with any of such rules, regulations, or orders, this Supplemental Contract may be canceled, terminated, or suspended, in whole or in part, and CAWCD 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.

12.7 CAWCD will include the provisions of Subsections 12.1 through 12.7 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. CAWCD will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions, including sanctions for noncompliance; Provided, however, That in the event CAWCD becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, CAWCD may request the United States to enter into such litigation to protect the interests of the United States.

13. COMPLIANCE WITH CIVIL RIGHTS LAWS AND REGULATIONS:

13.1 CAWCD shall comply with Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), Section 504 of the Rehabilitation Act of 1975 (Public Law 93-112, as amended), the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) and any other applicable civil rights laws, as well as with their respective

implementing regulations and guidelines imposed by the Department of the Interior or Reclamation.

13.2 These statutes require that no person in the United States shall, on the grounds of race, color, national origin, disability or age, be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination under any program or activity receiving financial assistance from Reclamation. By executing this Supplemental Contract, CAWCD agrees to immediately take any measures necessary to implement this obligation, including permitting officials of the United States to inspect premises, programs, and documents.

13.3 CAWCD makes this agreement in consideration of and for the purpose of obtaining any and all Federal grants, loans, contracts, property discounts or other Federal financial assistance extended after the date hereof to CAWCD by Reclamation, including installment payments after such date on account of arrangements for Federal financial assistance which were approved before such date. CAWCD recognizes and agrees that such Federal assistance will be extended in reliance on the representations and agreements made in this article, and that the United States reserves the right to seek judicial enforcement thereof.

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

15. CONTRACT DRAFTING CONSIDERATIONS: This Supplemental Contract has been drafted, negotiated, and reviewed by the Parties, each of whom is sophisticated in the matters to which this Contract pertains, and no one Party shall be considered to have drafted this Supplemental Contract.

16. REMEDIES UNDER CONTRACT NOT EXCLUSIVE: Nothing in this Supplemental Contract shall be construed in any manner to abridge, limit, or deprive either Party of any means to enforce any remedy either at law or in equity for the breach of any of the provisions hereof, or of any other remedy which it would otherwise have.

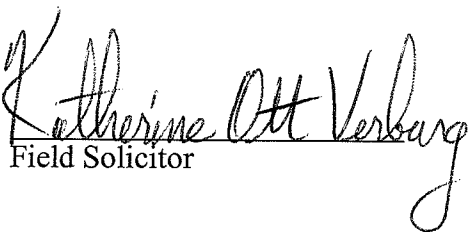
17. EXHIBIT A MADE PART OF SUPPLEMENTAL CONTRACT: Exhibit A may be amended from time to time to reflect additional assignments of CAP M&I Water to CAWCD to fulfill its CAGR function, as set forth in paragraph 5.4 above. The initial Exhibit A is attached hereto and made part hereof, and shall be in force and effect in accordance with its respective provisions until superseded by a subsequent exhibit executed by the Parties. Pursuant to A.R.S. § 45-107(D), for future assignments of CAP M&I Water, CAWCD shall submit proposed amendments to Exhibit A and all related exhibits and agreements to ADWR for review and comment.

IN WITNESS WHEREOF, the Parties have executed this Supplemental Contract to the Master Contract the day and year first above written.

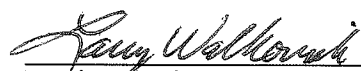
Approved as to Legal Sufficiency:

THE UNITED STATES OF AMERICA

By:


Katherine Ott Verburg
Field Solicitor

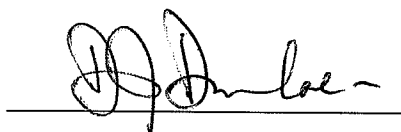
By:


Regional Director
Lower Colorado Region
Bureau of Reclamation

**CENTRAL ARIZONA WATER
CONSERVATION DISTRICT**

Attest:

By:



By:

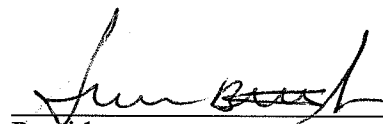

President

EXHIBIT A

1. This Exhibit A, made this _____ day of _____, 2007, to be effective under and as a part of the Supplemental Contract shall become effective on the date of the Supplemental Contract's execution and shall remain in effect until superseded by another Exhibit A executed by the Parties; Provided, That this Exhibit A or any superseding Exhibit A shall terminate with termination of the Supplemental Contract.
2. The following Subcontractors (transferring entities) have assigned the CAP M&I Water entitlements listed below to CAWCD for the purpose of fulfilling its CAGR function. Maps of the service areas of each of the CAP M&I Subcontractors listed below are attached to this Exhibit A and incorporated by reference.

Transferring Entity	Service Area	CAP M&I Water Assigned to CAWCD
Sunrise Water Company ¹	Map 1	944
West End Water Company ¹	Map 2	157
Litchfield Park Service Company ²	Map 3	4,760
New River Utility Company ¹	Map 4	1,885
Total:		7,746

¹ ADWR has determined that replenishment for Member Lands or Member Service Areas within the boundaries of this transferring entity shall be in the area of hydrologic impact of the groundwater withdrawals to be replenished.

² ADWR has determined that replenishment for Member Lands or Member Service Areas within the boundaries of this transferring entity shall be within the Active Management Area in which this transferring entity is located.

IN WITNESS WHEREOF, the Parties have executed this Exhibit A to the Supplemental Contract the day and year first above written.

THE UNITED STATES OF AMERICA

Approved as to Legal Sufficiency:

By: Katherine Ott Verburg
Field Solicitor

By: Sam Walhorn
Regional Director
Acting Lower Colorado Region
Bureau of Reclamation

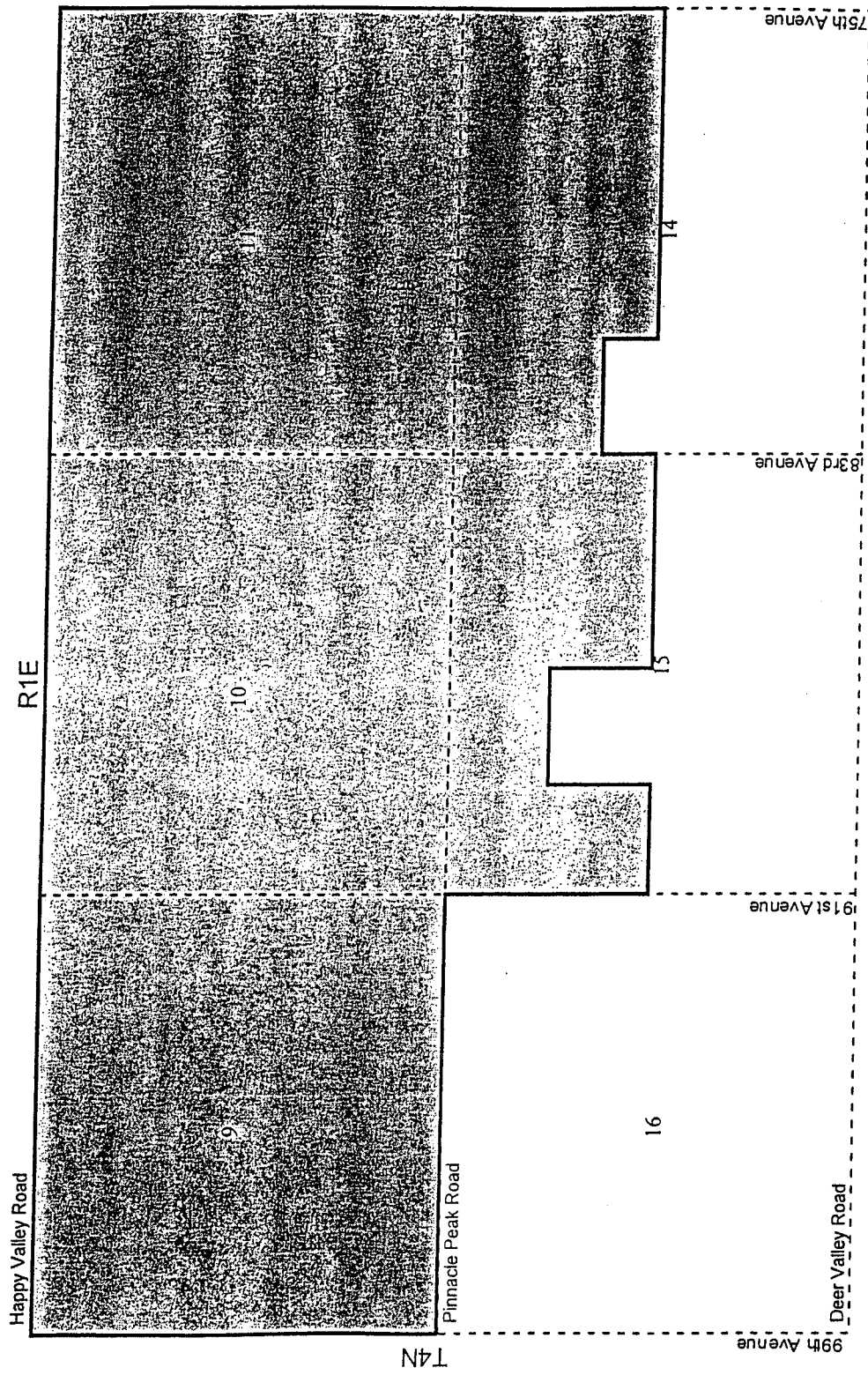
**CENTRAL ARIZONA WATER
CONSERVATION DISTRICT**

Attest:

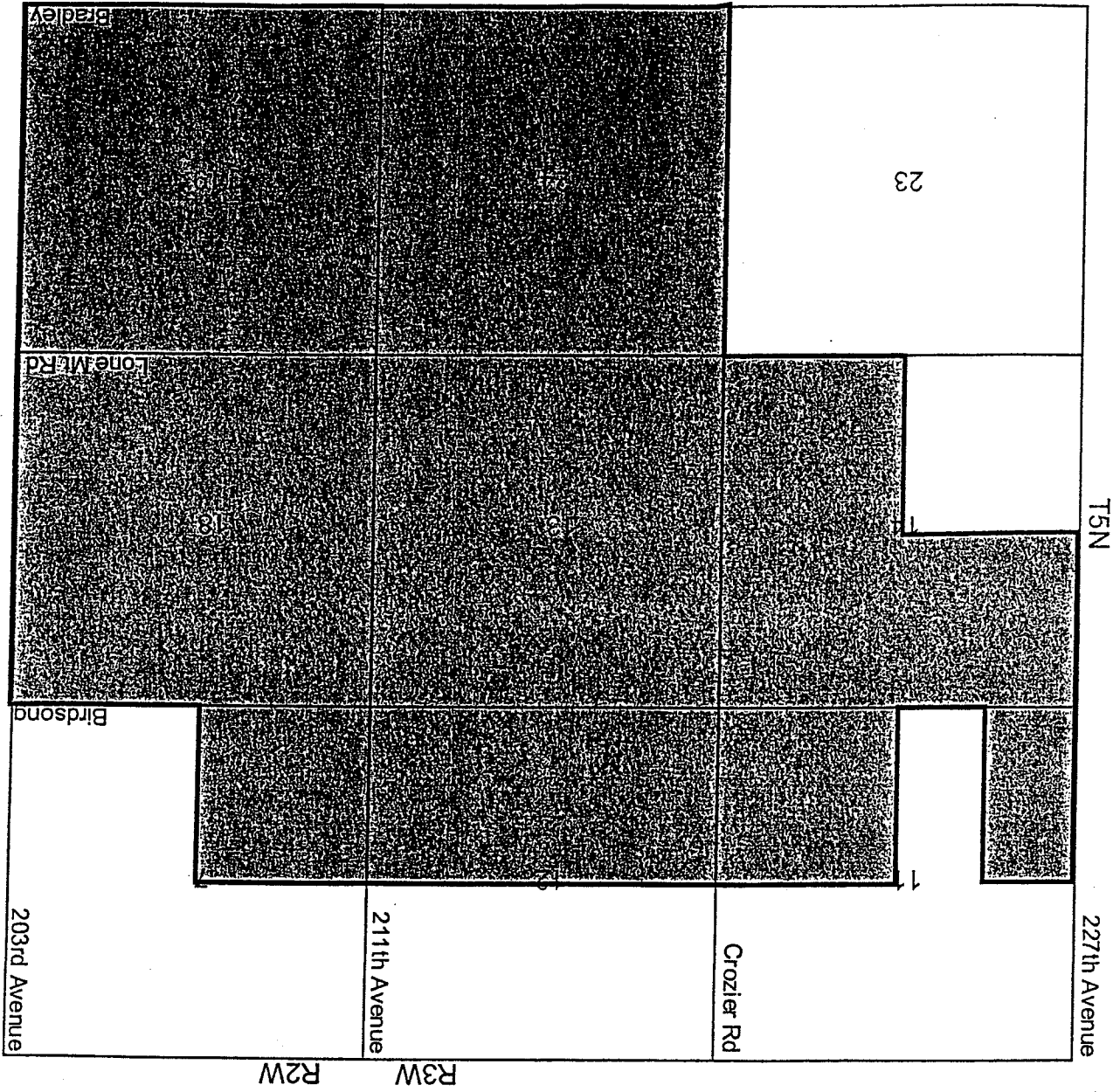
By: DD Dele
Secretary

By: Jim Beaman
President

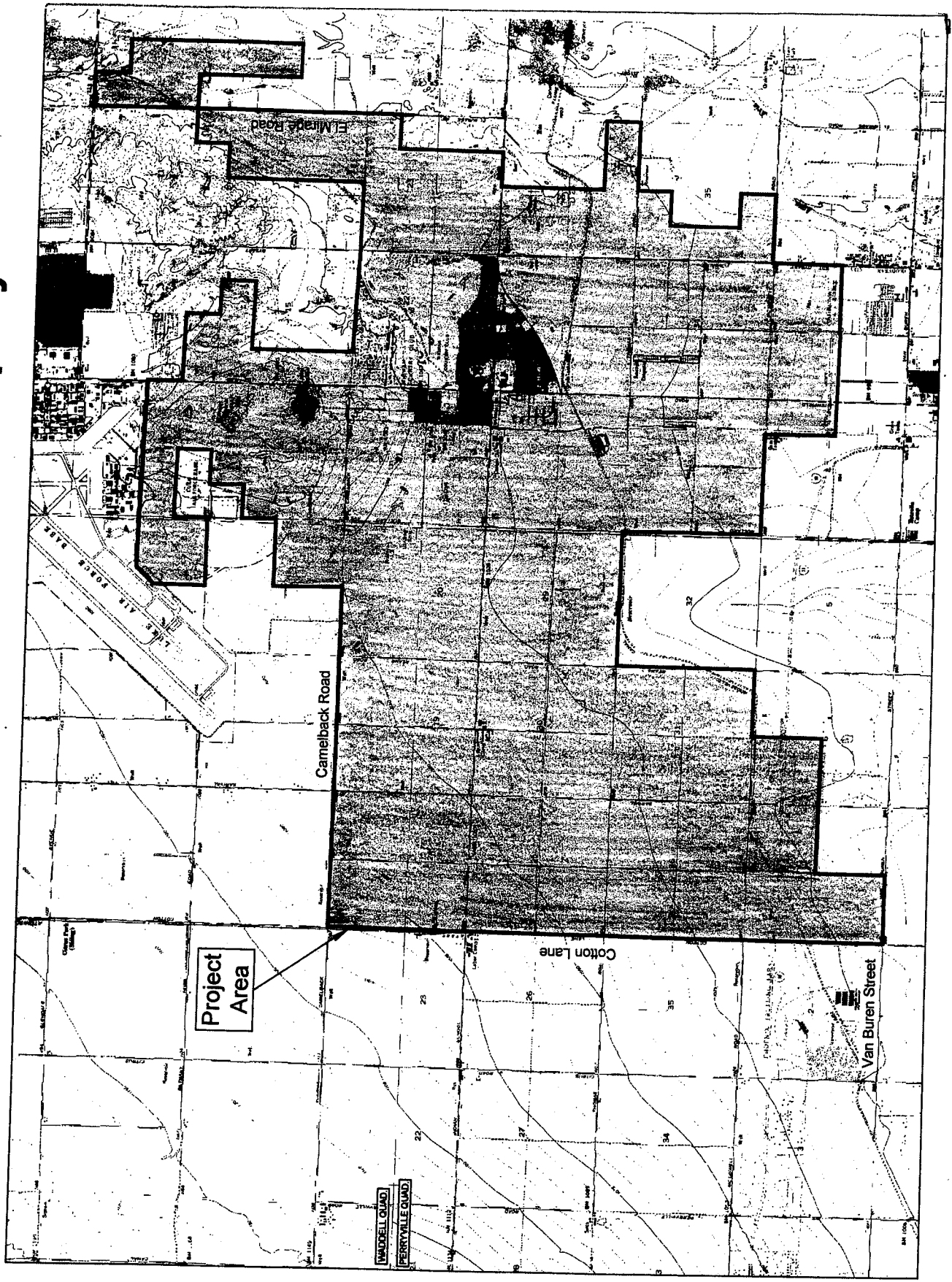
Sunrise Water Company



West End Water Company



Litchfield Park Service Company



Map 3

New River Utility Company

