

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

**SALES AGREEMENT BETWEEN THE UNITED STATES
AND
CITY OF FRESNO
FOR SALE OF UNRELEASED RESTORATION FLOWS**

9 THIS AGREEMENT, made this ____ day of _____, 2018, is entered into
10 pursuant to the Act of June 17, 1902, (32 Stat. 388), and acts amendatory or supplementary
11 thereto, including but not limited to Section 3406 (c) (1) of the Reclamation Projects
12 Authorization and Adjustment Act of 1992 (PL 102-575; 106 Stat. 4721), Title X, Subtitle A, of
13 the Act of March 30, 2009, (PL 111-11; 123 Stat. 1349), also referred to as the San Joaquin
14 River Restoration Settlement Act, hereinafter referred to as SJRRSA, all collectively hereinafter
15 referred to as Federal Reclamation law, between the UNITED STATES OF AMERICA,
16 hereinafter referred to as the United States, and the CITY OF FRESNO, hereinafter referred to as
17 the Contractor, a Central Valley Project (Project), Friant Division long-term contractor.

18 WITNESSETH, That:

19 [1st] WHEREAS, pursuant to the Stipulation of Settlement in *Natural Resources*
20 *Defense Council, et. al., v. Kirk Rodgers, et. al.*, hereinafter referred to as Settlement, and the
21 SJRRSA, the Secretary of the Interior, acting through the Bureau of Reclamation, hereinafter
22 referred to as Contracting Officer, is directed to implement a program that releases
23 Restoration Flows from Friant Dam; and

24 [2nd] WHEREAS, consistent with Paragraph 13(i) of the Settlement, if, for any reason,
25 full Restoration Flows are not released in any year beginning January 1, 2014, the Contracting

26 Officer shall release as much of the Restoration Flows as possible, in consultation with the
27 Restoration Administrator, in light of then-existing channel capacity and without delaying
28 completion of the Phase 1 improvements; and

29 [3rd] WHEREAS, the Contracting Officer, in consultation with the
30 Restoration Administrator, shall use the amount of the Restoration Flows not released in any
31 such year, hereinafter referred to as Unreleased Restoration Flows or URFs, by taking one or
32 more of the steps prescribed in Paragraph 13(i) of the Settlement to best achieve the Restoration
33 Goal, as determined by the Contracting Officer; and

34 [4th] WHEREAS, the Contractor and the Unites States have entered into
35 Contract No. 14-06-200-8901D, hereinafter referred to as Contract, for the delivery of Project
36 Water; and

37 [5th] WHEREAS, Article 3(f) of the Contract provides for, following the declaration of
38 Water Made Available under Article 4 of the Contract, the Contracting officer to make a
39 determination whether Project Water, or other water available to the Project, can be made
40 available to the Contractor in addition to the Contractor Total provided in Article 3(a) of the
41 Contract during the Year without adversely impacting the Project or other Project Contractors
42 and consistent with the Secretary of the Interior's legal obligations.

43 NOW, THEREFORE, in consideration of the mutual and dependent covenants herein
44 contained, the parties mutually agree as follows:

45 DEFINITIONS

46 1. When used herein unless otherwise distinctly expressed, or manifestly
47 incompatible with the intent of the parties as expressed in this Agreement, the term:

48 (a) “Operating Non-Federal Entity” shall mean the Friant Water Authority, its
49 successors or assigns, which has the obligation to operate and maintain Project facilities in the
50 Friant Division pursuant to a separate agreement with the United States and which may have
51 funding obligations with respect thereto, and the San Luis Delta Mendota Water Authority, its
52 successors or assigns, which has the obligation to operate and maintain Project facilities in the
53 Delta Division pursuant to a separate agreement with the United States and which may have
54 funding obligations with respect thereto;

55 (b) “Project” shall mean the Central Valley Project owned by the United
56 States and managed by the Department of Interior, Bureau of Reclamation;

57 (c) “Project Contractors” shall mean all parties who have a long-term water
58 service or repayment contract for Project Water from the Project with the United States pursuant
59 to Federal Reclamation law;

60 (d) “Project Water” shall mean all water that is developed, diverted, stored, or
61 delivered by the Secretary in accordance with the statutes authorizing the Project and in
62 accordance with the terms and conditions of water rights acquired pursuant to California law;

63 (e) “Restoration Flows” shall mean releases from Friant Dam in accordance
64 with the hydrographs shown in Exhibit B of the Settlement or modified by the Restoration
65 Administrator;

66 (f) "Restoration Goal" shall mean to restore and maintain fish populations in
67 "good condition" in the main stem of the San Joaquin River below Friant Dam to the confluence
68 of the Merced River, including naturally-producing and self-sustaining populations of salmon
69 and other fish;

70 (g) "Water Management Goal" shall mean to reduce or avoid adverse water
71 supply impacts to all of the Friant Division long-term water contractors or repayment contractors
72 that may result from the Interim Flows and Restoration Flows provided for in the SJRRSA;

73 (h) "Unreleased Restoration Flows" shall mean those Restoration Flows
74 which cannot be released for any reason.

75 TERMS OF AGREEMENT

76 1. This Agreement shall become effective on the date first hereinabove written and
77 shall remain in effect through February 28, 2019: Provided, That any performance of the
78 obligations provided in Articles 4, 7, and 9 of this Agreement shall survive the termination date
79 of this Agreement and shall continue until all such obligations are complete.

80 2. Pursuant to Article 3(f) of the Contract and consistent with all applicable State
81 water rights, permits and licenses, Federal law, and the Settlement including SJRRSA, the
82 Contracting Officer shall make available for delivery to the Contractor an agreed upon amount of
83 URF water to be made available during this water year up to 7,500 acre feet. This URF water is
84 to be delivered within the Contractor's Service Area for reasonable and beneficial uses in
85 accordance with the terms of the Contract; Provided, that the Parties understand and agree that
86 the availability of URFs are subject to Paragraph 13(i) of the Settlement and will be furnished if,

87 as, and when it can be made available, as solely and conclusively determined by the Contracting
88 Officer.

89 3. URF water will be made available under this agreement to Friant Division
90 contractors first, per the allocation on Exhibit A. Exhibit A will be updated for acre-feet of water
91 made available by block, and for price, when new tiers of water are approved for delivery. Each
92 block of URF water will be allocated to each Friant Division Contractor based on their Class 1,
93 and/or their Class 2, contract water supply, as a per cent (%) to the total Class 1 and/or Class 2
94 water supply for all Friant Division Contractors. Should any Contractor choose not to take its
95 full pro rata share of a URF water block, that unused water will be redistributed for sale to the
96 other Friant Division Contractors. Should there be any remaining URF water not claimed by
97 either Class 1 or Class 2 Friant Division Contractors that water will then be made available to
98 non-Friant Division Contractors.

99 4. The Contractor's share of, and price per acre-foot, for each block of URF water is
100 shown on Exhibit A and subsequent revisions thereof. The formula to determine URF pricing is
101 shown in Exhibit C. Contractors may reduce their committed share of a given block upon
102 request, or may commit to a larger share of a given block, should any unused water be available.
103 Changes to a Contractor's share of a block must be made prior to the URF block being released
104 for delivery. Once the URF block is released, payment is due. Upon execution of this
105 Agreement, the Contractor shall submit to the Contracting Officer a written schedule that is
106 satisfactory to the Contracting Officer, providing for the total volume of URF water made
107 available under the then current block of URF water made available as shown on Exhibit A.
108 Subsequent blocks of URF water shall be distributed in a similar manner. The Contractor's

109 written schedule, and any revisions thereof, shall be for the current block of URF water made
110 available and shall be subject to the approval of the Contracting Officer.

111 5. Upon submission of the schedule by the Contractor, as provided in Article 4
112 herein, the Contractor shall ensure payment has been made to the United States equal to the total
113 volume of URF water made available by block and at the sales price for that block of URF water.
114 URFs shall not be delivered to the Contractor prior to receipt of full payment. The Contractor is
115 responsible for the payment of any and all blocks of water that they agree to purchase, whether
116 or not they take delivery of this water.

117 6. Any discrepancy in location, delivery, or measurement between this Agreement
118 and the Contract shall be reconciled by the Contracting Officer, after consultation with the
119 Contractor.

120 7. URF waters made available to the Contractor pursuant to this Agreement may be
121 sold, transferred, exchanged, or banked in accordance with Articles 3(d) and 10(a) of the
122 Contract, and as otherwise authorized in the Contract.

123 8. In compliance with the Water Management Goals of the Settlement, the
124 Contracting Officer shall not undertake any action pursuant to this Agreement that results in
125 further water delivery reductions to any Friant Division long-term contractor beyond what would
126 have been caused by releases in accordance with the hydrographs in Exhibit B of the Settlement.
127 In the event that Millerton Reservoir fills and capacity is no longer available for URF water that
128 has accrued in Millerton Reservoir pursuant to this Agreement, as solely and conclusively
129 determined by the Contracting Officer, the URFs determined by the Contracting Officer to have
130 previously accrued in Millerton Reservoir, and not yet delivered to Contractor, shall be among

131 the first water spilled in accordance with the then current rescheduling guidelines for Millerton
132 Lake; Provided, that the Contracting Officer will, to the extent practicable, inform the Contractor
133 by written notice, or otherwise, of any impending spill of URFs from Millerton Reservoir.
134 Guidance on the determination of URF spill is available in Exhibit B.

135 9. In the event the quantity of URFs diverted by the Contractor exceeds the quantity
136 of URFs available pursuant to this Agreement, the Contractor shall immediately take all
137 reasonable actions to make available a like amount of water, from the Contractor's current year
138 Class 1 and/or Class 2 water made available supply, in the Project Facilities for use by the United
139 States for Project purposes. If the Contractor has taken delivery of all water made available in
140 the current water year, then water delivered in excess of URF water made available to the
141 Contractors shall be accounted for as "pre-use" water per Article 3 (g) of the Contract and will
142 be deducted from Class 1 and/or Class 2 water made available to the Contractor in subsequent
143 water years.

144 10. All payments received by the United States from the Contractor pursuant to this
145 Agreement shall be deposited into the San Joaquin River Restoration Settlement Fund.

146 11. The Contractor shall be solely responsible for making any and all payments to the
147 Operating Non-Federal Entity for any operation and maintenance or additional costs associated
148 with the delivery of URFs pursuant to this Agreement. The Contracting Officer will not impose
149 additional Surcharge payments for this water.

150 12. URFs delivered to the Contractor pursuant to this Agreement shall not be
151 considered an offset to the Contractor's Recovered Water Account pursuant to Paragraph 16(b)
152 of the Settlement.

153 13. By signing this Agreement, the Contractor agrees to pay for all URF water made
154 available to it, whether taken delivery of by the Contractor or not.

155 14. Any notice, demand, or request authorized or required by this Agreement shall be
156 deemed to have been given, on behalf of the Contractor, when mailed, postage prepaid, or
157 delivered to the Area Manager, Bureau of Reclamation, South Central California Area Office,
158 1243 'N' Street, Fresno, CA 93721-1813, and on behalf of the United States, when mailed,
159 postage prepaid, or delivered to the Director of Public Utilities, City of Fresno, Department of
160 Public Utilities, Room 4109, 2600 Fresno Street, Fresno, California 93721. The designation of
161 the addressee or the address may be changed by notice given in the same manner as provided in
162 this Article of this Agreement for other notices.

163 15. Except as expressly stated in this Agreement, this Agreement shall be consistent
164 with and subject to the terms and conditions of the Contract.

165 16. This Agreement has been negotiated and reviewed by the Parties hereto, each of
166 whom is sophisticated in the matters to which this Agreement pertains and no one party shall be
167 considered to have drafted the stated articles.

168 IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of
169 the date first above written.

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UNITED STATES OF AMERICA

By: _____
Area Manager
South-Central California Area Office
Bureau of Reclamation

CITY OF FRESNO

By: _____
Thomas C. Esqueda
Director of Public Utilities

(SEAL)

Attest:

By: _____
City Clerk

APPROVED AS TO FORM
CITY ATTORNEY'S OFFICE
BY: Edward C. Herrera 02.13.18
DEPUTY CITY ATTORNEY

Exhibit A

| Frant Contractor | Contract Maximum Based on 100 TAF to Class 1 and 400 TAF to Class 2 to allow contract flexibility | Agreement Signed | TIER 1 | | | | | | | | | TIER 2 | | | | | | | | |
|---------------------------------------|--|------------------|--------------------|----------------------|------------------|--------------------|---------------|------------------|--------------------|----------|------------------|--------------------|--|--------------------|---------------|------------------|--------------------|----------|------------------|--------------------|
| | | | 100% Class 1 | 0% Class 2 | Block 1 | | | Block 2 | | | Block 3 | | | 100% Class 1 | 0% Class 2 | Block 1 | | | Block 2 | |
| | | | | | Offered Quantity | Committed Quantity | Released | Offered Quantity | Committed Quantity | Released | Offered Quantity | Committed Quantity | Released | | | Offered Quantity | Committed Quantity | Released | Offered Quantity | Committed Quantity |
| | | | Default Percentage | Price | AF | AF | Released | AF | AF | Released | AF | AF | Released | Default Percentage | Price | AF | AF | Released | AF | AF |
| Share | | | | | | | | | | | Share | | | | | | | | | |
| Arvin-Edison WSD | 93,996 | | 5.00% | | - | - | - | - | - | - | - | 5.00% | | - | - | - | - | - | | |
| Chowchilla WD | 52,541 | | 6.88% | | - | - | - | - | - | - | - | 6.88% | | - | - | - | - | - | | |
| Delano-Earlimart ID | 34,863 | | 13.60% | | - | - | - | - | - | - | - | 13.60% | | - | - | - | - | - | | |
| Exeter ID | 6,810 | | 1.39% | | - | - | - | - | - | - | - | 1.39% | | - | - | - | - | - | | |
| Fresno (city) | 7,500 | | 7.50% | | - | - | - | - | - | - | - | 7.50% | | - | - | - | - | - | | |
| Fresno County WWD #18 | 19 | | 0.02% | | - | - | - | - | - | - | - | 0.02% | | - | - | - | - | - | | |
| Fresno ID | 21,406 | | 0.00% | | - | - | - | - | - | - | - | 0.00% | | - | - | - | - | - | | |
| Garfield WD | 438 | | 0.44% | | - | - | - | - | - | - | - | 0.44% | | - | - | - | - | - | | |
| Gravelly Ford WD | 3,996 | | 0.00% | | - | - | - | - | - | - | - | 0.00% | | - | - | - | - | - | | |
| Hills Valley WD | 156 | | 0.16% | | - | - | - | - | - | - | - | 0.16% | | - | - | - | - | - | | |
| International WD | 150 | | 0.15% | | - | - | - | - | - | - | - | 0.15% | | - | - | - | - | - | | |
| Ivanhoe ID | 955 | | 0.81% | | - | - | - | - | - | - | - | 0.81% | | - | - | - | - | - | | |
| Kaweah Delta WCD | 2,262 | | 0.15% | | - | - | - | - | - | - | - | 0.15% | | - | - | - | - | - | | |
| Kern-TulareWD | 1,427 | | 0.00% | | - | - | - | - | - | - | - | 0.00% | | - | - | - | - | - | | |
| Lewis Creek WD | 150 | | 0.15% | | - | - | - | - | - | - | - | 0.15% | | - | - | - | - | - | | |
| Lindmore ID | 10,404 | | 4.13% | \$20 (See Exhibit C) | - | - | Released Date | - | - | - | - | 4.13% | forecasted at \$331.12 (See Exhibit C) | - | - | - | - | - | | |
| Lindsay (city) | 313 | | 0.31% | | - | - | - | - | - | - | - | 0.31% | | - | - | - | - | - | | |
| Lindsay-Strathmore ID | 3,438 | | 3.44% | | - | - | - | - | - | - | - | 3.44% | | - | - | - | - | - | | |
| Lower Tule River ID | 75,578 | | 7.65% | | - | - | - | - | - | - | - | 7.65% | | - | - | - | - | - | | |
| Madera County | 25 | | 0.03% | | - | - | - | - | - | - | - | 0.03% | | - | - | - | - | - | | |
| Madera ID | 63,712 | | 10.63% | | - | - | - | - | - | - | - | 10.63% | | - | - | - | - | - | | |
| Orange Cove (city) | 175 | | 0.18% | | - | - | - | - | - | - | - | 0.18% | | - | - | - | - | - | | |
| Orange Cove ID | 4,900 | | 4.90% | | - | - | - | - | - | - | - | 4.90% | | - | - | - | - | - | | |
| Porterville ID | 10,437 | | 1.88% | | - | - | - | - | - | - | - | 1.88% | | - | - | - | - | - | | |
| Saucelito ID | 12,049 | | 2.69% | | - | - | - | - | - | - | - | 2.69% | | - | - | - | - | - | | |
| Shafter-Wasco ID | 17,552 | | 6.25% | | - | - | - | - | - | - | - | 6.25% | | - | - | - | - | - | | |
| Southern San Joaquin MUD | 24,966 | | 12.13% | | - | - | - | - | - | - | - | 12.13% | | - | - | - | - | - | | |
| Stone Corral ID | 1,250 | | 1.25% | | - | - | - | - | - | - | - | 1.25% | | - | - | - | - | - | | |
| Tea Pot Dome WD | 900 | | 0.90% | | - | - | - | - | - | - | - | 0.90% | | - | - | - | - | - | | |
| Terra Bella ID | 3,625 | | 3.63% | | - | - | - | - | - | - | - | 3.63% | | - | - | - | - | - | | |
| Tri-Valley WD | 50 | | 0.05% | | - | - | - | - | - | - | - | 0.05% | | - | - | - | - | - | | |
| Tulare ID | 43,993 | | 3.75% | | - | - | - | - | - | - | - | 3.75% | | - | - | - | - | - | | |
| Totals (net at turnout) | 500,000 | | 100.00% | Qty Net | 0 | 0 | Qty Net | 0 | 0 | Qty Net | 0 | 0 | Qty Net | 100.00% | Qty Net | 0 | 0 | Qty Net | 0 | |
| Totals (gross w/ canal losses) | 526,116 | | | Qty Gr | 0 | 0 | Qty Gr | 0 | 0 | Qty Gr | 0 | 0 | Qty Gr | | Qty Gr | 0 | 0 | Qty Gr | 0 | |

Totals distributed may be slightly different than block allocation due to rounding

EXHIBIT B
GUIDANCE FOR DETERMINING WHETHER URF WATER IS LOST TO SPILL

As per Paragraph 13(i) of the San Joaquin River Stipulation of Settlement, the Secretary shall not undertake any action pursuant to Paragraphs 13(i)(1) through 13(i)(3) that increases the water delivery reductions to any Friant Division long-term contractor beyond what would have been caused by releases in accordance with the hydrographs (Exhibit B of the Settlement). After consultation with Settling Parties and the Restoration Administrator, Reclamation has developed the following guidance for determining whether URF water allocated to Friant contractors yet not delivered is lost to spill.

Reclamation shall release URF water either as Tier 1 or Tier 2. All or part of the available volume of URF water may be released in either tier. Tier 1 URF water should be considered to have limited scheduleability or require immediate payment and delivery. Tier 1 URF water is offered at a reduced rate. Tier 2 URF water will not be made available to Friant contractors unless there is a reasonable likelihood that reservoir operations will not limit the availability of that water; therefore Tier 2 URF water is considered fully scheduleable (although there is no guarantee of scheduleability).

“Spill” condition is defined as either Friant Dam flood releases to the San Joaquin River, or Uncontrolled Season (UcS). Spill conditions in a given contract year only affect URF water in the same period, for example, spills in March 2018 would not affect 2017 URF quantities since both the contract year and restoration year begin March 1.

The default hydrograph found in Exhibit B, unmodified by the implementation of flexible flow provisions, will be used as the baseline for comparison. The volume released from Friant Dam and passing Gravelly Ford in accordance with Restoration Flow Schedule, plus the volume of URF water delivered can be compared at any point in the year to the volume that would have been released under the default hydrograph. When the comparison of volumes indicate that the Restoration Flows combined with URF water deliveries lag the default hydrograph (i.e. are evacuated from Millerton at a slower rate), then that volume differential is at risk of spill.

URFs at risk of spill are potentially lost at the end of the spill period (i.e. when Reclamation declares the end of Uncontrolled Season). Should there be any undelivered URF water at that point, the undelivered URF volume would be reduced by either the volume difference between the default hydrograph and the actual Restoration Flows plus total URF deliveries, volume or the volume of spill water, whichever is the lesser value. The volume of any undelivered URFs determined to

have been spilled is then no longer available for delivery. This spilled volume will then be removed from pending deliveries proportional to the committed quantities of the block of URF water. Contractors who have delivered their committed quantities will not be affected; only those contractors who have not completed their deliveries are at risk of losing their URFs.

Prior to the end of the spill period, URFs at risk of spill may continue to be scheduled and delivered, regardless of the relationship with the default hydrograph. Reclamation will provide to contractors a tool to quantify and visualize the amount of URFs potentially subject to spill.

Table B-1 below provides an estimate of when URF water may spill based on the comparison with the default hydrograph for a hypothetical Wet water year. (1) The date at which the comparison is made; (2) the default hydrograph at Gravelly Ford; (3) a hypothetical Restoration Administrator Schedule; (4) The gross (in Millerton) volume of URF water that would need to be delivered by a given date, unless Uncontrolled Season continues past this date; (5) The net (at the turnout) volume of URF water that would need to be delivered by a given date, unless Uncontrolled Season continues past this date. Using Table B-1, if the first block of Tier 1 URF water was 237.5 TAF net (250 TAF gross), then that volume would have to be delivered by sometime between May 16 and June 1 (see column 5 of Table B-1—interpolated as May 23) unless Uncontrolled Season extended past this date.

Table B-1. Hypothetical Wet Year volumes to demonstrate potential for URF spill

| (1) Date | (2) Default Hydrograph at GRF for Wet year (Cumulative Volume in TAF) | (3) Hypothetical RA Schedule at GRF (Cumulative Volume in TAF) | (4) Volume of URFs that would need to be delivered to avoid spill if UcS ends (Cumulative Volume in TAF - gross) | (5) Volume of URFs that would need to be delivered to avoid spill if UcS ends (Cumulative Volume in TAF - net at turnout) |
|---------------------|--|---|---|--|
| March 1 | 0 | 0 | 0 | 0 |
| March 16 | 11.1 | 12.2 | 0 | 0 |
| April 1 | 54.5 | 25.2 | 29.3 | 27.8 |
| April 16 | 124.4 | 37.4 | 87.0 | 82.7 |
| May 1 | 238.9 | 49.6 | 189.3 | 179.8 |
| May 16 | 292.8 | 61.8 | 231.0 | 219.5 |
| June 1 | 350.2 | 74.8 | 275.4 | 261.6 |
| June 16 | 404.1 | 87.0 | 317.1 | 301.2 |
| July 1 | 457.9 | 99.2 | 358.7 | 340.8 |

Example 1: First block of URF water is 237.5 TAF net (250 TAF gross). Uncontrolled season extends from the time the block of URFs is released through April 1. A subsequent comparison is made with the default hydrograph indicating that 27.8 TAF of URF water was required to be delivered by that date (column 5 of Table B-1). However, only 25 TAF of URF water was delivered by April 1. Thus, 2.8 TAF of URF volume would be removed from the URF allocation of those contractors who had not taken delivery of their committed volume of URFs would forfeit some or all of their remaining deliveries. Those contractors who had not completed delivery of their URF water had their volumes reduced by a combined 2.8 TAF, on a pro-rata basis proportional to their commitment to the block and adjusted for the volume they had already delivered. After this adjustment, the remaining volume of 209.7 TAF ($237.5 - 27.8$) can be delivered without risk unless Uncontrolled Season or flood flows recommence.

Example 2: First block of URF water is 237.5 TAF net (250 TAF gross). Uncontrolled season extends from the time the block of URFs is released through May 1, Millerton Reservoir is then brought under control, thus ending Uncontrolled Season and flood releases. A comparison with the default hydrograph and RA schedule indicate that 179.8 TAF of URF water should have been delivered (column 5 of Table B-1), yet only 100 TAF of URF water was actually delivered, a difference of 79.8 TAF. Some contractors had completed their URF deliveries by this date, and they were unaffected. Those contractors who had not completed delivery of their URF water had their volumes reduced by a combined 79.8 TAF, on a pro-rata basis proportional to their commitment to the block and adjusted for the volume they had already delivered. This then resulted in 57.7 TAF of remaining URF water ($237.5 - 179.8$), which the contractors with remaining shares could then resume delivery of.

**EXHIBIT C
PRICING FOR TIER 1 AND TIER 2 URF WATER**

Two price structures will be used for the sale of URFs to Friant Contractors. Sales to third parties may be at a different price and will be set on a current market basis. Two “tiers” will be used. Tier 1 URF water is water that is delivered during Uncontrolled Season or when a flood management action is likely for Millerton Lake Reservoir. Tier 2 URF water is water that is likely to have flexibility in how it is scheduled (i.e. flood management actions are unlikely to occur), although there is no guarantee that Tier 2 water can be scheduled for delivery at all times or carried over to another contract year. Tier 1 and 2 water may both be offered within a contract year.

Tier 1

To be competitive with other types of uncontrolled season water and to optimize reservoir management, Tier 1 URF water will be priced at a discounted rate of \$20. Payment is due upon acceptance of a quantity of URF water, regardless of whether delivery was made. If not delivered immediately, Tier 1 URF water has the risk of being spilled (it is unstorable and has very limited ability to be scheduled into the future). Thus the Tier 1 price includes the risk factor associated with this water and its availability is primarily driven by hydrology.

The pricing for Tier 1 URF water is set at or prior to the beginning of the contract year. Tier 1 URF water price may be reduced at a point later in the contract year at the sole discretion of the Contracting Officer, but will not increase. Whether Tier 1 URFs are available or not is at the discretion of the Contracting Officer.

Table C-1

| | |
|------------------|-------------------|
| Tier 1 URF water | \$20.00/acre-foot |
|------------------|-------------------|

Tier 2

The pricing for Tier 2 URF water is set based on the hydrology. Wetter conditions as evidenced by the water year unimpaired inflow into Millerton (i.e. “natural river”) result in a lower price, and vice versa.

Tier 2 URF water has a sliding scale pricing based on the forecasted hydrology. Tier 2 URF water is intended to be distributed when flood management actions are

unlikely to occur in the remaining water year, or after flood management actions have brought Millerton Lake Reservoir back under control.

The pricing will be set by Reclamation based on the forecasted unimpaired inflow into Millerton (i.e. Natural River). This runoff forecast is dynamic, and evolves throughout the water year. Pricing will be set upon release of a block of Tier 2 URF water, and may be revised subsequently, but no later than the first Restoration Flow Allocation made after March 1st.

The runoff forecast used to set the Tier 2 URF pricing will follow the same process as used to determine the Restoration Flow Allocation, as prescribed in the Restoration Flow Guidelines. It may be based on the 90%, 75%, or 50% exceedance depending on the hydrology as dictated by current Restoration Flows Guidelines.

This forecasted value will then be used in the following formula to derive the Tier 2 price:

Table C-2

$$\text{Tier 2 URF price per acre foot} = (275,000 / \text{unimpaired inflow in TAF}) - 40$$

An example of the above Tier 2 pricing formula applied to different runoff values is shown in Table C-3 below for a range of hydrology:

Table C-3

| Unimpaired Inflow into Millerton | Tier 2 Price per Acre-Foot |
|---|---------------------------------------|
| 4400 | \$22.50 |
| 4200 | \$25.48 |
| 4000 | \$28.75 |
| 3800 | \$32.37 |
| 4000 | \$28.75 |
| 3600 | \$36.39 |
| 3400 | \$40.88 |
| 3200 | \$45.94 |
| 3000 | \$51.67 |
| 2800 | \$58.21 |
| 2600 | \$65.77 |
| 2400 | \$74.58 |
| 2200 | \$85.00 |
| 2000 | \$97.50 |
| 1800 | \$112.78 |
| 1600 | \$131.88 |
| 1400 | \$156.43 |
| 1200 | \$189.17 |
| 1000 | \$235.00 |
| 800 | \$303.75 |
| 600 | \$418.33 |
| 400 | \$647.50 |