

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF RECLAMATION

LOWER COLORADO WATER SUPPLY PROJECT

CONTRACT AMONG
THE UNITED STATES, THE CITY OF NEEDLES, AND THE METROPOLITAN
WATER DISTRICT OF SOUTHERN CALIFORNIA
FOR DELIVERY OF LOWER COLORADO WATER SUPPLY PROJECT WATER

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1. PREAMBLE: THIS AMENDMENT, made this ____ day of _____, 2024 (Effective Date), hereinafter called “Amendment No. 3,” pursuant to the Act of Congress approved June 17, 1902 (32 Stat. 388), and Acts amendatory thereof or supplementary thereto, and particularly pursuant to the Lower Colorado Water Supply Act, approved November 14, 1986 (100 Stat. 3665), as amended on November 19, 2005, and the Boulder Canyon Project Act approved December 21, 1928 (45 Stat. 1057), all of which are commonly known and referred to as the Federal Reclamation laws, among the United States of America (hereinafter referred to as “United States”) through the Bureau of Reclamation (hereinafter referred to as “Reclamation”); the City of Needles, California, a charter city duly organized and existing under and by virtue of the laws of the State of California (hereinafter referred to as “Needles”); and The Metropolitan Water District of Southern California, a metropolitan water district duly organized and existing under and by virtue of the laws of the State of California (hereinafter referred to as “MWD”). The United States, Needles, and MWD are sometimes referenced as the “Parties” collectively or as a “Party” individually.

2. EXPLANATORY RECITALS:

2.1 WHEREAS, the Lower Colorado Water Supply Act authorized the Secretary of the Interior, through Reclamation, to construct, operate, and maintain the Lower Colorado Water Supply Project, comprised of a well field and appurtenant works (hereinafter referred to as the “Project”);

2.2 WHEREAS, Contract No. 06-XX-30-W0452, dated March 26, 2007, hereinafter called “the Contract,” between Needles, MWD, and the United States, provided, among other things, for Needles to enter into a contract with an expert, after such expert has been approved by the Parties, to complete a study not later than December 31, 2012, using the Economic and Environmental Principles and Guidelines for Water and Related Land Resources Implementation Studies of the U.S. Water Resources Council to:

- a. forecast the future total dissolved solids concentration of Project Water and determine if desalting is necessary to not exceed the total dissolved solids concentration shown in Exhibit B of the Contract prior to December 31, 2070,
- b. evaluate the cost of desalting Project Water on a present value basis using the discount rate for Federal water resources planning published annually in the Federal Register, if desalting is necessary to not exceed the total dissolved solids concentration as shown in Exhibit B of the Contract prior to December 31, 2070,
- c. determine the potential feasible alternatives to Project Water that would be less expensive than desalting Project Water, if desalting is necessary to not exceed the total dissolved solids concentration as shown in Exhibit B of the Contract prior to December 31, 2070,

d. estimate the cost of implementing and using the water supply from potential feasible alternatives on a present value basis using the discount rate for Federal water resources planning published annually in the Federal Register, and

e. determine the Trust Fund Account deposit per acre-foot necessary each year over the estimated remaining term of the Contract for the least expensive feasible solution to the total dissolved solids concentration projection exceeding the concentration as shown in Exhibit B of the Contract based on the projected Unused Project Capacity;

2.3 WHEREAS, Needles has entered into a U.S. Geological Survey Joint Funding Agreement to provide monies to complete “Phase 1 – Establishment of Monitoring Network and Initial Characterization of Ground-Water System” of the “Hydrologic Investigation to Forecast the Future of Total Dissolved Solids Concentration of Water Pumped by the Lower Colorado Water Supply Project,” which is the first phase of the three-phase investigation of the Lower Colorado Water Supply Project (hereinafter referred to as “USGS study”);

2.4 WHEREAS, the complete three-phase investigation will result in a forecast of the future total dissolved solids concentration (salinity) of water pumped from Project wells near the All-American Canal in southeastern California;

2.5 WHEREAS, pursuant to the Contract, as amended, Needles deposits money received from MWD into a Trust Fund Account (currently containing approximately \$10 million), which, among other things, was established to provide for the long-term economic viability of the Project or its replacement;

2.6 WHEREAS, the Contract originally called for the completion of the USGS study in 2012;

2.7 WHEREAS, the Parties determined that it was infeasible to complete the USGS study not later than December 31, 2012, and by Amendment No. 1 to the Contract, dated May 3, 2010, agreed to extend the time for completion to not later than December 31, 2019;

2.8 WHEREAS, the Parties determined that it was infeasible to complete the USGS study not later than December 31, 2019, and by Amendment No. 2 to the Contract, dated January 27, 2020, agreed to extend the time for completion to not later than December 31, 2024, if reasonably feasible;

2.9 WHEREAS, the Parties determined that it is infeasible to complete the USGS study not later than December 31, 2024, and based on USGS progress reports on the USGS study, the Parties anticipate the USGS study will be complete by December 31, 2026;

2.10 WHEREAS, the preliminary results of the USGS study indicate that the future concentration of the total dissolved solids will not result in the need for desalting prior to December 31, 2070;

2.11 WHEREAS, The Parties have reasonably determined that further deposits into the Trust Fund Account, pursuant to Subsection 6.1 of the Contract, in excess of the approximately \$10 million currently deposited in the Trust Fund Account, will not be needed to meet the Trust Fund Obligations pursuant to Subsections 17.1 through 17.4 of the Contract, as amended, at this time;

2.12 WHEREAS, the Parties desire to further amend the Contract, as amended, to temporarily pause certain payment obligations set forth in Section 6.1 of the Contract, specifically, the payments from MWD to Needles for the deposit into the Trust Fund Account, and to address the delay in the completion of the USGS study; and

NOW, THEREFORE, in consideration of the mutual and dependent covenants contained herein, the United States, Needles, and MWD agree as follows:

3. AMENDMENT NO. 3 OF CONTRACT NO. 06-XX-30-W0452:

3.1 Pause in Payment Terms: The Parties agree that Subsection 6.1 of the Contract, which obligates, among other things, MWD to pay Needles one-hundred and twelve dollars (\$112) per acre-foot for Needles to deposit into the Trust Fund Account for each acre-foot of Mainstream Water delivered to MWD resulting from Unused Project Capacity, as adjusted in subsequent years in Section 16 of the Contract (for example, in 2024, MWD pays Needles one-hundred and fifty six dollars and eighty three cents (\$156.83) per acre-foot), shall be temporarily paused from the Effective Date until six months after the completion of the USGS study (the “Pause Period”).

3.1.1 During the Pause Period, Subsections 16.6, 16.7, 16.8, 16.9, 16.10, as previously amended by Amendment No. 2 of the Contract, will temporarily be of no force and effect as such subsections pertain to Trust Fund Account payments by MWD.

4. TIME-LIMITATION OF THIS AMENDMENT NO. 3:

4.1 This Amendment No. 3 to the Contract is time-limited and will expire six months after completion of the USGS study, or by mutual written agreement by the Parties thirty days in advance of the desired termination date of this Amendment No. 3 to the Contract, whichever is first; at that time, the Contract, as amended by Amendment No. 2, will return to full force and effect and payments will resume.

5. IMPLEMENTATION OF THIS AMENDMENT NO. 3:

5.1 Needles will not issue a bill for collection to MWD for any further deposits into the Trust Fund Account after the Effective Date of this Amendment No. 3 to the Contract and until this Amendment No. 3 is terminated consistent with Subsection 4.1.

5.1 The Parties mutually agree to extend the timeline for completion of the USGS study beyond December 31, 2024.

6. COUNTERPARTS:

6.1 This Amendment No. 3 to the Contract may be simultaneously executed in one or more counterparts, each of which shall constitute one and the same instrument.

7. OTHER PROVISIONS UNAFFECTED:

7.1 Except as expressly modified by this Amendment No. 3 to the Contract, all other terms and provisions of the Contract, as amended, shall remain in full force and effect.

IN WITNESS WHEREOF, the Parties have executed this Amendment No. 3 to Contract No. 06-XX-30-W0452 hereto the day of and year first above written.

Signatures on next page.

Contract No. 06-XX-30-W0452
Amendment No. 3

THE UNITED STATES OF AMERICA

By: _____
Jacklynn L. Gould, P.E.
Regional Director
Interior Region 8: Lower Colorado Basin
Bureau of Reclamation

Signatures continued on next page.

Contract No. 06-XX-30-W0452
Amendment No. 3

CITY OF NEEDLES

By: _____
Mayor

Signatures continued on next page.

DRAFT

Contract No. 06-XX-30-W0452
Amendment No. 3

**THE METROPOLITAN WATER
DISTRICT OF SOUTHERN
CALIFORNIA**

By: _____
Deven Upadhyay
Interim General Manager

Approved as to form:

By: _____
Marcia L. Scully
General Counsel