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CONTRACT BETWEEN THE UTAH WATER CONSERVANCY DISTRICT  
AND THE NAPLES WATER COMPANY  
FOR SALE OF THE USE OF MUNICIPAL WATER  
VERNAL UNIT, CENTRAL UTAH PROJECT

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CONTRACT BETWEEN THE UINTAH WATER CONSERVANCY DISTRICT  
AND THE NAPLES WATER COMPANY  
FOR SALE OF THE USE OF WATER  
VERNAL UNIT, CENTRAL UTAH PROJECT

THIS CONTRACT, made this            day of            , 195 ,  
between the UINTAH WATER CONSERVANCY DISTRICT, organized under the laws  
of the State of Utah, with its principal place of business at Vernal,  
Utah, herein styled the District, and the NAPLES WATER COMPANY, a corpora-  
tion, organized under the laws of the State of Utah, with its principal  
place of business at Vernal, Utah, herein styled the Company:

WITNESSETH, That:

2. WHEREAS, the District entered into a contract with the  
United States, dated July 14, 1958, hereinafter referred to as the  
Government-District contract, for the repayment of certain costs of  
construction of the works of the Vernal Unit, Central Utah Project,  
hereinafter referred to as the project, by means of which water, here-  
inafter referred to as project water, will be delivered from Ashley  
Creek and other sources for irrigation, municipal, and other uses, and  
a portion thereof will be available for use by the Company.

3. NOW, THEREFORE, in consideration of the mutual and depend-  
ent stipulations and covenants herein contained, it is hereby agreed by  
and between the parties hereto as follows:

TERMS OF PAYMENT

4. The Company hereby agrees to pay to the District for the deliv-  
ery of a municipal water supply of 200 acre-feet annually the amounts  
hereinafter set out. Such payments shall be made on or before December 1

of each year and shall commence with the year preceding that in which water will be available for use by the Company. The District shall notify the Company on or before August 1 of the year preceding the year to which the notice is applicable, which notice shall contain a statement of the amounts payable by the Company for such succeeding year. Payments shall be made in the following annual amounts:

Years 1 - 10, incl. \$2990

Years 11 - 20, incl. \$3460

Years 21 - 30, incl. \$3940

Years 31 - 40, incl. \$4430

Advance payment of the aforesaid amounts shall entitle the Company during the period covered by such payments to the delivery of the municipal water specified above.

#### PAYMENT OF OPERATION AND MAINTENANCE EXPENSES

5. The Company agrees to pay to the District a fair proportionate amount of the estimated operation, maintenance, and reserve fund charges for each year of the 40-year payment period. Such fair proportionate amount shall be determined by the Board of Directors of the District and the determination shall be final and conclusive. An operation and maintenance charge notice, containing a statement of the estimated cost of operation, maintenance, and reserve fund charges to be paid by the Company shall be furnished to the Company annually on or before August 1 of the year preceding the year to which the notice is applicable. The Company shall pay the amounts set out in such operation and maintenance charge notice on or before December 1 of the year in which the notice is given. However, if deemed necessary by said Board revised estimates of such charges during any year may be made. The

District shall notify the Company of any revised estimate which notice shall specify the time for payment thereof. If such estimate is more or less than the actual cost thereof, then appropriate adjustment will be made in the annual amount for the year following the year for which the estimate was made.

#### SECURITY FOR THE PAYMENTS TO THE CONSERVANCY DISTRICT

6. The Company shall sell<sup>water</sup> at rates sufficient to enable it to make the annual payments as provided in Articles 4 and 5 hereof, and hereby grants to the District a first lien upon the proceeds of such sale to secure the payments specified in such articles. If the proceeds of water sales are not adequate to pay the annual amounts due the District under Articles 4 and 5 hereof the Company shall annually levy such assessments as may be required to meet such deficit. The annual amounts specified in Articles 4 and 5 shall be paid whether or not all or any part of the water allotted as hereinabove provided is called for or used by the Company.

#### REFUSAL OF WATER IN CASE OF DEFAULT

7. No project water shall be delivered through the project works to or for the Company if it is in arrears in the payment of operation and maintenance charges or other charges due the District. The provisions of this article are not exclusive and shall not in any manner prevent the District from exercising any other remedy given by this contract or by law to enforce the collection of any payments due under the terms of this contract.

#### PENALTY FOR DELINQUENCY

8. Every installment or charge required to be paid to the District under this contract which shall remain unpaid after its due date shall bear interest at the rate of 6 percent per annum from the date of delinquency.

#### OPERATION AND MAINTENANCE OF COMPANY FACILITIES

9. The Company shall operate and maintain, without cost to the District, or the United States, all of its facilities necessary to take and utilize its water, including the water purchased under this contract.

#### BENEFICIAL USE OF WATER

10. The basis, the measure, and the limit of the right of the Company to the use of project water shall rest perpetually in the beneficial application thereof and the Company agrees to put such water to beneficial use in accordance with law.

#### POINT OF DELIVERY OF PROJECT WATER

11. Water furnished under this contract shall be made available to the Company and shall be delivered and measured at a weir near the outlet works of Stanaker Dam, provided, however, it is understood that the Company will exchange such water for water at Ashley Springs. Measurement will be made of Ashley Springs water taken by the Company under the above-mentioned exchange and the District will release an equivalent quantity of water from Stanaker Reservoir. It shall not be the responsibility of the District to provide facilities to convey water from points of delivery to the places of use, except that facilities to be constructed under the Government-District contract may

be used for delivery of stored water. No responsibility is assumed by the District for purification of the water so delivered.

WATER SHORTAGES, WASTE, SEEPAGE, AND RETURN FLOWS

12. In the event there is a shortage of project water caused by drouth, inaccuracy in distribution not resulting from negligence, hostile diversion, prior or superior claims, or other causes not within the control of the District, no liability shall accrue against the District, or the United States, or any of their officers, agents or employees, or either of them for any damage, direct or indirect, arising therefrom and the payment to the District provided for herein shall not be reduced because of any such shortage or damage. During periods of water shortage allocations of municipal water shall have first priority. If there should ever be any shortage of municipal water, deliveries of water allotted pursuant to this petition shall be reduced in the proportion that the number of acre-feet of such shortage as determined by the District bears to the total number of acre-feet allocated for municipal use.

ACCOUNTING AND WATER SUPPLY RECORDS

13. The Company shall maintain a standard set of books

- (a) to account for money received and expended as provided by law, and
- (b) to keep and furnish suitable records of water supply and the disposition thereof.

ASSIGNMENT LIMITED - SUCCESSORS AND ASSIGNS OBLIGATED

14. 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 thereof or interest therein shall be valid until approved by the Secretary of the Interior.

APPROVAL OF UNITED STATES NECESSARY

15. This agreement shall not be effective until approved by the Secretary of the Interior, or his duly authorized representative. This agreement may be amended by the parties hereto and such amendments shall be effective upon approval of the Secretary of the Interior or his duly authorized representative.

WATER CONSERVANCY ACT OF UTAH

16. This contract, and any amendments thereto, shall be subject to the Water Conservancy Act of Utah, Title 73, Chapter 9, Utah Code Annotated, 1953, as amended, the rules and regulations of the Board of Directors of the District, and the Repayment Contract heretofore or hereafter executed between the United States and the District.

IN WITNESS WHEREOF, the parties hereto have signed their names the day and year first above written.

UINTAH WATER CONSERVANCY DISTRICT

(SEAL)

ATTEST:

Secretary

By

President

NAPLES WATER COMPANY

(SEAL)

ATTEST:

Secretary

By

President

APPROVED:

Regional Director, Authorized  
Representative of the Secretary  
of the Interior