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PATRICIA K. HITT, COUNTY CLERK

**CONTRACT FOR PURCHASE OF AGRICULTURAL WATER FROM GALESVILLE
PROJECT**

This contract is made on 8/13, 2014 between Douglas
County, a political subdivision of the State of Oregon, ("County"), and
GEORGE B. MCGREGOR
("Customer").

COUNTY AND CUSTOMER AGREE:

1 TERM AND RENEWAL:

1.1. The initial term of this contract shall begin on March 1, 2015
and end on December 31, 2024, unless it is sooner terminated as provided herein.

1.2. As used in this contract, unless the context clearly indicates otherwise,
"term" or "term of this contract" shall mean both the initial term and any extension.

1.3. Customer shall have the right to extend the term of this contract for two
successive periods of ten years each upon the following conditions:

1.3.1. Approximately ninety days prior to expiration of the contract term,
County shall notify Customer in writing that Customer has the right to extend the
term at the price set pursuant to section 11.

1.3.2. Customer may elect to extend the contract term by written notice to
County within thirty days after County gives notice of the right to extend.
Concurrently with written notice of extension Customer may request the Board of
Commissioners to review and reduce the price of water in accordance with
subsection 11.5.

1.3.3. No other act or agreement shall be required of the parties to effect
the extension after Customer gives proper notice of election to extend the
contract term.

1.3.4. Each extension shall commence on the day following the
termination date of the initial term or the preceding extension.

1.4. The provisions of this contract shall apply to any extension except for
changes in the purchase price pursuant to section 11; modifications required to comply
with federal or state statutes, regulations, or administrative rules; or modifications
required to comply with any contract between County and the United States concerning
the Galesville Project.

1.5. Customer shall not be entitled to extend the term of this contract if Customer
is in default under this contract at the time extension is requested by Customer.

2 AUTHORITY OF PUBLIC WORKS DIRECTOR:

2.1. The Director of the Douglas County Public Works Department (the Director)
has authority to administer this contract on behalf of County.

2.2. The Director may delegate authority to administer this contract to the Manager of the County Public Works Department, Natural Resources Division (the Division Manager), except for authority to establish the price of water under section 11 of this contract. The Director shall retain the right to supersede any decision of the Division Manager in the administration and interpretation of this contract.

2.3. References to the Director in this contract shall be deemed to include the Division Manager, to the extent the Director has delegated authority to the Division Manager.

3 WATER ALLOCATION: Each year during the term of this contract, County shall allocate sufficient acre feet of storage capacity in the Galesville Reservoir for Customer to irrigate 50.00 acres. This allocation shall not exceed 2.23 acre feet per acre per irrigation season as specified on the attached Exhibit A.

4 PERMITS AND CERTIFICATES OF WATER RIGHTS:

4.1. County shall file and maintain any reservoir water right permit and/or certificate to store water in the Galesville reservoir allocated for the Customer's use, as required by the State of Oregon Water Resources Department or its successor ("OWRD").

4.2. Customer, at Customer's expense, shall be responsible for obtaining any permit and/or certificate of water rights for use of the stored water allocated under this contract as required by the OWRD.

4.3. Within 6 months after the effective date of this contract, Customer shall provide County with a copy of the application map provided to the State.

5 RELEASE OF WATER:

5.1. Subject to the provisions of this contract, County will release into the natural channel of Cow Creek water comprising the allocation described in section 3. Water released for Customer's allocation shall be measured and delivered to Customer's point of diversion of record by County with equipment installed and maintained by County.

5.2. County shall report to the OWRD all allocated water stored and distributed to Customer's point of diversion of record, including reasonable losses. Customer shall report all water use as described on Customer's water right of record, or as otherwise may be required by the OWRD.

5.3. The obligations of County to allocate capacity may be restricted by any lawful order, regulation, or ruling of any governmental agency or provisions of a contract between County and the United States. Such legal restrictions may impair the County's ability to perform its obligations under this contract. In that event, County shall be relieved of its obligations to the extent necessary to comply with the legal restrictions. Customer's payments under this contract shall be reduced proportionally to any reduction in Customer's allocation resulting from such legal restrictions.

5.4. Notwithstanding any other provision of this contract, County may suspend release and delivery of water to Customer upon written notice to Customer if Customer fails to make any payment for such water when due.

6 DIVERSION AND USE OF WATER:

6.1. Customer shall be wholly responsible for taking, diverting, conveying, and utilizing its water and shall bear all losses from Customer's point of diversion.

6.2. Customer shall divert the water it is entitled to receive under this contract in accordance with schedules developed by the Customer and County.

6.3. The water diverted by Customer may be measured by County at the point of diversion. The point of diversion shall be accessible for inspection and measurement of water at all reasonable times by County. Any easement necessary for County to gain access to the point of diversion shall be provided by Customer when requested by County.

6.4. The water shall be utilized for agricultural use. Customer shall utilize the water only for the uses and only on the real property described in Customer's permit and certificate.

6.5. Customer shall be responsible for purchase and installation of a meter or other suitable measuring device if required by the OWRD. Once installed, it shall be the Customer's responsibility to maintain such device in good working order. If requested by the OWRD, Customer shall maintain a record of the amount of water used and report water use on such periodic schedule as may be established by the OWRD.

6.6. If required, Customer shall purchase, install, maintain, and operate fish screening equipment and by-pass devices to prevent fish from entering the diversion. Any required screens and/or by-pass devices shall be in place, functional, and approved prior to diversion of any water under this contract.

7 QUALITY OF WATER:

7.1. County shall operate and maintain the Galesville dam, reservoir, and related facilities in a reasonable and prudent manner, and shall endeavor in good faith to take adequate measures to maintain the quality of raw stored water at the facilities. County is under no obligation to construct or furnish water treatment facilities to maintain or improve the quality of water. **COUNTY MAKES NO WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE QUALITY OF WATER RELEASED AND DELIVERED FROM GALESVILLE DAM, RESERVOIR, AND RELATED FACILITIES.**

8 WATER SHORTAGES: In any year in which a water shortage in the Galesville reservoir occurs, County shall apportion the available water supply among Customer and other users who are entitled to receive water from the reservoir. The quantity of water to be furnished for irrigation shall first be reduced as necessary, but not greater than 15%. Any further reduction in the reservoir water supply shall be shared by Customer and all other users entitled to water from the reservoir in the same proportion that the entitlement of each user, including Customer's entitlement under this contract, bears to the total entitlements of all users.

9 WATER CONSERVATION: Customer acknowledges the critical need for water conservation in the Umpqua River basin. Customer shall implement reasonable and prudent water conservation measures for agricultural activities.

10 COMPLIANCE WITH LAW: This contract shall be governed by and construed in accordance with the laws of the State of Oregon. Each party shall perform its obligations in accordance with all applicable state, federal, and local laws, rules and regulations now or hereafter in effect.

11 PRICE OF WATER:

11.1. During the initial term, the price for the allocation stated in section 3 shall be \$1,612.50 per year.

11.2. For each discrete ten year extension of the contract term, Customer shall pay the then current rate as established by County in accordance with this section. Notice of the right to extend under subsection 1.3.1 shall state the price of water during the extension.

11.3. The Director shall periodically review and adjust the price for water taking into account the following factors:

11.3.1. The current cost of operating and maintaining the Galesville dam, reservoir, and related facilities;

11.3.2. The projected costs for operating, maintaining, and replacing Galesville water storage and delivery facilities; and

11.3.3. The price of water sold by similar facilities for similar uses.

11.4. The allocation price for each renewal term shall not be increased by more than 10% over the previous term.

11.5. Customer may request the Board of Commissioners to review and reduce the price of water established by the Director. Such request shall be in writing and shall be given with the notice of Customer's election to extend the contract term. After considering the factors listed in subsection 11.3, the Board of Commissioners may reduce or affirm the price established by the Director. If the Board of Commissioners fails to take any action on Customer's request to review and reduce the price of water within 30 days after Customer makes the request, the request shall be deemed denied. If Customer is not satisfied with the action of the Board of Commissioners, Customer may rescind their election to extend the contract term and cancel the contract by written notice to County within sixty days after Customer requests the Board of Commissioners to review and reduce the price.

12 PAYMENT:

12.1. Customer shall pay County the annual price established by section 11 for the allocation stated in section 3 regardless of whether Customer uses any or all of the water allocated. Except as provided in subsection 12.2, payment shall be made no later than March 31 of each year.

12.2. If this contract is dated after March 2 in the year for which water is first to be released, then the amount due for the first year only shall be payable within 30 days after the date the contract is signed by County.

12.3. Interest shall accrue on late payments at the rate of eighteen percent per annum commencing the day after the date payment is due. Customer shall pay all interest upon the request of County.

13 LIMITATIONS ON LIABILITY:

13.1. County shall not be liable for damages or other expenses sustained by Customer resulting from shortages in the quantity of water available for release, or interruptions in water deliveries to Customer, if such shortages or interruptions in deliveries are caused partially or entirely by hostile diversion, accidental damage to County facilities, operational failure of County facilities, or any cause beyond County's control.

13.2. Notwithstanding any other provision of this contract, County shall not be liable to Customer for damages caused by failure to comply with any obligation of County under this contract, if such failure results from lack of appropriation of funds necessary to perform such obligation pursuant to ORS 294.305 et seq. (Local Budget Law).

13.3. In no event shall County be liable to Customer for any indirect, special, or consequential damages even if Customer previously advised County of the possibility of such damages.

14 DEFAULT:

14.1. There shall be a default under this contract if either party materially fails to comply with any provision of this contract within thirty days after the other party gives written notice specifying the breach. If the breach specified in the notice cannot be completely cured within the thirty day period, no default shall occur if the party receiving the notice begins curative action within the thirty day period and thereafter proceeds with reasonable diligence and in good faith to cure the breach as soon as practicable.

14.2. If a default occurs, the party injured by the default may elect to terminate this contract and pursue any equitable or legal rights and remedies available under Oregon law, except that Customer's remedies shall be subject to the limitations on damages stated in section 13.

14.3. Any litigation arising out of this contract shall be conducted in the Circuit Court of the State of Oregon for Douglas County.

15 SEVERABILITY: If any provision of this contract is held to be invalid, that provision shall not affect the validity of any other provision of this contract. This contract shall be construed as if such invalid provision had never been included.

16 WAIVER: No provision of this contract shall be waived unless the waiver is written and signed by the party waiving its rights. Any waiver of a breach, whether express or implied, shall not constitute waiver of any other breach.

17 SUCCESSORS: The successors, assigns, and legal representatives of Customer and County shall be subject to all provisions of this contract. Customer shall not assign Customer's rights or obligations under this contract without prior written consent of County.

18 NOTICES:

18.1. Notices required by this Contract must be given in writing by personal delivery or mail, unless some other means or method of notice is required by law.

18.2. Notices to County shall be directed to Thomas R. Manton, Division Manager, Douglas County Public Works Department, Natural Resources Division, Room 306, Douglas County Courthouse, 1036 SE Douglas Street, Roseburg, OR 97470.

18.3. Notices to Customer shall be directed to: George McGreggor, Highlander Farms, LLC, 8885 San Diego Dr., Suite 300, San Diego, CA 92108

19 ENTIRE AGREEMENT: This contract is in the final and complete agreement of the parties and supersedes all prior and existing written or oral understandings. No modification of this contract shall be valid unless it is in writing and signed by the parties.

20 TERMINATION FOR CONVENIENCE: County may terminate this Contract if the Director determines in good faith that termination is in the best interest of the public. The Director will endeavor to give Customer notice thirty days prior to the date of termination under this section, but failure to give notice will not invalidate the decision to terminate. Termination under this section will not affect the rights of County and/or Customer existing at the time of termination

CUSTOMER

By *George McGreggor*
Print Name GEORGE MCGREGGOR
Phone Number 619-985-0898
Date 8/13/14

George McGreggor

DOUGLAS COUNTY

By *Robert G. Paul*
Robert G. Paul, P.E., Director of Public Works Department, Authority to sign contract granted by order of Board of County Commissioners, dated August 14, 2002.
Date 11/25/14

REVIEWED AS TO CONTENT

By *TRM*
Division Manager
Date 11/24/14
Coding 215-0000-2810-00-012010

REVIEWED AS TO FORM

By *[Signature]*
County Legal Counsel
Date 11/24/2014

EXHIBIT A

COMPUTATION OF RATE:

PRIMARY IRRIGATION

1. 50.00 acres of primary irrigation. This allocation shall not exceed 2.23 acre feet per acre each irrigation season.

Acre Feet: 111.50 Annual Cost: \$ 1,612.50

SUPPLEMENTAL IRRIGATION

2. Rights whose priority is between March 26, 1974, and November 3, 1983:

 acres of supplemental irrigation. This allocation shall not exceed 1.5 acre feet per acre each irrigation season on the South Umpqua River and/or Cow Creek or 1.0 acre foot per acre each irrigation season on the main stem, Umpqua River.

Acre Feet: Annual Cost: \$

3. Rights whose priority is between October 24, 1958, and March 26, 1974:

 acres of supplemental irrigation. This allocation shall not exceed 1.0 acre feet per acre each irrigation season on the South Umpqua River and/or Cow Creek or 0.6 acre foot per acre each irrigation season on the main stem, Umpqua River.

Acre Feet: Annual Cost: \$

4. Rights whose priority is prior to October 24, 1958:

 acres of supplemental irrigation. This allocation shall not exceed 0.5 acre feet per acre each irrigation season on the South Umpqua River and/or Cow Creek or 0.3 acre foot per acre each irrigation season on the main stem, Umpqua River.

Acre Feet: Annual Cost: \$

Note: Instream delivery losses are not included in the above allocations.

Summary:

Total Acres:	<u>50.00</u>	acres
Total Allocation:	<u>111.50</u>	acre feet
Total Cost:	<u>\$ 1,612.50</u>	

