

**SCHEDULE A**

**AMENDED AND RESTATED AGREEMENT AND  
INSTRUCTIONS FOR  
ADMINISTRATING ESCROW ACCOUNT BETWEEN  
THE UNITED STATES DEPARTMENT OF THE INTERIOR  
AND THE COLORADO WATER RESOURCES AND POWER  
DEVELOPMENT AUTHORITY ANIMAS-LA PLATA PROJECT  
COLORADO/NEW MEXICO**

This Amended and Restated Agreement is entered into this 9<sup>th</sup> day of November, 2001, among the United States Department of the Interior (hereinafter "Interior") and the Colorado Water Resources and Power Development Authority (hereinafter "Authority").

WHEREAS, the United States, the State of Colorado, the Ute Mountain Ute Tribe, the Southern Ute Indian Tribe, the Colorado Water Resources and Power Development Authority, the Animas-La Plata Water Conservancy District, the New Mexico Interstate Stream Commission, the San Juan Water Commission, and Montezuma County, Colorado, entered into an Agreement in Principle concerning the Colorado Ute Indian Water Rights Settlement and Binding Agreement for Animas-La Plata Project Cost Sharing" ("Cost Sharing Agreement") on June 30, 1986; and

WHEREAS, the Cost Sharing Agreement provided for the establishment of an escrow account upon the occurrence of certain conditions precedent, to be funded by the Authority and drawn upon by the Secretary of Interior ("Secretary") to defray a portion of the construction costs of certain facilities of the Animas-La Plata Project, in fulfillment of the State of Colorado's obligations under the Cost Sharing Agreement; and

WHEREAS, on November 10, 1989, the United States and the Authority entered into an Agreement and Instructions for Administering Escrow Account, and the United States, the Authority, and the Colorado State Treasurer (the "Escrow Agent") entered into an Escrow Agreement (collectively, the "Escrow Agreements"), both agreements relating to the Escrow Account for the State of Colorado's cost-sharing participation in the Animas-La Plata Project; and

WHEREAS, pursuant to the Escrow Agreements, the sum of \$29,948,432 was duly placed in escrow with the Colorado State Treasurer in order to fulfill the State of Colorado's obligations pursuant to the Cost Sharing Agreement; and

WHEREAS, as a result of investment returns and interest, the Escrow Account has increased to \$42,400,000; and

WHEREAS, the construction of the Animas- La Plata Project has not occurred in the manner contemplated by the Cost Sharing Agreement and the Escrow Agreements, and Congress has provided new authority in Public Law 106-554 (the "2000 Amendments") to construct a modified Animas-La Plata Project in order to effectuate the Colorado Ute Indian Water Rights Settlement; and

WHEREAS, the 2000 Amendments eliminate the requirement for cost sharing in the construction of the Animas-La Plata Project by the State of Colorado; and

WHEREAS, the 2000 Amendments provide for the construction of Project facilities to deliver certain municipal and industrial water allocations to the Animas-La Plata Water Conservancy District, a political subdivision of the State of Colorado, conditioned, however, upon payment of the water capital obligations attributable to such allocations prior to initiation of construction of the Project; and

WHEREAS, the Authority is authorized by §§37-95-101, et. seq., C.R.S., and by Resolution of the General Assembly of the State of Colorado, Senate Joint Resolution 6, 1982 Session Laws 702, to consider financing or participating in the financing of the Animas-La Plata Project including contracting with any person or governmental agency for the construction and/or the sale of the output of the Animas-La Plata Project; and

WHEREAS, the Authority and the Animas-La Plata Water Conservancy District have entered into an Agreement, contemporaneously herewith, pursuant to which the Authority has acquired by assignment from the Animas-La Plata Water Conservancy District its interest in the 2,600 acre-feet of municipal and industrial depletions allocated to the Animas-La Plata Water Conservancy District by the 2000 Amendments, and intends to fund the reimbursable share of construction costs allocated to such water, and to market and sell such water in conjunction with the Animas-La Plata Water Conservancy District; and

WHEREAS, the Secretary of the Interior is authorized, through the Bureau of Reclamation, by Federal Reclamation Law and the 2000 Amendments to enter into this Agreement in order to receive payment of the reimbursable share of construction costs of the Animas-La Plata Project properly assigned to the municipal and industrial water allocation for the Animas-La Plata Water Conservancy District under the 2000 Amendments;

NOW THEREFORE, the parties hereto agree as follows:

1. Adjustment of Escrow Account. Within 30 days of the execution of this Agreement the sum of \$35,143,250 will be released from the existing Escrow Account and delivered to the Authority. The sum of \$7,256,750 shall remain in the Escrow Account. At the option of the Authority, the funds remaining in the Escrow Account may consist of any one or more of the following: (a) cash; (b) funds in the Treasurer's Investment Pool of the State Treasurer of the State of Colorado; (c) bonds or other interest bearing obligations of the United States government; (d) direct obligations of federal agencies that are backed by the full faith and credit of the United States; (e) direct obligations of federal agencies that are rated in the highest rating category by one or more nationally recognized organizations that regularly rates such obligations; (f) bank certificates of deposit, money market accounts, or other cash equivalent instruments or investments; and/or (g) such other investments as the Authority has previously authorized for funds in the Escrow Account.

2. Escrow Instructions. The escrow agent shall hold and disburse funds from the Escrow Account pursuant to the instructions set forth herein.

3. Fund Investments. The Authority shall have the exclusive right to direct investment of the funds in the Escrow Account. In exercising this right, the Authority may delegate it to the Escrow Agent. Interest on investments, up to 3% per year, shall be credited to the Escrow Account and made available for disbursement as set forth in Paragraph 4(A) below. All interest on investments that exceeds 3% per year (the Segregated Funds) shall be deposited into a segregated account in the Escrow Account, and shall be available for disbursement as set forth in Paragraph 4(B) below.

4. Disbursement of Escrow Funds.

A. Unsegregated Account. Interior shall have the right to withdraw funds from the unsegregated portion of the Escrow Account in accordance with the terms of this Agreement. No funds may be withdrawn from the account on behalf of Interior until the Authority informs the Escrow Agent that each and all of the following prerequisites has been satisfied: (a) the United States Congress has appropriated funds to initiate construction of the Animas-La Plata Project; (b) any and all additional legal prerequisites to the commencement of construction have been satisfied; and (c) commencement of construction has occurred. Except as expressly provided herein, it is the intent of the parties to match advances from the Escrow Account with actual construction costs for the Project to the extent possible. In addition, disbursements will be made for the Authority's repayment obligation of the costs incurred on the project prior to October 1, 1999 (Sunk Costs). To that end, disbursement will be as follows:

(1) Construction Costs. Interior shall provide the Authority and the Escrow Agent with its annual construction schedule no later than August of each year for the following fiscal year beginning October 1. Such schedule will identify the total joint construction costs (Joint Costs) as well as any specific construction costs, up to a maximum of \$582,400, to be expended on items that are being provided solely for the benefit of the Authority (Specific Costs). Disbursements totaling 3.07 % of the estimated Joint Costs and 100% of the Specific Costs for the Ridges Basin Dam, Durango Pumping Plant, Ridges Basin Inlet Conduit, and appurtenant facilities set forth on such schedule for the quarters beginning October 1, January 1, March 1, and June 1 (except as adjusted pursuant to Paragraph 5(A) below) shall be made to Interior ten days prior to the beginning of the relevant quarter. The Escrow Agent will insure that funds are available for such disbursements based upon the construction schedule.

(2) Sunk Costs. In addition, the Escrow Agent will disburse to Interior the sum of \$1,161,197 for Sunk Costs in seven annual equal payments of \$165,885 each commencing one year beyond the date of initiation of construction.

(3) Limitation of Annual Disbursements. The Escrow Agent shall not allow in any one fiscal year the withdrawal of funds from the unsegregated portion of the Escrow Account in

excess of 3.07% of the estimated Joint Costs as set forth on the construction schedule described in subparagraph A; 100% of the appropriate estimated Specific Costs as set forth on the construction schedule described in subparagraph A(1); and \$165,885 for Sunk Costs. The construction schedule may be amended at any time by mutual consent of the parties to reflect changing circumstances. Any such amendment shall be furnished to the Escrow Agent.

B. Segregated Funds. The Segregated Funds, consisting of interest and investment income on the Escrow Account that exceeds 3% per year, shall be available for disbursement only upon and in accordance with the specific instructions of the Authority delivered to the Escrow Agent relating to such Segregated Funds.

5. Reports and Adjustment of Disbursements.

(A) Interior shall prepare and furnish to the Authority and to the Escrow Agent annual reports of the actual construction costs for the facilities of the Project during the previous fiscal year. The report shall be furnished by December 1<sup>st</sup> following the conclusion of any fiscal year in which escrow funds were withdrawn by Interior. The report shall clearly identify the allocation of any and all disbursements from the Escrow Account, and shall disclose and allocate all payments made for construction of facilities of the Animas-La Plata Project. Disbursement for the next succeeding quarter shall be reduced by the amount, if any, that escrow disbursements pursuant to paragraph 4(A) above in the preceding fiscal year as disclosed by the annual report exceeded 3.07% of the actual Joint Costs and/or 100% of the actual Specific Costs expended for the Ridges Basin Dam, Durango Pumping Plant, Ridges Basin Inlet Conduit, and appurtenant facilities.

(B) The Escrow Agent shall, monthly and at other times as requested by the Authority or Interior, render to the Authority and Interior a statement showing the funds, whether in the form of cash or authorized investments, contained in the Escrow Account.

(C) The records prepared and maintained by Interior and the Escrow Agent pursuant to this Agreement shall be open to inspection and audit by representatives of the parties hereto at all times during regular business hours.

6. Stay of Disbursements. In the event that funds duly appropriated by Congress for construction of the Project are ordered impounded or their expenditure is enjoined by any federal executive or judicial action, order, decision, directive, or the functional equivalent thereof, the Authority shall have the right to direct the Escrow Agent to cease any and all disbursements from the Escrow Account. In such event, the Authority may, at its discretion, approve disbursements from the unsegregated portion of the Escrow Account to Interior in any one fiscal year in an amount not to exceed 3.07% of the Joint Costs and/or 100% of the Specific Costs for that fiscal year for the facilities of the Project, to the extent that disbursements from the fund have not previously been made for that work. If the Authority does not, within six months of ordering cessation of disbursements, deliver written notice to the Escrow Agent that the disbursements may resume, then

this Agreement shall terminate and the Escrow Agent shall return all escrowed funds, including interest thereon to the Authority.

If construction of facilities of the Project ceases for any reason beyond the reasonable control of the parties hereto, including without limitation failure by Congress to appropriate sufficient funds for construction in any fiscal year, the Authority shall have the right to direct the Escrow Agent to cease any and all disbursements from the Escrow Account or, at its discretion to approve disbursements under the same terms and conditions specified in the paragraph above. If the Authority does not, within six months of ordering cessation of disbursements deliver written notice to the Escrow Agent that the disbursements may resume, then this Agreement shall terminate and the Escrow Agent shall return all escrowed funds, including interest thereon to the Authority.

7. Termination.

(A) In the event that any party to the Colorado Ute Indian Water Rights Final Settlement Agreement shall exercise its right to void that Final Agreement, as provided in Article VI, Section C thereof, the Authority shall have the right to terminate this Agreement. Similarly, if in accordance with the provisions of the Consent Decree entered by the District Court in and for Water Division No. 7 in Case No. W-1602-76, the Ute Mountain Ute or Southern Ute Indian Tribe commences litigation of its reserved rights claims from the Animas or La Plata rivers, the Authority shall have the right to terminate this Agreement. The right of the Authority shall be effective immediately upon the provision of notice by the voiding party under the Final Agreement, it being specifically agreed by the parties to this Agreement that this Agreement may be terminated prior to the running of the 60 day notice period provided for voiding the Final Agreement, or upon filing of a petition in the District Court to commence litigation of the reserved rights claims. In such event, the Authority may in its discretion elect to direct the Escrow Agent to cease any and all disbursements from the Escrow Account. Such election, if made, shall not diminish or otherwise affect the right of the Authority as provided elsewhere in this paragraph to terminate this Agreement. Upon notice of such termination by the Authority to the Escrow Agent, the remaining funds in the Escrow Account, including any interest or earnings thereon, shall promptly be paid to the Authority.

(B) This Agreement shall automatically terminate upon (1) the disbursement of sums sufficient to discharge in full the water capital obligation (including the payment in advance of the sum of \$7,256,750 and any additional payment) required to secure the 2,600 acre-feet of average annual municipal and industrial depletion from the Animas-La Plata Project allocated by the 2000 Amendments to the Animas-La Plata Water Conservancy District; (2) the passage of eight years from the date of this Amendment; or (3) the exhaustion of the escrowed funds, whichever occurs first. Upon termination, the Escrow Agent shall promptly remit all remaining escrowed funds, if any, including interest and/or earnings, to the Authority.

(C) Except as otherwise provided herein, this Agreement shall remain in effect until the Escrow Agent shall receive notice of termination in writing from Interior and the Authority.

Upon such termination, the Escrow Agent shall promptly pay the remaining escrowed funds, including interest and/or earnings, to the Authority.

8. Effect of Agreement. This Agreement amends and restates in its entirety, the Agreement and Instruction for Administering Escrow Account entered into by the parties on November 10, 1989, and supercedes and replaces that agreement in full.

9. No Interest. No member of or delegate to Congress, resident, commissioner or official of the Interior or the Authority shall benefit from this contract other than as a water user or land owner in the same manner as other water users or land owners.

IN WITNESS WHEREOF, the parties of this Agreement have each caused this Agreement to be duly executed as of the date and year first above written.

UNITED STATES DEPARTMENT OF THE  
INTERIOR

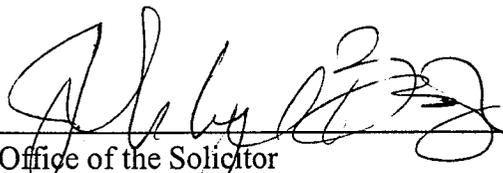
COLORADO WATER RESOURCES AND  
POWER DEVELOPMENT AUTHORITY

By:   
Regional Director,  
Bureau of Reclamation

By:   
Chair

ATTESTATION:

ATTESTATION:

By:   
Office of the Solicitor

By:   
Asst. Secretary