

Principles for Implementation of the Recommendations
April 30, 2003

1. These principles are to implement the recommendations as modified by resolution of April 17, 2003, of the Intergovernmental Relations Committee of the Navajo Nation.
2. PNM/APS/BHP will reduce the diversion demand amounts recognized in section 1 of the recommendations for the San Juan Generating Station and the Four Corners Power Plant by 5 percent utilizing conservation measures.
3. The subcontracts between PNM/APS/BHP and the Jicarilla Apache Nation for delivery to the San Juan Generating Station, the Four Corners Power Plant and the related mines (collectively, the power plants) of supplemental water to mitigate any shortages to their water supply can be utilized for delivery of up to 16,000 acre-feet of supplemental water consistent with the recommendations.
4. In the event of shortage, the power plants under their subcontracts may divert water in excess of their resultant diversion limitations computed pursuant to section 3 of the recommendations and up to the diversion demand amounts for the power plants recognized in section 1 of the recommendations; provided, that the delivery of supplemental water under the subcontracts does not exceed an aggregate of 16,000 acre-feet.
5. Incremental impacts to the water supply of the San Juan River caused by implementation of the recommendations and deliveries of supplemental water to the power plants under the subcontracts can be offset by reductions in other users' diversion limitations in a manner which maintains consistency with the provisions of section 3 of the recommendations.
6. Offset reductions will be determined by application of an additional increment of percentage shortage to the water diversion demands for the irrigation uses specified in section 1 of the recommendations, to wit: the diversion amount limitation for the Navajo Indian Irrigation Project will be further reduced by the added increment of shortage, and the irrigation seasons for the Hammond Irrigation Project, the Citizens Ditch, the Farmers Mutual Ditch, the Fruitland Irrigation Project, the Jewett Valley Ditch and the Hogback Irrigation Project will be further reduced by the added increment of shortage.
7. PNM/APS/BHP will provide funds to mitigate the effects to the river water supply of any added increment of shortage that is caused by actual diversion of water under the subcontracts, with the proviso that actual shortages and deliveries of water may vary from projected shortages and deliveries. The mitigation fund will initially be funded in the amount of \$120,000.
8. PNM/APS/BHP will provide additional funding to the mitigation fund of up to \$1,000,000 based on the amount of the supplemental water actually used by the power plants under the subcontracts, and will distribute said funds directly to representative

bodies for the specified irrigation projects in percentages determined by pro-rata distribution of added shortages to depletions in the following percentages:

- 79.3% to the Navajo Agricultural Products Industry
- 4.4% to the Hammond Conservancy District
- 3.6% to the Bloomfield Irrigation District
- 3.5% to the Farmers Mutual Ditch
- 1.3% to the Jewett Valley Ditch
- 7.9% to the Dine Water Users Association

9. PNM/APS/BHP will provide any required funds to the representative bodies for the specified irrigation uses or projects no later than December 31, 2003, and the representative bodies for the specified irrigation uses or projects may utilize or dispose of said funds in a manner or manners of their choosing to the benefit of the water users under the projects.

10. Neither the recommendations nor these principles for implementation of the recommendations shall be construed to establish any requirement on behalf of PNM/APS/BHP, the Jicarilla Apache Nation, the Bureau of Reclamation or any other party to mitigate any impacts to water supply on the San Juan River caused by the power plants taking delivery of water under the subcontracts, or to establish any precedent for water use arrangements between them or San Juan River operations and administration in 2003 or succeeding years.

11. The amount of diversion by the Hammond Irrigation Project that is chargeable or accountable against its diversion demand amount recognized in section 1 of the recommendations will be computed as the measured diversion amount by the project less the measured returns to the San Juan River on the Armenta wasteway.

Statement of Further Understandings

1. The deadline to complete endorsements of the recommendations was extended by the endorsing parties and Reclamation will implement the recommendations and these principles.
2. Reclamation will maintain the minimum release rate from Navajo Dam at 350 cfs through May 31, 2003.
3. Reclamation will use in the computations of any shortage amounts the 90-percentile exceedence inflow to Navajo Reservoir for the August-December period distributed monthly using the long-term average monthly percentage distribution.