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April 2, 2025

VIA E-MAIL

Mr. Mark Kovich
President, Board of Directors
Western Hills Water District
markkovichwhwd@gmail.com

Re: Kern County Water Agency – Contract to Transfer Water

Dear Mr. Kovich:

As we have discussed, the Kern County Water Agency (Agency) has been exploring possible solutions over the past several years with respect to the monies Western Hills Water District (WHWD) owes the Agency for water supplied, and related charges incurred, under the parties' June 5, 2000 Contract to Transfer Water (Contract). WHWD has not made a payment since July 2019. As of April 1, 2025, those amounts total \$13,592,045 and interest continues to accrue. Despite the lack of payment, the Agency has continued to provide WHWD with water in accordance with the Contract.

At the March 27, 2025, Agency Board of Directors' meeting, Agency staff were given direction to terminate the Contract as the Agency cannot continue to incur the costs of supplying water to WHWD without payment. The Agency's general counsel is in the process of preparing an agreement setting forth the terms of that termination and we will forward that draft Termination Agreement in the next few days.

The Agency does not take this action lightly, as it realizes the impact it will have on WHWD. However, the Agency has exhausted all other possible solutions and termination of the Contract is the only remaining action the Agency can take.

The Agency realizes WHWD's financial limitations and has structured the proposed termination in what it believes is a fair and reasonable manner, while also protecting the Agency and its constituents. The Agency understands WHWD may need some time to digest the Termination Agreement and finalize that agreement. However, the Agency must have the Termination Agreement in place in the coming weeks, and definitely by June 30, 2025, at which point the Agency will terminate supplying water to WHWD under the Contract.

Mr. Mark Kovich
Kern County Water Agency – Contact to Transfer Water
April 2, 2025
Page 2 of 2

Please let me know if you have any questions regarding this matter and the Agency's course of action.

Sincerely,

A handwritten signature in blue ink, appearing to read "Lauren Bauer". The signature is fluid and cursive, with the first name "Lauren" and last name "Bauer" clearly distinguishable.

Lauren Bauer
Water Resources Manager