



To All Western Hills Water District Customers,

The Western Hills Water District (WHWD) is pleased to inform the community that the District and the Kern County Water Agency (KCWA) have reached agreement on settlement terms regarding the long-standing water supply contract dispute. While the formal contract documents are still being finalized for signature by both parties, we have an agreement in principle on several important matters that will positively impact the District and its customers. The May 31 deadline set previously by KCWA has been satisfied and there is no longer any threat or risk of an interruption of water deliveries by KCWA.

The agreement terms include the following key provisions:

1. WHWD's existing \$14 million obligation to KCWA will be erased and will serve as consideration to resolve the outstanding dispute.
2. WHWD will no longer be required to purchase a fixed amount of 8,000 acre-feet of water annually. Instead, wholesale water purchases will be based on the District's actual water usage needs.
3. WHWD retains the option to purchase additional water in the future should further community development occur.
4. KCWA will provide a dry year, emergency water supply to WHWD, if necessary, for at least five years, and WHWD will have the ability to purchase additional water supplies, when available, to build up a further reserve, dry year water supply for WHWD for later years.

This agreement represents an important leap forward for the District after many years of negotiations and challenges. The WHWD Board believes the terms of the agreement are fair, responsible, and beneficial to both the District and the community we serve.

As a result of these changes, the Board has approved a modest temporary rate reduction until the full rate study can be completed and approved, at which time a reduction can be made non-temporary. For the interim and starting with the June billing cycle the base will be reduced by \$100 to \$468. The District continues to face significant financial responsibilities, including infrastructure maintenance, operational costs, capital improvements, and most importantly the need to rebuild financial reserves to ensure long-term water reliability and stability. A solid financial reserve will have an impact to the new lower water rate we will be finalizing in the coming months.

Additionally, inflationary pressures continue to affect the cost of operating the District, and delinquent accounts also impact the overall financial structure necessary to provide reliable service to all customers. If every past due customer will get current on their water bill the impact can be up to a \$70 further reduction in the base rate. WHWD remains committed to operating in a fiscally responsible manner while maintaining safe and dependable water service for the community.

The Board also continues to pursue ongoing litigation involving the former developers and owners associated with Diablo Grande. While legal proceedings can move slowly, the District remains committed to protecting the interests of WHWD and its customers.

We encourage all customers to remain engaged and informed by attending WHWD Board meetings or contacting the District directly with questions or concerns. Transparency and communication with our community remain a priority.

The Western Hills Water District appreciates the continued patience, support, and cooperation of its customers as we work toward a more stable and sustainable future for the community. If you have any questions I welcome you to contact me directly.

Respectfully,

Mark Kovich – Homeowner/Resident/Volunteer  
Board President  
Western Hills Water District