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Writer's Email
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December 1, 2025

Via Email

Capitol Core Group, Inc.
Attn: Todd Tatum
t.tatum@capitolcore.com

Re: Little Lake Ranch

Dear Mr. Tatum:

I am the attorney of record for Little Lake Ranch, Inc. ("LLR") in connection with the comprehensive water adjudication lawsuit now pending in the Orange County Superior Court, Case No. 30-2021-01187275. I filed an answer on behalf of LLR on February 26, 2022. In addition, I have been a member of LLR since the early 2000's, serve as an officer and director of LLR as established by the attached Statement of Information which is a publicly available document on the California Secretary of State website and listed as LLR's agent for service of process.

I am responding to the letter dated October 29, 2025, which you sent to Mr. Scott O'Neil, purportedly as the agent for Little Lake Ranch, a copy of which is enclosed. Candidly, we have no idea how you could have assumed that Mr. O'Neil is an agent for LLR. He is not.

We find your inquiry to be a rather transparent and disingenuous attempt to allegedly investigate LLR as a potential source of water. We are aware of the "Report of Findings", dated May 9, 2024 ("2024 Report"), that Capitol Core provided to the Indian Wells Valley Groundwater Authority ("IWVGA"), a copy of which is enclosed. The 2024 Report failed to note that no one from the IWVGA or Capitol Core group has made any serious effort to conduct the most rudimentary due diligence efforts to validate any of the assertions made therein. The Report suggests that investigations commenced in 2019, but I can assure you that no one from Capitol Core or the IWVGA ever consulted with LLR until 2024.

On April 17, 2024, Philip Peters, the vice chair of the IWVGA, toured the LLR real property located at the most southerly boundary of the Rose Valley in Inyo County ("LLR Property"), just north of the Indian Wells Valley underground water basin ("IWV Basin"), presumably for the first time. Also in attendance were the Ridgecrest city manager, Ron Strand,

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and IWVGA chair Scott Hayman. Immediately following that tour, Mr. Peters stated, almost verbatim “I don’t care what I saw today, I have been working with the GA for 10 years and I’ve made up my mind on a pipeline to California City from Ridgecrest and I am not letting new facts change my mind”. Less than one month later, the 2024 Report was disseminated to the IWVGA directors rejecting the water of LLR as a possible source of supplemental water available to the IWV Basin.

Whether or not any portion of the subsurface or surface water from the Rose Valley underground water basin (“Rose Valley Basin”) recharges the IWV Basin is debatable. This has been identified as a significant data gap in all of the hydrology models prepared over the years concerning both the Rose Valley Basin and the IWV Basin.

Even a quick review of the October 29, 2025 letter will reflect that it is simply a rehash of the unsupported conclusions reached by Capitol Core Group in its 2024 Report. No one from the IWVGA or any of its consultants or representatives has made any serious effort to verify or quantify whether any part of the Rose Valley Basin water recharges the IWV Basin or is otherwise available as a supplemental source of valuable water that could be used in and around Ridgecrest, the China Lake naval base or any of the commercial, industrial or residential user who desperately need additional water resources.

In April, 2023, I was contacted by Jean Moran, a senior hydrogeologist with Stetson Engineers, about some investigation work she and Stetson were performing on behalf of the IWVGA, specifically to determine the underflow or recharge from Rose Valley Basin to the IWV Basin. Over the next 2 1/2 years, I periodically communicated with Jean and then her successors, Jeff Helsley, and Joel Barnard, about Stetson’s efforts to verify or confirm the same issue. I am aware that Stetson was able to drill one exploratory well, but has been unable to drill a second proposed well. Despite my repeated requests for information about the results of that investigation, no information was ever shared with me. Obviously, the IWVGA knew about my relationship with LLR, but no one has ever provided an update on this critical issue. Without knowing for certain, the competing hydrology models and related water budgets are just guesswork and provide little or no meaningful evidence about the actual safe yield of the IWV Basin.

We find it curious that the IWVGA would ask LLR to prove or estimate the amount of water that could be available for sale. Please refer again to the 2024 Report in which it is expressly stated that 2,400 acre feet per year (AFY) of water may be “available”. Capitol Core goes on to say that they first identified this source of additional water dating back to 2019. We have to question the veracity and sincerity of Capitol Core. The Groundwater Sustainability Plan (“GSP”) for the IWV Basin published in January 2020 mentions Little Lake, and the possible recharge from the Rose Valley Basin equal to 2,400 AFY. Inexplicably, the GSP does not even consider the LLR as a possible source of water, regardless of whether Capitol Core or Stetson believed it to not be feasible, without doing any investigation.

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Presumably, the IWVGA is and has been investigating not only the AVEK project, but the other identified potential projects in the GSP. Why has the IWVGA conspicuously failed to suggest or investigate any possible project involving the LLR water? Although the 2024 Report dismisses the LLR water because it does not provide the ALL of the estimated 3,000 to 5,000 AFY of imported water needed for the IWV Basin, none of the other projects are estimated to provide a complete solution to the overdraft problem affecting the IWV basin either. Indeed, the GSP suggests that a combination of the identified projects may be necessary for the IWV Basin to become “sustainable” by 2040. Clearly, the acquisition of “available” water from LLR would help achieve this goal, at a far lesser cost.

Even though it is obvious to us that the IWVGA has no genuine interest in exploring the opportunity to supplement the water resources available to the IWV Basin by utilizing the LLR water, I can provide some responses to the inquiries raised by the October 29, 2025 letter.

A cursory investigation of the background surrounding the Rose Valley Basin water resources at LLR would have disclosed that an enormous amount of work, research and investigation about those water supplies had already been done due to the Coso Geothermal Project dating back to 2008, and even earlier. At the time, Coso Operating Company wanted to extract and transport from a hay ranch Coso owns located in the Rose Valley the entire annual recharge of the Rose Valley Basin to support its geothermal operations. As a direct result of the objections raised by me as the lawyer of LLR, Coso was required to prepare an environmental impact report (“EIR”) for the Rose Valley Basin and Coso’s proposed project. Coso was mandated by Inyo County to conduct regular monitoring of the water flows and resources in the Rose Valley since 2008. The EIR and all monitoring studies are publicly available on the Inyo County Water Department website, <https://inyowater.org/projects/groundwater/coso-hay-ranch-project/>. Once the EIR was published, Coso’s ability to pump and transport water from the Rose Valley Basin to its geothermal facilities was severely limited.

The Coso monitoring reports would give any interested party a better idea of what water may be available for delivery. The only technical issue is whether any of the Rose Valley Basin water actually recharges the IWV Basin. If the water that crosses or leaves LLR is currently lost through evaporation or percolation through the earthquake fault zones that crisscross the southern portion of the LLR Property, then all of that water may be “available”. Both the GSP and 2024 Report suggest that as much as 2,400 AFY of water may be “available”. If and to the extent that water is simply wasted, and not put to any reasonable and beneficial use, then it seems eminently clear to LLR that Inyo County would have no legitimate objections to its transportation to Ridgecrest or any other user overlying the IWV Basin.

LLR has not considered what a fair and reasonable price may be for the sale of its water. That would obviously depend upon how much water is available, infrastructure costs such as a

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delivery pipeline or other possible ways to transport the water. First, the water could be piped over a relatively short distance of perhaps a few miles until it could be injected into the IWV Basin, and extracted at a different location. Second, the water might be conveyed through one of the currently unused LADWP aqueducts that lie within a few hundred yards of the LLR Property to a location closer to Ridgecrest. Third, a much shorter pipeline could be built from LLR to an existing collection point.

The IWVGA should compare the total costs to obtain reliable water from LLR to the estimated costs to procure a variable and unknown amount of water from the AVEK pipeline project. The costs paid by the ratepayers could be reduced significantly by the purchase of water from LLR which is uphill from the IWV Basin and only a few miles away.

One would think that the IWVGA, the primary governmental agency charged with the responsibility to manage and enhance local water resources in the IWV Basin for its constituents, would take a serious look at the LLR water. It is quite obvious to us that the October 29, 2025 letter was sent to save face in light of the ongoing objections to the immensely expensive, and likely infeasible, AVEK pipeline project.

If the IWVGA has any bona fide interest in exploring this opportunity, its representatives can contact the undersigned.

ARNOLD LAROCHELLE MATHEWS
VANCONAS & ZIRBEL LLP

/s/ Gary D. Arnold

Gary D. Arnold

GDA:

cc: Directors of IWVGA (email only)
Kyle Brochard, Attorney for IWVGA (email only)
Keith Lemieux, Attorney for IWVGA (email only)
LLR Directors (email only)



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STATE OF CALIFORNIA
Office of the Secretary of State
STATEMENT OF INFORMATION
CA NONPROFIT CORPORATION

California Secretary of State
 1500 11th Street
 Sacramento, California 95814
 (916) 653-3516

For Office Use Only

-FILED-

File No.: BA20240249848

Date Filed: 2/7/2024

Entity Details			
Corporation Name	LITTLE LAKE RANCH, INC.		
Entity No.	0952772		
Formed In	CALIFORNIA		
Street Address of California Principal Office of Corporation			
Street Address of California Office	5030 HILL STREET LA CANADA, CA 91011		
Mailing Address of Corporation			
Mailing Address	5030 HILL STREET LA CANADA, CA 91011		
Attention			
Officers			
Officer Name	Officer Address	Position(s)	
Gary Arnold	536 OAKHAMPTON STREET THOUSAND OAKS, CA 91361	Secretary	
RICHARD DOTTS	1040 ARROYO DRIVE SOUTH PASADENA, CA 91030	Chief Executive Officer	
Daniel Tolbert	5030 HILL STREET LA CANADA, CA 91011	Chief Financial Officer	
Additional Officers			
Officer Name	Officer Address	Position	Stated Position
None Entered			
Agent for Service of Process			
Agent Name	Gary Arnold		
Agent Address	536 OAKHAMPTON ST. THOUSAND OAKS, CA 91361		
Email Notifications			
Opt-in Email Notifications	Yes, I opt-in to receive entity notifications via email.		
Electronic Signature			
<input checked="" type="checkbox"/> By signing, I affirm that the information herein is true and correct and that I am authorized by California law to sign.			
<i>Gary Arnold</i>	<i>02/07/2024</i>		
Signature	Date		



October 29, 2025

Mr. Scott O'Neil
Agent, Little Lake Ranch
Via email: mrscottoneil@gmail.com

RE: IWVGA Inquiry Regarding Water Purchase from Little Lake Ranch, Inyo County

Dear Mr. O'Neil:

Supervisor Phillip Peters, Vice Chairman of the Board of Directors of the Indian Wells Valley Groundwater Authority (hereafter, "IWVGA" or "the Authority"), asked Capitol Core Group to contact you about a potential water sale from the Little Lake Ranch in Inyo County, California. Capitol Core Group, Inc. acts as an authorized agent of IWVGA for purchasing water for import into the Indian Wells Valley. Our role includes performing due diligence on potential water sources that the IWVGA may acquire and use as part of its long-term water supply plan. This also involves negotiating the initial terms and conditions of such a water sale (referred to as the Term Sheet).

We understand that the water supply you may have access to originates from Little Lake Ranch in Inyo County. To begin the discussion regarding this water purchase, please provide the additional information requested below. Any discussion concerning cost, the structure of such an agreement, term, delivery schedule, and other relevant terms will be held in confidence by Capitol Core and presented to the IWVGA Board of Directors in closed session pursuant to the requirements of the Brown Act at Government Code Section 54956.8. Other terms, including but not limited to the conveyance point, interconnection, and environmental permitting/compliance that involve third-party approval, IWVGA will conduct public due diligence as needed to protect the public interest.

General Information Requested:

- The total amount of water available for sale by Little Lake Ranch.
- The source of the water (groundwater or surface water)
- Cost of the water
- Structure of the agreement, including term length, and any other terms/conditions as requested by the seller.
- Are you the authorized agent to enter into such negotiations and bind Little Lake Ranch owners?

Conveyance Method:

As the seller, Little Lake Ranch will be responsible for conveying the water to an appropriate interconnection point. Given its location, this is likely to be the Los Angeles Department of Water and

Power Aqueduct or a State Water Project contractor. Please identify the intended interconnection point for conveying the water.

Inyo County maintains an Ordinance effectively prohibiting the export of water supplies for use outside of the County's boundaries. While portions of the Indian Wells Valley are located within Inyo County, the primary use of the water would be within Kern County. It will be Little Lake Ranch's responsibility to demonstrate to IWVGA its ability to sell this water for export to the Authority for use in Kern County. IWVGA reserves the right to discuss this issue with Inyo County representatives as it conducts its due diligence regarding the water sale.

Further, Capitol Core has conducted substantial due diligence on the potential use of the Los Angeles Aqueduct to convey water. As part of our initial planning for the final draft of the Groundwater Sustainability Plan, starting in 2019, we held meetings with the Los Angeles Department of Water and Power (the owner of the LA Aqueduct) and with representatives of Inyo County. If any water were able to leave Inyo County beyond what Los Angeles County currently takes, both LA DWP and Inyo County would have to sign off on the deal. LA DWP indicated that it would not entertain further discussions with us regarding the use of the LA Aqueduct without explicit assurances from Inyo County that it was supportive of such a project. Inyo County was, and remains, in firm opposition to any further water exports from Inyo County. Considering these realities, please provide us with a reasonable plan for exporting this water out of Inyo County.

IWVGA Requirements:

Pursuant to the requirements of the Sustainable Groundwater Management Act ("SGMA"), IWVGA requires a total of 3,000 acre-feet annually in imported water supplies. This imported supply requirement may be averaged over five years.

Contact Preferences and Next Steps:

Nothing in this letter is intended to encumber IWVGA or Capitol Core Group. The purpose of this letter is to begin discussions regarding a water purchase from Little Lake Ranch and initiate discussions over a potential water sale.

The best way to reach me is via email – t.tatum@capitolcore.com – or via phone at (916) 576.0689 extension 704.

Look forward to working with you.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Todd Tatum', with a long horizontal flourish extending to the right.

Todd Tatum
Senior Client Advisor
Capitol Core Group, Inc. (agent for)
Indian Wells Valley Groundwater Authority



To: Carol Thomas-Keefer, General Manager Indian Wells Valley Groundwater Authority
Phillip Hall, General Counsel Indian Wells Valley Groundwater Authority
Keith Lemieux, General Counsel Indian Wells Valley Groundwater Authority

From: Michael W. McKinney, President Capitol Core Group

cc: Steve Johnson, Watermaster Indian Wells Valley Groundwater Authority, Stetson Engineers
Jeff Simonetti, SVP Capitol Core Group
Todd Tatum, SCA Capitol Core Group

Date: May 9, 2024

Subject: Report of Findings and Assessment: Little Lake Supply and Alternative Pipeline

Pursuant to Chairman Peters' request, Capitol Core Group, in conjunction with Stetson Engineers and County staff, has re-reviewed the purchase of water rights from the Little Lake Ranch (Rose Valley, Inyo County) and the potential alternative pipeline to convey purchased water from Little Lake Ranch to Indian Wells Valley Water District ("the District") facilities.

Upon completion of our review of this alternative, Capitol Core and Stetson continue to maintain:

1. The purchase of water rights from the Little Lake Ranch is insufficient to meet the imported water requirements needed to meet current sustainability, let alone future demands.
2. The construction of the alternative pipeline is infeasible and would increase overall annual O&M costs associated with imported water supplies (thereby increasing overall water rates within the region).

WATER RIGHTS FROM LITTLE LAKE

A purchase of water rights from Little Lake as a potential source of imported water supplies is not new. In 2019, Capitol Core Group reviewed Little Lake Ranch as a potential water rights purchase for IWVGA supplies. Such a water rights purchase would be predicated on the ability of the Authority to convey the physical water from the Little Lake Ranch to the basin. The 2,400 acre-feet of available water is less than the required 3,000- to 5,000-acre-feet of annual imported water supplies required in the Groundwater Sustainability Plan (GSP); therefore, such a water purchase would only meet part of the total water purchase requirement. In addition, the impact of water purchase from Little Lake would require further study on the hydrology of the area, as upstream reductions may impact both the Coso Geothermal Plant

and the Indian Wells Valley recharge. Both hydrology issues center on water within the Rose Valley, Inyo County.

As a partial source, the conveyance of water from Little Lake is predicated on interconnection with the Los Angeles Department of Water and Power (LADWP) aqueduct. Below, we discuss the LADWP interconnection and constructing an independent pipeline system that directly conveys water from Little Lake Ranch to the Indian Wells Valley.

WATER FROM THE ROSE VALLEY

From a hydrological perspective, Stetson has studied the groundwater flows from Rose Valley into the Indian Wells Valley Basin. These flows are the second largest source of groundwater recharge to the IWV Basin after the Sierra Nevada mountain front recharge. These findings are noted in the GSP. In short, the IWV already uses Rose Valley groundwater when it is received as groundwater underflow.

The impact of pumping groundwater or removing surface water (percolated groundwater) from the Little Lake Ranch reduces the underflow of groundwater from the Rose Valley to the IWV Basin. While this is not a proportional reduction (1:1), water taken from the Rose Valley could not be considered new water if it were conveyed to the IWV for the District's use. Surface water runoff from the spring discharges into Little Lake, which then feeds part of the recharge of the Rose Valley groundwater. Exporting surface water from Little Lake to the IWV would reduce groundwater underflow from Rose Valley to the Indian Wells Valley Basin. Again, this would not be a proportional (1:1) reduction, but it would impact the recharge of the IWV basin.

Lastly, Coso Geothermal pumps groundwater from Rose Valley and exports it to their operations under a Conditional Use Permit from Inyo County. The permit has some groundwater level triggers and some conditions on Little Lake's levels. Pumping groundwater from Rose Valley or taking water out of Little Lake would potentially impact Coso Geothermal's operations.

CONVEYANCE

As previously stated, water purchases from Rose Valley would only partially meet sustainability requirements. Additional water supplies beyond 2,400 acre-feet of available water would be required. A conveyance system must be able to satisfy the entire requirement, or additional infrastructure would be required. In order to meet the GSP requirements, a conveyance of water from Little Lake Ranch to the LADWP aqueduct would be required. A pipeline from the Ranch to the LADWP aqueduct traverses sensitive environmental and cultural lands, including the Coso Petroglyphs.

The County of Inyo opposes IWVGA's interconnection to the LADWP aqueduct to convey imported water supplies to the IWV. In addition, the County maintains a ban on the exportation of native water supplies. Purchasing groundwater or surface water (percolated groundwater) from the Little Lake Ranch likely violates that export ban.

Discussions between Capitol Core and LADWP from 2019-2021 indicated LADWP's desire for IWVGA to:

1. Seek approval from Inyo County,
2. Establish a groundwater banking project and
3. Provide a "three-to-one leave-behind agreement" (3:1) as a condition of continuing discussions regarding interconnection.

Inyo County's concerns over IWVGA interconnection with LADWP could not be mitigated. Further, such an agreement with LADWP would require IWVGA to purchase three times ("3X") the amount of imported water supplies needed to meet sustainability requirements. This would increase IWVGA's water purchase costs, which are passed on to ratepayers through the overall volumetric charge. This volumetric charge is anticipated to include O&M and debt-service obligations to purchase the water supply. Lastly, a review of groundwater basin studies indicates it does not percolate, making a groundwater banking project cost-prohibitive. These issues were brought to the Board for review in 2021. At that time, IWVGA requested Capitol Core discontinue discussions with LADWP. In 2023, during its Regular Session, the IWVGA Board favored interconnection with AVEK. As stated by IWVGA staff during the discussion presentation indicated that *"while infrastructure costs for the project are significantly greater for the AVEK interconnection. They were eligible for state/federal funding, thus mitigating impacts on property owners. Conversely, LADWP interconnection would increase overall O&M costs associated with the project and adversely impact ratepayers (by increasing volumetric charges) on a prolonged basis. Water purchases are not eligible for state/federal funding. Further, LADWP interconnection would meet with greater legal challenges."* [paraphrased and summarized; emphasis added]

An independent pipeline system to convey water from Little Lake Ranch to the IWV does not meet sustainability requirements. 2,400 acre-feet per year is insufficient to meet projected growth at the U.S. Naval Air Weapons Station China Lake. Further, it does not anticipate any growth within the Water District's service territory and does not conform to the District's own Urban Water Management Plan. This independent pipeline does not consider the needs of anyone wishing to import water supplies to the IWV (e.g., Searles Valley Minerals). It does not meet the "interconnection" requirements established in the GSP. The Department of Water Resources would likely find it insufficient to meet sustainability needs.

DISCUSSION

The issues stated above continue to the present day. The Water District has been aware of such findings through its participation on the IWVGA Board. Potential water imports from Rose Valley were discussed with the Board in 2019. Then-District and IWVGA General Manager Don Zdeba initiated and attended meetings between LADWP and Capitol Core wherein the Inyo County approval, "three-to-one leave behind" requirements, and establishment of a water bank were discussed. Several reports from 2020-2023 regarding the impacts of imported water purchases through an LADWP interconnection have been made in public sessions with Water District representatives, including Don Zdeba, present.

Capitol Core did a cursory review of a water rights purchase from Little Lake Ranch in 2019, pending discussion of conveyance and hydrology impacts. It was never presented as a viable alternative for consideration due to conveyance and after discussion with Stetson.

Based on LADWP's demands, the IWVGA Board directed that interconnection discussions be stopped in early 2021. Between 2021 and 2024, LADWP's demands have not changed. Conveyance through LADWP remains infeasible and cost-prohibitive to ratepayers. Purchasing water supplies from Rose Valley is also infeasible, potentially violates local ordinances, and does not meet the total requirement for imported water in the Indian Wells Valley Basin.