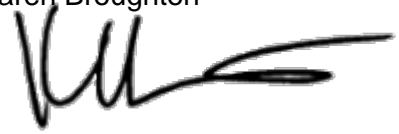


1 CURTIS R. WRIGHT, CBN 273323
CWright@SilverWrightLaw.com
2 NICOLAS L. JABER, CBN 349596
NJaber@SilverWrightLaw.com
3 SILVER & WRIGHT LLP
3 Corporate Park, Suite 100
4 Irvine, California 92606
Phone: 949-529-5922
5 Fax: 949-385-6428

Exempt from filing fees pursuant to
Government Code section 6103.

ELECTRONICALLY FILED
Superior Court of California
County of Santa Cruz
12/15/2023 2:36 PM
Clerk of the Court by Deputy,
Karen Broughton



6 Court Receiver

8 SUPERIOR COURT OF THE STATE OF CALIFORNIA
9 COUNTY OF SANTA CRUZ

11 CALIFORNIA STATE WATER
RESOURCES CONTROL BOARD,
12 DIVISION OF DRINKING WATER,
13 Petitioner,
14 v.
15 BIG BASIN WATER COMPANY, INC. et alia,
16 Respondents.

Case Number: 23CV01615

**COURT RECEIVER SILVER & WRIGHT
LLP'S CASE UPDATE #1**

Filed concurrently with:
1. Proof of Service.

Judge: Hon. Timothy Volkmann
Dept.: 5

CMC Hearing:
Date: Monday, December 18, 2023
Time: 8:30 a.m.
Dept.: 5

COURT RECEIVER SILVER & WRIGHT LLP'S CASE UPDATE #1

I. APPOINTMENT OF COURT RECEIVER

The Superior Court of the State of California for the County of Santa Cruz (the “Court”) appointed Silver & Wright LLP (“Court Receiver”) as the Court’s Receiver for the Big Basin Water Company (“BBWC”) drinking water system on September 29, 2023. The Court signed the Order Granting State Water Resources Control Board’s Request for Appointment of Receiver for The Big Basin Water Company (“Appointment Order”) on October 5, 2023, and the Court entered the Appointment Order on October 6, 2023.

II. CENTRAL STATES WATER RESOURCES ABRUPT TERMINATION OF AGREEMENTS WITH BBWC

At the time of Court Receiver’s appointment, Central States Water Resources (“CSWR”) was fully operating and funding BBWC pursuant to the standing Temporary Operations Agreement entered into by and between BBWC and CSWR prior to Court Receiver’s appointment. CSWR agreed to temporarily operate BBWC until it was able to complete its purchase of BBWC, as provided in the Purchase and Sale Agreement entered into by and between BBWC and CSWR in early 2023. While CSWR sub-contracted daily operational work to a local company, Cypress Water Services (“Cypress”), CSWR handled all customer billing in-house. Court Receiver accepted the Court’s appointment with the expectation that CSWR would continue to support BBWC financially and institutionally, at least until such time that Court Receiver and CSWR might mutually agree to effectuate a responsible transition.

In the early morning hours of Friday, October 20, 2023, CSWR abruptly notified Court Receiver of its decision to terminate its standing Temporary Operations and Purchase and Sale Agreements, effective immediately. CSWR also directly notified BBWC customers of its terminations, launching the customers into a frenzy. Just as CSWR’s unexpected and irresponsible exit left BBWC without operational funding, so too did it leave Court Receiver without the basic information necessary to assume operational control. So too did the exit leave Cypress without security to collect for future operational

1 work. To avert a full operational shutdown, Court Receiver scrambled to secure short-term funding to
2 keep water flowing.

3 **III. FUNDING**

4 On October 20, 2023, Court Receiver was able to secure a \$40,000 “operational bridge” to
5 support necessary water hauling and the continued employment of Cypress from the County of Santa
6 Cruz (“County”) was willing and able to rapidly pledge Cypress Water Services—CSWR’s sub-
7 contracted operator. With the County’s assistance, Court Receiver was also able to secure a \$240,000
8 grant from the State Department of Water Resources (“DWR”) to fund emergency water hauling over
9 the next six months. Without supplementing BBWC’s inadequate supply with purchased water from
10 neighboring utilities, BBWC would rapidly run out of water.

11 Court Receiver has exhausted the County operational bridge funding, and the DWR grant funds
12 may only be used to fund the purchase of water. Accordingly, Court Receiver urgently requires
13 funding for operations, critical repairs to infrastructure, monthly utility and backup generator costs, and
14 up-front consolidation costs. Court Receiver continues to issue funding requests to State and local
15 agencies on behalf of BBWC.

16 **IV. FINANCIAL OUTLOOK**

17 BBWC is insolvent. The balance of BBWC’s general operating account is less than \$300.00.
18 Court Receiver recently discovered that the account is subject to an IRS levy for the past five quarters
19 of payroll taxes (roughly \$80,000) and a State of California Employment Development Department levy
20 (roughly \$20,000). Additionally, Court Receiver has recently learned that BBWC has over \$50,000 in
21 credit card debts. Cypress is also owed more than \$70,000 in outstanding invoices for services rendered
22 and bills paid on behalf of BBWC.

23 Court Receiver is also aware of an existing loan balance owed by BBWC to DWR in the amount
24 of \$436,999.76. This loan has largely been paid down and was originally obtained by BBWC in 1988.
25 Court Receiver is also aware of a claim by the James Engelhard McPherson Living Trust in the amount
26 of roughly \$60,000. Neither of these claims, however viable, is of super-priority status.

1 **V. CUSTOMER BILLING**

2 CSWR had been handling customer billing in-house, and upon its abrupt exit, left BBWC with
3 no means of generating customer bills. Court Receiver has been diligently working with Cypress to
4 build and implement a customer billing infrastructure. Cypress sent out the first round of customer bills
5 the week of December 11, 2023. Court Receiver is unsure if and when customers will remit their initial
6 payments and is accordingly careful to quantify its budget expectations for customer revenues. Even if
7 all customers timely pay their bills, BBWC will still operate at a severe deficit.

8 **VI. SALE OF REAL PROPERTY ASSETS**

9 BBWC, cash poor as it may be, owns numerous valuable real property assets. Court Receiver
10 believes at least one of these real property assets, a 615-acre watershed parcel, might be separated from
11 the drinking water operation and sold to raise capital. To this end, Court Receiver has ordered
12 preliminary title reports and begun to converse with two local conservation buyers who had expressed
13 interest in purchasing the parcel prior to Court Receiver’s appointment. Court Receiver requires and is
14 searching for additional funding to properly evaluate the feasibility of this sale.

15 **VII. CONSOLIDATION**

16 Given CSWR’s exit, BBWC’s rough insolvency, and the dilapidated state of BBWC’s critical
17 infrastructure, Court Receiver does not believe the sale of BBWC to a private buyer is a likely prospect.
18 Court Receiver believes the best path for BBWC is to consolidate with a local public drinking water
19 utility. To this end, Court Receiver has entered informal conversations with San Lorenzo Valley Water
20 District (“SLVWD”). SLVWD has indicated that it will not proceed in a formal consolidation discussion
21 without an up-front financial commitment to fund the preliminary reports, engineering studies, and other
22 necessities involved in paving the way for a complex public utility consolidation. Court Receiver
23 requires and is searching for additional funding to provide a basis for consolidation discussions with
24 SLVWD and other local drinking water utilities.

25 **VIII. EFFORTS TO INCREASE WATER SUPPLY**

26 At the time of Court Receiver’s appointment, BBWC was hauling thousands of gallons of water
27 a day to BBWC’s tanks by truck, all to barely meet customer demand. Hauling is not only inefficient
28 but also extremely expensive. In partnership with SLVWD, Court Receiver has been able to increase

1 the output of the direct SLVWD-BBWC intertie connection by roughly four times to an average rate of
2 64.5 gallons per minute. As a result, Court Receiver has completely mitigated the need for regular water
3 hauling to BBWC tanks. For the first time in months, BBWC customers have access to a constant source
4 of drinking water. Court Receiver has also reduced the cost of importing water to BBWC customers by
5 roughly three times, as purchasing water from SLVWD through the intertie is far cheaper than hauling
6 by truck.


7 **IX. CUSTOMER OUTREACH & EFFORTS TO INCREASE WATER SUPPLY**

8 Court Receiver held an in-person Town Hall community meeting on November 2, 2023, at the
9 Boulder Creek Fire Protection District. The Town Hall was also streamed virtually for customers who
10 were unable to physically attend. To date, Court Receiver has met and exchanged emails and telephone
11 calls with hundreds of BBWC customers.

12 **X. CONCLUSION**

13 Court Receiver has still not received a verified customer list from the owner-Defendants or
14 CSWR. It is Court Receiver's belief that no such list exists, and Court Receiver is working tirelessly to
15 build a complete and accurate record of customer information. In the meantime, Court Receiver is
16 implementing customer billing the best it can under the circumstances and vigorously pursuing the
17 funding, operational, and consolidation-oriented paths herein described.

18
19 Dated: December 15, 2023

By: 

Nicolas L. Jaber
for SILVER & WRIGHT LLP
Court Receiver

PROOF OF SERVICE

At the time of this service I was over 18 years of age and I was not a party to this action. My business address is **3 Corporate Park, Suite 100, Irvine, California 92606**. On the date specified below, I served the following documents (“Documents”):

1. COURT RECEIVER SILVER & WRIGHT LLP’S CASE UPDATE #1.

The Documents were served on the following persons (“Persons”):

Ms. Tiffany Yee, Esq.
Mr. Corey Moffat, Esq.
Attorneys for California State Water Resources Control Board, Division of Drinking Water
Office of the Attorney General
1515 Clay Street, 20th Floor
Oakland, CA 94612
tiffany.yee@doj.ca.gov
corey.moffat@doj.ca.gov
laura.mooney@waterboards.ca.gov

Big Basin Water Company, Inc.
16595 Jamison Creek Road
Boulder Creek, CA 95006
sjm16595@gmail.com

Mr. Thomas James Moore
16595 Jamison Creek Road
Boulder Creek, CA 95006
sjm16595@gmail.com

Mrs. Shirley Moore
16595 Jamison Creek Road
Boulder Creek, CA 95006
sjm16595@gmail.com

The Documents were delivered by:

Email. I emailed the Documents to the Persons at the email addresses identified above based on agreements to accept service exclusively via email. I did not receive any indication that the email transmissions was unsuccessful.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Dated: December 15, 2023


Katlyn Rautio

SILVER & WRIGHT LLP
COURT RECEIVERS

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28