

Ownership of Big Basin Water Co. won't be decided for three months

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SANTA CRUZ — The fate of Big Basin Water Co., with its 505 customers near Boulder Creek Country Club, won't be decided for three to four months at the earliest, an administrative law judge for the Public Utilities Commission said Tuesday in Santa Cruz.

Judge Donald B. Jarvis is in Santa Cruz for two to three days taking testimony and evidence to come up with a recommendation for the commission on whether the water company should be sold.

Big Basin owners, Kermit McGranahan and Dr. Mahlon McPherson, first want to change the company from a partnership to a stock company and then sell it to Bill Nugent, a former Boulder Creek developer.

Nugent says he'll pay \$110,000 for the assets of the water company, which includes about seven acres of land, and spend \$100,000 making improvements.

He also said he would pay "a substantial sum" for property McGranahan and McPherson own adjacent to the company site — nearly 800 acres in the Ben Lomond Mountains, adjacent to the water company.

McGranahan was questioned by state health department representatives to determine if a 615-acre parcel that is part of the 800 acres was "watershed lands" that feed the district's wells and springs. Such a determination could tie the land to the company in any future sale.

"We never considered it as watershed," McGranahan said. But in testimony he submitted in writing to the administrative judge, McGranahan admitted he didn't know if the acreage was part of the watershed or not.

He was certain, however, that the land should not be considered part of the water company he and McPherson purchased in 1960.

Judge Jarvis also is considering a complaint from the Big Basin Water Committee, a group of customers that includes among its members persons who are trying to buy the water company.

Chairman of the group, Walt Carlson, complained the water company has failed to make improvements mandated by the state Health Department, that it cut its customers back to 85 gallons a day during a drought period in 1976-77 and that it has issued "boil your water" warnings in the past.

He said the PUC should demand the company put up a performance bond guaranteeing it will make improvements. He said the company's books should be audited and that money that was made in logging part of the 615 acres should belong to the water company.

Under the corporate name Sequoia Glen Inc., Carlson and others offered \$250,000 for the water company and attempted to get the money by securing a \$1.9-million state loan that would include funds to repair the system.

The original deal included Sequoia Glen's buying a small sewer system

owned by Big Basin Water Co. that services 22 homes. The system needs extensive and expensive improvements so when Sequoia Glen renewed its option to buy, it dropped any mention of the sewer service.

Big Basin Water Co. rejected the renewed option and turned to Nugent.

Company owners will still have an option to borrow \$1 million from the state to make improvements, according to testimony given by McGranahan.

However, he said that he and McPherson are too old to assume such a large loan and that the company should belong to someone younger.

Nugent's offer to buy has been controversial from the start as he was the developer who brought Galleon Heights subdivision to the Boulder Creek Country Club area.

Galleon was fought by environmentalists in the late '70s in several court challenges to his development.

He says the Galleon water system added \$1 million to the Big Basin Water Co.

Judge Jarvis said there are four issues to decide from the Santa Cruz hearings that began Tuesday and continue today and Thursday, if necessary. The issues are the complaint by the customers, the request by McGranahan and McPherson to change from a partnership to a stock company and whether Nugent or the group of customers should be the new owners.