

**WATER/RSK/KOK/DLW/RHG**

**PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

**DIVISION OF WATER AND AUDITS  
UTILITY AUDIT, FINANCE AND  
COMPLIANCE BRANCH**

**RESOLUTION W-4918  
May 24, 2012**

**R E S O L U T I O N**

**RESOLUTION W-4918. RESOLUTION GRANTING THE SEA RANCH WATER COMPANY, INC. AUTHORITY TO: RENEW EXISTING SHORT-TERM DEBT OF \$400,000; USE PART OF THE PROCEEDS OF THE DEBT AUTHORIZED BY RESOLUTION W-4826 TO RETIRE UP TO \$1,400,000 OF EXISTING AND FUTURE SHORT-TERM DEBT; AND CONTINUOUSLY RENEW SHORT-TERM DEBT OF UP TO \$500,000 FOR A PERIOD OF FIVE YEARS.**

**By Advice Letter No. 84 filed on December 27, 2011.**

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**SUMMARY**

This Resolution grants The Sea Ranch Water Company, Inc. (SRWC) the authority requested in its Advice Letter (AL) 84, with conditions.

SRWC requests authority, pursuant to §§ 816 through 851 of the Public Utilities Code, to:<sup>1</sup>

1. Renew existing short-term debt of \$400,000 for a period not to exceed twelve months and retire it with the proceeds from the issuance of the long-term debt authorized by Resolution (Res.) W-4826;
2. Retire future short-term debt of up to \$1,000,000 with the proceeds from the issuance of the long-term debt authorized by Res. W-4826; and
3. Continuously renew short-term debt for a period of 5 years so that the combined term of such indebtedness may exceed twelve months without the need for further authorization from the Commission, provided that the aggregate amount of such indebtedness does not exceed \$500,000 at any time outstanding.

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<sup>1</sup> All statutory references are to the Public Utilities Code unless otherwise indicated.

In connection with SRWC's request to continuously renew short-term debt for five years, and stipulated to by SRWC, this Resolution requires SRWC to a) bring down the aggregate amount of its short-term borrowings to 5% of the par value of other securities then outstanding at least once every twelve months, and b) use the proceeds thereof consistent with the purposes and requirements specified in §§ 817 and 818.

## **BACKGROUND**

SRWC, a California corporation, is a Class C water utility. SRWC provides service to 1,800 metered customers in Sea Ranch, California. Sea Ranch is located halfway between Point Reyes and Fort Bragg, bisected by State Highway 1, and approximately 7 miles southeast of Gualala, Sonoma County.

SRWC's water system includes wells, pumps, storage tanks, a reservoir, distribution mains, services, meters, fire hydrants, and water treatment equipment. Distribution mains are steel, plastic or transite ranging in size from 2" to 14". There are two wells; well water is treated with chlorine gas. The water system includes about 46 miles of water mains, seven storage tanks and eight pumping systems.

SRWC's water system was constructed during the mid-1960s to the mid-1970s. Most of its components and facilities are now 30 to 50 years old. On August 26, 2005 and January 24, 2008, the California Department of Public Health (CDPH) issued findings for SRWC's water system. CDPH found that SRWC should address its water supply, storage facilities, and the operation of its treatment plant.

On November 19, 2005, SRWC's Board of Directors approved a full hydraulic model of its system. SRWC chose Brown & Caldwell, an engineering firm from Walnut Creek, to do the work. The hydraulic modeling was conducted during 2006 and 2007.

On September 2, 2009, SRWC filed AL 77 requesting authority to issue up to \$9,000,000 in debt to finance capital improvements and encumber its assets in connection with the debt. In Res. W-4826 dated February 25, 2010, the Commission granted SRWC's request to issue and sell debt securities not exceeding \$9,000,000 and to apply the proceeds of the debt to (1) finance water utility plant to be built from years 2010 through 2014, and (2) pay the costs of the debt issuance.

SRWC indicated in AL 77 that it was considering various lenders or loans from financial institutions. SRWC disclosed that, on August 19, 2009, it received a private placement proposition from Wulff, Hansen & Co., Investment Bankers (Investment Banker) for a debt offering through the issuance of bonds. The bonds would be sold to accredited investors, such as institutional buyers and high net worth individuals.

In its current AL 84, SRWC stated that it is planning to launch its first bond issue in the amount of \$8,000,000 in May 2012, and the remaining \$1,000,000 in years 2013-2014.

On February 27, 2012, SRWC provided an update on the proposed bond offering. SRWC states that after extensive deliberations by its Board of Directors and SRWC's management, SRWC has determined to proceed with the bond issue to take advantage of the current low interest rate market.

The proposed issue would be for a 30-year term at a variable interest rate expected to be between 2.0% and 3.5%. SRWC intends to hedge its long term financing with an interest rate cap that will limit the maximum interest rate exposure to 6.5%. The bond offering requires a credit enhancement in the form of an A+ or better-rated bank letter of credit so that the bonds can be sold to institutional money market investors. The bond documents will contain provisions to convert the variable-rate bonds into fixed-rate bonds at any time during the term of the bonds.

The estimated annual debt service for \$8,000,000 of 30-year bonds at 6.5% is approximately \$606,785.<sup>2</sup> The cost of issuance is estimated to be \$545,000, which includes legal, placement agent, trustee, rating agency, printing, title insurance and other miscellaneous fees. According to SRWC, the final interest rate will not be set until closing, which is currently expected around May 15, 2012.

From the \$9,000,000 in debt authority granted in Res. W-4826, SRWC states that the \$1,000,000 bond issue projected for 2013-2014 may not be necessary. However, SRWC is prepared to issue the bond if needed to complete the projects discussed in Res. W-4826. SRWC indicates that it will determine the final amount of the bond issue depending on the market conditions and its cash flow requirements. The total long-term debt that the utility will incur will not exceed the \$9,000,000 authorized in Res. W-4826.

The capital improvements SRWC intends to complete were identified in Res. W-4826, and are shown in the following table.

**Table 1**  
**Brown & Caldwell**  
**Capital Improvement Recommendations**

1. Upgrade existing wells and variable speed pumps to more efficiently pump water in compliance with diversion limitations.
2. Upgrade electrical systems at the raw water chlorination station to ensure compliance with all codes and add caustic soda addition facility with pH control.

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<sup>2</sup> With interest compounded monthly.

3. Install bypass connections and purchase bypass hoses and handling equipment for the fault rupture zone. Clear a path for laying the bypass hose and conduct periodic practice drills on bypass installation.
4. Make minor improvements at the treatment plant to ensure its reliable operation, especially standby power. Monitor state and federal drinking water regulation and implement improvements at the treatment plant if necessary.
5. Make improvements to Zone 1 including the following:
  - a. Upgrade Tank 1 with flexible connections for the inlet and outlet pipelines, bypass piping, and check valve and vacuum release on the intake pipeline. Also provide storage in Tank 8 to offset Tank 1 storage for Zone 1.
  - b. Add a new parallel water main to deliver higher fire flow to The Lodge at Sea Ranch.
  - c. As funding permits, add parallel north/south Zone 1 water mains for redundancy during maintenance or for repairs after a major seismic event.
  - d. Add pressure relief stations at four key locations.
6. Make improvements to Zone 2 including the following:
  - a. Replace Tanks 3 and 5 with Tank 8 adjacent to Tank 4. Construct Tank 8 with a higher overflow than Tank 4 to improve service pressure for higher elevation lots.
  - b. Upgrade the pumps at Pump Station 1 and add flexibility to pump connections. Add piping around Tank 1 to allow Pump Station 1 to operate when Tank 1 is out of service.
  - c. Construct new and replacement water mains to deliver fire flows.
  - d. Replace Pump Station 2 with a pressure reducing station.
7. Make improvements to Zone 3 including the following:
  - a. Replace Tank 4 with a larger tank – Tank 8 – with proper seismic provisions.
  - b. Demolish and remove the existing tank.
8. Make improvements to Zone 4 including the following:
  - a. Replace the existing hydropneumatic system.
  - b. Add propane-fueled standby power.
  - c. Construct a building to house the pumping system, standby generator, and ancillary equipment.
9. Make improvements to Zone 5 including the following:
  - a. Demolish and remove the existing hydropneumatic system after Tank 8 is constructed and new Zone 2 water mains are constructed.
10. Make improvements to Zone 6 including the following:
  - a. Replace Tank 6 with a larger tank with proper seismic provisions and a higher overflow elevation.
  - b. Demolish and remove the existing tank.

- c. Upgrade the pumps in Pump Station 4 if needed to accommodate a higher tank overflow.
- d. Add flexibility to the pump suction and discharge pipes.
- 11. Replace iron tapping saddles in the distribution system to prevent future leaks from corrosion damage.
- 12. Add a system-wide SCADA system to improve operability and reliability.

Since the Brown & Caldwell report was issued, SRWC has been working on an implementation plan to move forward with its capital improvements. According to SRWC, during the months of February and March of 2011, SRWC incurred short-term debt of \$400,000 through the issuance of four notes of \$100,000 each. Two of the notes were dated February 17, 2011, one was dated February 21, 2011, and one was dated March 1, 2011. The term of the notes was one year with an annual interest rate of 5%. According to SRWC, the proceeds from the short-term notes were used to finance the engineering, plans, permitting, and site preparation costs related to improvements in Zone 2, shown as Item 6 of Table 1 in this Resolution.

Because the four notes matured and SRWC has not issued the debt authorized by Res. W-4826, SRWC requests permission to renew the notes for a period not to exceed twelve months. SRWC also claims that in the interim, it may be necessary for it to issue up to \$1,000,000 of new short-term debt to acquire some of the water plant detailed in Table 1 in this Resolution.

SRWC's estimate of cash requirements for 2010 through 2014, included in Res. W-4826, is shown in the following table:

**Table 2**  
**Cash Requirements Forecast for Years 2010 through 2014**

Components	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
Funds for Construction	\$357,000	\$1,024,000	\$2,329,000	\$3,480,000	\$960,000	\$8,150,000
Bonds, Notes Retirement	29,647	33,176	79,931	170,334	188,278	501,366
Contingency Costs	23,400	73,800	173,000	260,300	69,500	600,000
Issuance Costs	19,500	61,600	144,300	217,100	57,500	500,000
Total Cash Requirements	429,547	1,192,576	2,726,231	4,127,734	1,275,278	9,751,366
Less: Estimated Cash Provided from Internal Sources	191,122	151,836	89,139	60,907	214,566	707,570
Funds Required from Outside Sources	\$238,425	\$1,040,740	\$2,637,092	\$4,066,827	\$1,060,712	\$9,043,796

According to SRWC, the only change in its cash requirements forecast is in the amount of the issuance costs. SRWC previously estimated an issuance cost of \$500,000, for a \$9,000,000 debt issue. Now, the issuance cost for an initial bond offering of \$8,000,000, is estimated at \$545,000. Funds from internal sources previously estimated at \$707,570, and all other components shown in Res. W-4826, remain the same. In Res. W-4826, the

Commission indicated that the reasonableness of the cost of money resulting from the issuance of securities or indebtedness is subject to review in subsequent ratemaking proceedings and may result in a disallowance, if determined imprudent.

SRWC plans to retire the \$400,000 in existing short-term debt and any future short-term debt up to \$1,000,000 with part of the proceeds of the debt authorized by Res. W-4826.

In AL 84, SRWC states that it anticipates it will be necessary for it to borrow, from time to time, up to \$500,000 of additional short-term debt to help maintain its flexibility in the timing of its security offerings and its ability to bridge its cash-flow timing gap. On March 2, 2012, SRWC informed the Division of Water and Audits (DWA) that this short-term debt will be used for the construction of new water plant or improvements not included in Res. W-4826. According to SRWC, these improvements may include the acquisition of land, structures, wells, other water source plant, pumping equipment, water treatment plant, reservoirs and tanks, water mains, services, meters, hydrants and office and transportation equipments.

SRWC requests permission to continuously renew its short-term borrowings for a period of 5 years so that the combined term of such indebtedness may exceed twelve months without the need for further authorization from the Commission, provided that the aggregate amount of such indebtedness which has been so paid, repaid, refunded or renewed does not exceed \$500,000 at any time outstanding. SRWC proposes to repay the short-term borrowings out of funds available from internal sources.

Lastly, SRWC requests to be exempt from the fees prescribed by § 1904 (b) because it already paid the fee for the debt authority granted by Res. W-4826.

### **NOTICE AND PROTESTS**

On December 23, 2011, SRWC served AL 84 in accordance with General Order 96-B, including to adjacent utilities. Notice of AL 84 was made by publication in the Commission's Daily Calendar of December 30, 2011. No protests were received by DWA or by SRWC.

### **DISCUSSION**

SRWC indicates that it needs to make the improvements shown in Table 1. SRWC's projected construction budget, shown in Table 1, totals \$9.25 million, while the funds required from external sources for years 2010 through 2014, shown in Table 2, total \$9.44 million. SRWC stated that it needs certain short-term debt flexibilities to maintain flexibility in the timing of its security offerings while beginning construction on its projects.

This resolution approves the short-term debt modifications that SRWC requested in its advice letter. However, the Commission does not by this Resolution determine that SRWC's construction budget and cash requirements forecast, replicated herein from Res. W-4826, or the cost of money resulting from the issuance of securities or indebtedness, are necessary or reasonable for ratemaking purposes. Such reasonableness is subject to review in subsequent ratemaking proceedings and may result in a disallowance, if determined imprudent.

**A. Renewal of Existing Short-Term Debt and Retirement of Short-Term Debt with the Proceeds of the Bond Issue**

Section 817 (b) provides that a public utility may issue bonds, notes and other evidences of indebtedness payable at periods of more than 12 months for the construction, completion, extension, or improvement of its facilities.

Section 818, among other things, requires Commission approval for debt issuances payable at periods of more than 12 months and that the money, property, or labor to be procured or paid for with the proceeds of the debt is reasonably required for the purposes specified and that those purposes are not, in whole or in part, reasonably chargeable to expenses or to income.

SRWC used the proceeds from its \$400,000 of short-term debt for capital improvements, a proper purpose under § 817 (b). Therefore, renewing its short-term debt for a period not to exceed 12 months would also be a proper use of funds under § 817 (b). In addition, the money, property, or labor procured or paid for with the proceeds of the existing short-term debt were reasonably required for the purposes specified in Table 1 of this Resolution, which purposes were not, in whole or in part, reasonably chargeable to expenses or to income and therefore were in compliance with § 818.

Section 823 (d) provides that no note payable at a period of not more than twelve months after the date of issuance of such note shall, in whole or in part, be refunded by any issue of stocks or stock certificates or other evidence of interest or ownership, or of bonds, notes of any term or character, or any other evidence of indebtedness, without the consent of the Commission.

While SRWC applied to renew its short-term debt on December 27, 2011, before its short-term debt matured between February 17, 2012 and March 1, 2012, SRWC did not file soon enough to allow the Commission to act before its short-term debt matured. Because the proceeds were used for proper purposes that were not reasonably chargeable to income or expenses and renewing the short-term debt is permitted under § 823 (d) with authorization from the Commission, it would not be adverse to the public interest to approve the renewal of SRWC's existing short-term debt, effective February 17, 2012.

Pursuant to § 823 (d), we will allow SRWC to renew its existing \$400,000 short-term debt for a period not to exceed twelve months. Our action today with regards to the renewal of SRWC's existing short-term debt will be effective as of February 17, 2011 "nunc pro tunc."

We expect SRWC to do everything necessary or proper to secure compliance with all Commission orders or directions. SRWC is placed on notice that any repeated filings that do not provide adequate time for the Commission to act may result in a denial of similar requests in the future.

Section 817 (d) provides that a public utility may issue bonds, notes and other evidences of indebtedness for the discharge or lawful refunding of its obligations.

Retiring its \$400,000 in short-term debt and up to \$1,000,000 in future short-term debt used for the improvements listed in Table 1 of this Resolution with the proceeds from the issuance of the long-term debt authorized by Res. W-4826, would be a proper use of funds under § 817 (d) and would not be adverse to the public interest. In addition, the money, property, or labor to be procured or paid for with the proceeds of the debt authorized by Res. W-4826 is reasonably required for the purposes specified in Table 1 of this Resolution, which purposes are not, in whole or in part, reasonably chargeable to expenses or to income.

Therefore, from the effective date of this Resolution, SRWC may retire its existing \$400,000 short-term debt and approximately \$1,000,000 of future short-term debt with the proceeds of the debt authorized by Res. W-4826, provided that the short-term debt is used to finance any costs associated with the construction improvements listed in Table 1 of this Resolution.

## **B. Continuously Renew Short-Term Debt for Five Years**

The Commission has in the past authorized the continuous refunding of previously issued short-term debt. In Decision (D.) 94-08-010, dated August 3, 1994, the Commission granted Southern California Gas Company (SoCalGas), among other things, authority to refund previously issued short-term debt securities such that the combined terms of the refunded issues and the new debt securities exceeded twelve months. The Commission granted SoCalGas authority to do this refunding for a period of 5 years.

Once short-term debt is to be renewed, it becomes subject to §§ 817 and 818. SRWC may not use the \$500,000 in short-term debt that it requests to continuously renew for purposes such as bridging a cash-flow gap associated with operating expenses because it would violate §§ 817 and 818. For those purposes that are consistent with §§ 817 and 818, it would be in the public interest to allow SRWC to continuously refund those

short-term debts; this would assist SRWC in starting its plant improvements and other construction projects that are not reasonably chargeable to expenses or to income.

As stated earlier, SRWC intends to use its continuously renewed short-term debt for other plant improvements not listed in Table 1 of Res. W-4826. Maintaining its continuously renewed short-term debt, such that the aggregate amount of such indebtedness does not exceed \$500,000 at any time outstanding, would maintain its short-term debt at 5% or less of its total debt authority. This would prevent excessive use of short-term debt for extended periods of time that could possibly drive up its overall debt costs or create cash flow concerns, but still allow SRWC flexibility to use short-term borrowings when market conditions for long-term debt are not favorable.

Therefore, for a period of 5 years starting from the effective date of this Resolution, we will permit SRWC to pay, repay, renew, or refund any short-term indebtedness whose proceeds were used for new plant improvements or construction projects, so that the combined term of such indebtedness may exceed twelve months without the need for further authorization from the Commission, provided that: 1) the aggregate amount of such indebtedness which has been so paid, repaid, renewed, or refunded does not exceed \$500,000 at any one time outstanding; 2) SRWC maintains or brings down the aggregate amount of its short-term borrowings to 5% of the par value<sup>3</sup> of the other securities then outstanding at least once every twelve months;<sup>4</sup> and 3) SRWC complies with the purposes and requirements specified in §§ 817 and 818.

### **C. Supplier Diversity Program**

In connection with the projects to be funded by the authority granted in Res. W-4826 and in this Resolution, we are informing SRWC that the Commission encourages all investor-owned utilities to actively participate in the Commission's supplier diversity program as set forth in General Order 156, whether mandated or otherwise, and provide financial opportunities to Women/Minority/Disabled Veteran Business Enterprises, as this is vital to the economic recovery and stability of our communities and our State.

### **D. Section 1904(b) Fee**

SRWC's request to continuously pay, repay, refund or renew \$500,000 of short-term borrowings was not included in the authority granted in Res. W-4826. This short-term debt facility is a prospective debt that constitutes "new money" and should therefore be subject to the fee required by § 1904 (b).

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<sup>3</sup> Par or stated value is a base amount.

<sup>4</sup> Other securities include long-term debt, preferred stock and common stock.

## **FEES**

Whenever the Commission authorizes a utility to issue debt, the Commission is required to charge and collect a fee in accordance with § 1904(b). The fee for the \$500,000 short-term debt facility as required by § 1904(b) is \$1,000.<sup>5</sup> SRWC must issue a check payable to the California Public Utilities Commission and remit the payment to the Commission's Fiscal Office before it can utilize the new debt facility discussed in this Resolution.

## **COMMENTS**

This is an uncontested matter in which the Resolution grants the relief requested.

SRWC informed DWA that in connection with the \$500,000 short-term debt facility, it has no objection to maintaining or bringing down its aggregate amount of short-term borrowings to 5% of the par value of the other securities then outstanding at least once every twelve months. In addition, SRWC indicated that in connection with the continuous renewal of its short-term debt, it would comply with the requirements of §§ 817 and 818 by only using the proceeds of the short-term debt it intends to continuously renew for capital improvements as discussed herein.

Accordingly, pursuant to § 311(g) (2), the otherwise applicable 30-day period for public review and comment is being waived.

## **FINDINGS**

1. SRWC, a California corporation, is a Class C water utility subject to the jurisdiction of this Commission.
2. SRWC is responsible for maintaining its quality of service and providing necessary improvements to its water system.
3. SRWC needs external funds and short-term debt flexibilities while beginning construction of its projects and before it issues the long-term debt authorized in Res. W-4826.
4. SRWC issued \$400,000 of short-term debt to fund the costs related to improvements listed in Table 1 of this Resolution.
5. On December 27, 2011, SRWC filed AL 84 requesting authority to renew the \$400,000 short-term notes for a period not to exceed twelve months.

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<sup>5</sup> The fee is assessed on \$500,000 of authorized borrowing as follows: \$2 times (\$500,000/\$1,000) equals \$1,000.

6. The short-term notes matured between February 17, 2012 and March 1, 2012.
7. The Commission could not act on SRWC's request before the maturity of the short-term notes.
8. SRWC's use of the proceeds from its short-term notes were for proper purposes under § 817.
9. Section 817 (b) provides that a public utility may issue bonds, notes and other evidences of indebtedness payable at period of more than 12 months for the construction, completion, extension, or improvement of its facilities.
10. Renewing SRWC's existing \$400,000 in short-term notes used for capital improvements for a period not to exceed twelve months would not be adverse to the public interest.
11. SRWC intends to retire the \$400,000 short-term notes with the proceeds of the debt to be issued as authorized in Res. W-4826.
12. SRWC is also requesting authority to issue up to \$500,000 of new short-term debt to be used for the construction of new water plant or improvements not included in Res. W-4826. SRWC is requesting authority to continuously refund the \$500,000 over a period of 5 years.
13. In the past, the Commission has authorized utilities to continuously refund previously issued short-term debt for a period between 3 to 5 years.
14. A 5-year authority to continuously renew the \$500,000 in new short-term debt, so that the combined term of such indebtedness may exceed twelve months, is not adverse to the public interest.
15. SRWC has no objection to maintaining or bringing down the aggregate amount of short-term borrowings to 5% or less of the par value of the other securities then outstanding at least once every twelve months.
16. SRWC proposes to use the proceeds of the short-term notes it intends to continuously renew only for the purposes specified in §§ 817 and 818.
17. SRWC's request to use part of the proceeds of its first bond offering to retire its existing short-term debt of \$400,000 and future short-term debt of up to \$1,000,000 used or to be used for the improvements indicated in Res. W-4826 would be for proper purposes under § 817.

18. Section 818 requires that that money, property, or labor to be procured or paid for with the proceeds of debt may not, in whole or in part be charged to expenses or to income.

19. Notice of SRWC's filing appeared on the Commission's Daily Calendar on December 30, 2011. No protests have been received.

20. The fee for the \$500,000 short-term facility that constitutes as "new money" as required by § 1904(b) is \$1,000.

### **CONCLUSIONS OF LAW**

1. The proposed: (a) renewal of \$400,000 of short-term debt, (b) refinancing of \$1,400,000 of short-term debt, and (c) continuous renewal of \$500,000 of new short-term debt for plant construction and improvements, are for lawful purposes.
2. The money, property, and labor to be obtained from the short-term debt are expenditures that may not reasonably be charged to operating expenses or income.
3. Requiring SRWC to maintain or bring down the aggregate amount of new short-term debt to 5% of the par value of the other securities then outstanding at least once every twelve months is reasonable. It would still allow SRWC flexibility to use short-term borrowings when market conditions for long-term debt are not favorable or available.
4. The authority granted herein is not a finding of the reasonableness of SRWC's construction plan or expenditures, the resulting plant balance in rate base, or indicate approval of matters subject to review in general rate case of other proceedings.
5. The authority granted herein is not a finding of the reasonableness of the cost of money resulting from the issuance of securities or indebtedness. Such reasonableness is subject to review in subsequent ratemaking proceedings and may result in a disallowance, if determined imprudent.
6. SRWC should pay the fee determined in accordance with § 1904(b).
7. AL 84 should be granted to the extent set forth in the order that follows.

### **THEREFORE, IT IS ORDERED that:**

1. The Sea Ranch Water Co., Inc. is authorized to renew existing short-term debt of \$400,000 for a period not to exceed twelve months. This order is effective February 17, 2012 "nunc pro tunc."

2. On or after the effective date of this Resolution, The Sea Ranch Water Co., Inc. is authorized to retire up to \$1,400,000 of existing and future short-term debt with the proceeds from the issuance of the long-term debt authorized by Resolution W-4826.
3. On or after the effective date of this Resolution, The Sea Ranch Water Co., Inc. may issue \$500,000 of new short-term debt to finance plant improvements not included in Resolution W-4826 and to continuously renew this short-term indebtedness for a period of five (5) years provided that: (a) the aggregate amount of such indebtedness which has been so paid, repaid, refunded or renewed does not exceed \$500,000 at any one time outstanding; (b) the purposes for which the proceeds were used complies with Public Utilities Code §§ 817 and 818; and (c) The Sea Ranch Water Co., Inc. maintains or brings down the aggregate amount of its short-term borrowings to 5% or less of the par value of the other securities then outstanding, at least once every twelve (12) months.
4. The Sea Ranch Water Co., Inc. shall comply with the reporting requirements prescribed in Resolution W-4826.
5. The authority granted by this Resolution in Ordering Paragraph 3 shall become effective when The Sea Ranch Water Co., Inc. pays \$1,000 as required by Public Utilities Code § 1904(b). The Sea Ranch Water Co., Inc. must issue the check payable to the California Public Utilities Commission and remit the payment to the Commission's Fiscal Office.
6. This Resolution is effective today.

I certify that the foregoing Resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on May 24, 2012. The following Commissioners approved it.

/s/ PAUL CLANON

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
President

TIMOTHY ALAN SIMON  
MICHEL PETER FLORIO  
CATHERINE J.K. SANDOVAL  
MARK J. FERRON

Commissioners