

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
DIVISION OF WATER AND AUDITS**

**Advice Letter Cover Sheet**

Utility Name: THE SEA RANCH WATER COMPANY, INC. Date Mailed to Service List: 05/27/21  
 District: \_\_\_\_\_  
 CPUC Utility #: WTC - 126 Protest Deadline (20<sup>th</sup> Day): 06/16/21  
 Advice Letter #: 108 Review Deadline (30<sup>th</sup> Day): 06/26/21  
 Tier 1 2 3  Compliance Requested Effective Date: ASAP  
 Authorization \_\_\_\_\_ Rate Impact: \$0  
 Description: Requests authorization to refinance Long-Term Debt 0%

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

Utility Contact: Ellen Buechner Utility Contact: Marino Rodriguez  
 Phone: (707) 785-2444 Phone: (831) 809-2074  
 Email: [ebuechner@tsra.org](mailto:ebuechner@tsra.org) Email: [marinorod@aol.com](mailto:marinorod@aol.com)

DWA Contact: Tariff Unit  
 Phone: (415) 703-1133  
 Email: [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

**DWA USE ONLY**

<u>DATE</u>	<u>STAFF</u>	<u>COMMENTS</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

[ ] APPROVED [ ] WITHDRAWN [ ] REJECTED

Signature: \_\_\_\_\_ Comments: \_\_\_\_\_  
 Date: \_\_\_\_\_

**THE SEA RANCH WATER COMPANY, INC.**  
**Sonoma County**

May 27, 2021

ADVICE LETTER No. 108

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

THE SEA RANCH WATER COMPANY (TSRWC) hereby transmits for filing one original and one copy each of Advice Letter No. 108.

**Summary**

The purpose of this advice letter is to respectfully request Commission authorization to refinance existing long-term debt in the amount of \$6,200,000 currently owed to Mechanics Bank (formerly Rabobank). This request is made pursuant to Sections 816 through 851 and other relevant Sections of the Public Utilities Code.

**Background**

On February 25, 2010, the Commission approved Resolution No. W-4826, which granted TSRWC authority to issue up to \$9,000,000 of debt securities and to encumber its assets in connection to the debt. In October of 2012 TSRWC received a \$7,500,000 loan from Rabobank with a 5.1% fixed interest rate and a 15-year term amortized as a 30-year term and a \$4 million balloon payment due at the date of maturity.

Since receiving the loan TSRWC used the proceeds of the loan to fund capital improvements as shown in Table 1 of Resolution No. W-4826, which included the following:

1. Upgraded existing wells and variable speed pumps to more efficiently pump water in compliance with diversion limitations.
2. Upgraded electrical systems at the raw water chlorination station to ensure compliance with all codes and add caustic soda addition facility with pH control.
3. Installed bypass connections and purchase bypass hoses and handling equipment for the fault rupture zone. Cleared a path for laying the bypass hose and conduct periodic practice drills on bypass installation.
4. Made minor improvements at the treatment plant to ensure its reliable operation, especially standby power. Monitored state and federal drinking water regulation and implemented improvements at the treatment plant when necessary.

5. Upgraded Tank 1 with flexible connections for the inlet and outlet pipelines, bypass piping, and check valve and vacuum release on the intake pipeline. Also provided storage in Tank 8 to offset Tank 1 storage for Zone 1. Added a new parallel water main to deliver higher fire flow to The Lodge at Sea Ranch. Added parallel north/south Zone 1 water mains for redundancy during maintenance or for repairs after a major seismic event. Added pressure relief stations at four key locations.
6. Replaced Tanks 3 and 5 with Tank 8 adjacent to Tank 4. Constructed Tank 8 with a higher overflow than Tank 4 to improve service pressure for higher elevation lots. Upgraded the pumps at Pump Station 1 and added flexibility to pump connections. Added piping around Tank 1 to allow Pump Station 1 to operate when Tank 1 is out of service. Constructed new and replacement water mains to deliver fire flows. Replaced Pump Station 2 with a pressure reducing station.
7. Replaced Tank 4 with a larger tank—Tank 8—with proper seismic provisions. Demolished and removed the existing tank.
8. Replaced the hydro pneumatic system. Added propane-fueled standby power. Constructed a building to house the pumping system, standby generator, and ancillary equipment.
9. Demolished and removed the existing hydro pneumatic system after Tank 8 was constructed and new Zone 2 water mains were constructed.
10. Replaced Tank 6 with a larger tank with proper seismic provisions and a higher overflow elevation. Demolished and removed the existing tank. Upgraded the pumps in Pump Station 4 to accommodate a higher tank overflow. Added flexibility to the pump suction and discharge pipes.
11. Replaced iron tapping saddles in the distribution system to prevent future leaks from corrosion damage.
12. Added a system-wide SCADA system to improve operability and reliability.

As of December 31, 2020 the current balance of the loan with Mechanics Bank (formerly Rabobank) was \$6,215,931, which included the current portion of the long term debt for year 2020. TSRWC was able to find a refinance banker that is willing to give TSRWC improved terms that are more in line with the current interest rates. TSRWC has received a term sheet from River City Bank for a Commercial Term Loan to refinance its existing debt of approximately \$6,200,000 owed to Mechanics Bank. The term sheet states the basic terms under which River City Bank would provide the refinanced commercial term loan. The term of loan issuance is 7 years and the interest rate was locked at a fixed interest rate of 3.47%.

The current Mechanics Bank Loan has an interest rate swap breakage fee estimated at \$300,000 as of April 2021, TSRWC will pay this fee from its existing sinking fund. Additionally, in order to receive the beneficial interest rate terms, TSRWC will reduce the outstanding principal of the new loan to under \$5,000,000 with the proceeds from the sinking fund as well. A copy of this term sheet from River City Bank is included as Attachment A. Copies of the fully executed long-term documents will be provided to the Commission when they are completed.

This long-term debt refinance would help to benefit TSRWC rate payers by taking advantage of current interest rates which would help the company free up cash for capital projects. These capital projects would aid the company in continuing to provide safe, affordable, and palatable drinking water product to its customers and to make further improvements to the infrastructure under the Capital Improvement Plan, which is scheduled for update in 2022. Additionally, The Sea Ranch Association, which is the parent company of TSRWC, will adopt a resolution stating that it will assess association membership and make a contribution to the water company should the water company default.

The financial statements including balance sheets, income statements, statement of property at original cost with accumulated depreciation, cash flow statement, statement of capital, and statement of cash requirement forecast are being enclosed.

TSRWC's comparative balance sheet as of December 31, 2019 and 2020 and a comparative income statement for the calendar years 2019 and 2020 are enclosed as Schedules B and C respectively. A statement of property at original cost with accumulated depreciation as of December 31, 2020 is presented as Schedule D. For this advice letter TSRWC has prepared a pro-forma 2021 income statement based on the current revenue and expenses. This pro-forma income statement is presented as Schedule E. TSRWC has also prepared projected cash flow statement based on the same assumptions as Schedule E. These statements are presented as Schedule F. TSRWC's actual capitalization as of December 31, 2020 and pro-forma capitalization assuming that the proposed new debt was in placed as of December 31, 2020 is presented as Schedule G.

### **Conclusion**

The Sea Ranch Water Company respectfully asks the Public Utilities Commission to approve and issue a Resolution:

1. Granting The Sea Ranch Water Company, Inc. all necessary authority to refinance its long term debt of \$6,200,000 with the River City Bank and to encumber utility assets in connection with the refinanced commercial term loan.
2. Specifying that The Sea Ranch Water Company, Inc. is only requesting authorization to refinance current long-term debt with the long-term debt proceeds approved by Resolution No.W-4826, therefore, exempting it from payment of the fees prescribed by Section 1904(b) of the Public Utilities Code.
3. Granting such other and additional relief as the Commission may deem appropriate.

### **Requested Effective Date**

Advice Letter No. 108 is a Tier 3 advice letter which requires a resolution to be disposed of. The Sea Ranch Water Company respectfully requests this advice letter be approved as soon as possible in order to remain in compliance with the terms for escrow timing offered by the bank.

### **Notice**

In compliance with Section 4.3 of General Order 96-B, a copy of this advice letter has been mailed to all parties listed on the enclosed service list.

This filing is made under the provisions of General Order No. 96-B.

This filing will not cause withdrawal of service nor conflict with any other schedule or rule.

### **Response or Protest**

Anyone may respond to or protest this advice letter. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based.

These grounds are:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding; or
- (5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or
- (6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided that such a protest may not be made where it would require relitigating a prior order of the Commission).

A protest shall provide citations or proofs where available to allow staff to properly consider the protest.

A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3<sup>rd</sup> Floor  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102  
E-Mail: [water\\_division@cpuc.ca.gov](mailto:water_division@cpuc.ca.gov)

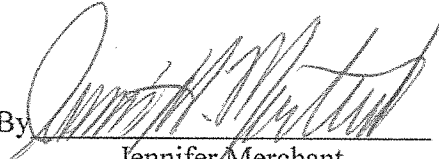
On the same day the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy of the protest by mail or e-mail to us, addressed to:

The Sea Ranch Water Company, Inc.  
P.O. Box 16  
The Sea Ranch, CA 95497  
Phone No. (707) 785-2444

Cities and counties that need Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division, within the 20 day protest period, so that a late filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on.

Replies: The utility shall reply to each protest and may reply to any response. Each reply must be received by the Division of Water and Audits within five business days after the end of the protest period, and shall be served on the same day to the person who filed the protest or response.

The Sea Ranch Water Company, Inc.

By   
Jennifer Merchant  
Chief Executive Officer

Attachments

**The Sea Ranch Water Company, Inc.**  
**P.O. Box 16**  
**The Sea Ranch, CA 95468**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy via Electronic Mail of the following document, The Sea Ranch Water Company, Inc. Advice Letter No. 108, upon the California Public Utilities Commission as shown on the Service List attached hereto, a copy thereof properly addressed to each party. Additionally, I hereby certify that I have this day served a true copy via first class United States mail of the following document, The Sea Ranch Water Company, Inc. Advice Letter No. 108, without attachments, upon all additional parties of record as shown on the Service List attached hereto, a copy thereof properly addressed to each party.

Executed in The Sea Ranch, California on the 27th day of May, 2021.



Ellen Buechner  
Chief Financial Officer