

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

Advice Letter Cover Sheet

Utility Name: MEYERS WATER COMPANY, Inc. **Date Mailed to Service List:** 07/17/20
District:
CPUC Utility #: WTD - 106 **Protest Deadline (20th Day):** 08/06/20
Advice Letter #: 27 **Review Deadline (30th Day):** 08/16/20
Tier 1 2 3 Compliance **Requested Effective Date:** ASAP
Authorization **Rate Impact:**
Description: Requests authorization to incur long-term debt in the amount of \$125,000

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: Jay M. Gardner
Phone: (707) 254-9547
Email: jay@adventurecat.com

Utility Contact: Marino Rodriguez
Phone: (831) 809-2074
Email: marinorod@aol.com

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

DWA USE ONLY

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

APPROVED WITHDRAWN REJECTED

Signature: _____ **Comments:** _____
Date: _____

MEYERS WATER COMPANY, INC.
Napa County

July 17, 2020

ADVICE LETTER No. 27

TO THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

MEYERS WATER COMPANY (MWC) hereby transmits for filing one original and one copy of Advice Letter No. 27.

The present rates of MWC became effective on May 7, 2016 through Advice Letter No. 19-A, which allowed MWC to incorporate the rates approved by Res. W-5093, dated April 21, 2016, which authorized a general rate case increase of \$25,524 or 55.75% for test year 2016.

Summary

Meyers Water Company, hereby requests authority to borrow \$125,000 through the Rural Community Assistance Corporation (RCAC) to construct a new well to be used to improve water service to its customers, and to repay an existing shareholder loan. Decision 93-11-066 authorized Class C and D water utilities to file to incur long-term debt by advice letter rather than by formal application.

Background

Through its Advice Letter 27, MWC seeks authorization to borrow \$125,000 through the RCAC, payable over an estimated period of 10 years at an interest rate of 7.65% per annum. On March 23, 2020, MWC has executed and issued a promissory note and deed of trust to the Rural Community Assistance Corporation (Loan No. 6319-MWC-01).

MWC is a Class D water utility owned by Jay Gardner, Pamela Simonson, Juell Fullner and Matthew Fullner. It provides water service to approximately 99 customers in the area known as The Edgerly Island Subdivision, located in Napa County. MWC's water system consists of structures, wells, pumping equipment, reservoirs tanks, mains, etc.

This loan request is made pursuant to Sections 816 through 851 and other relevant sections of the Public Utilities Code and Rule 33 of the Commission's Rules of Practices and procedure. Meyers Water Company respectfully requests a Commission Order authorizing it to execute and issue a promissory note and deed of trust to the Rural Community Assistance Corporation in the amount of \$125,000.

The proceeds from the long-term debt will be used for the purpose of constructing a new well and to repay an existing shareholder loan.

On March 27, 2020, Jay Gardner and Juell Fullner signed a Business Loan Agreement with the Rural Community Assistance Corporation to obtain construction funds in the amount of \$125,000. A copy of this Business Loan Agreement is enclosed as Schedule A.

A copy of the Promissory Note is enclosed as Schedule B. A Narrative of Business Need and description of the water plant to be financed with the loan proceeds is presented as Schedule C. MWC's comparative balance sheet as of December 31, 2018 and 2019 and a comparative income statements for the calendar years 2018 and 2019 are attached as Schedules D and E respectively.

A statement of property at original cost with accumulated depreciation as of December 31, 2019 is presented as Schedule F.

For this advice letter MWC has prepared a pro-forma 2020 income statement based on the current revenues and expenses. This pro-forma income statement is presented as Schedule G.

Meyers Water Company also has prepared a pro-forma cash flow statement based on the same assumptions as Schedule G. This statement is presented as Schedule H.

Meyers Water Company's actual capitalization as of December 31, 2019 and pro-forma capitalization for years 2020-2021 is presented as Schedule I. A statement of cash requirement forecast for year 2020 is presented as Schedule J.

Conclusion

Meyers Water Company asks the Public Utilities Commission to approve and issue a Resolution:

- 1) Granting Meyers Water Company all necessary authority to borrow \$125,000 from the Rural Community Assistance Corporation and to encumber utility assets in connection with the loan request.
- 2) Exempting the borrowing from the Commission's competitive bidding rule.
- 3) Stating that the loan proceeds may be used to finance the water plant stated in Schedule C of this advice letter.
- 4) Specifying that authorization shall become effective upon payment of fees prescribed by Section 1904 (b) of the Public Utilities Code.
- 5) Granting such other and additional relief as the Commission may deem appropriate.

Requested Effective Date

This filing is a Tier 3 advice letter which requires a resolution to be disposed of. MWC respectfully requests that its Advice Letter No. 27 be processed and approved as soon as possible.

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. In conformance with Ordering Paragraph No. 3 of Resolution No. W-4664, MWC will provide notice to its customers of any increase in dollar and percentage terms with the first bill that includes the increase.

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, 3rd Floor
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
E-Mail: 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:

Meyers Water Company
1836 Milton Road
Napa, CA 94559
Fax No. (707) 258-6235

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.

Meyers Water Company, Inc.

By 
Jay M. Gardner
President

Attachments

MEYERS WATER COMPANY, INC.
Advice Letter No. 27

INDEX OF SCHEDULES

SCHEDULE

- A. Copy of Business Loan Agreement
- B. Copy of Promissory Note for Loan #6319-MWC-01.
- C. Narrative of Business need for new water plant to be financed with loan proceeds.
- D. Comparative balance sheets as of December 31, 2018 and 2019 (pages 1 and 2).
- E. Comparative income statements for the calendar years 2018 and 2019.
- F. Statement of property at original cost with accumulated depreciation as of December 31, 2019.
- G. Pro-forma income statement based on the current revenues and expenses.
- H. Pro-forma cash flow statement for calendar year 2020 based on Schedule G assumptions.
- I. Actual and pro-forma statement of capital as of December 31, 2019-2021.
- J. Statement of cash requirement forecast for year 2020.

**MEYERS WATER COMPANY, INC.
1836 MILTON ROAD
NAPA, CA 94559**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy via first class United States mail and E-mail of the following document, Meyers Water Company, Inc. Advice Letter No. 27, 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, Meyers Water Company, Inc. Advice Letter No. 27, upon all additional parties of record as shown on the Service List attached hereto, a copy thereof properly addressed to each party.

Executed in Napa, California on the 17th day of July, 2020.



Pamela Simonson
Vice-President

**MEYERS WATER COMPANY, INC.
1836 MILTON ROAD
NAPA, CA 94559**

**Meyers Water Company, Inc.
Advice Letter No. 27
Service List
(AS PER SECTION 4.3 OF GENERAL ORDER No. 96-B)**

Via First Class United States Mail and E-mail

Raminder Khalon, Director
Water and Sewer Branch
Division of Water and Audits
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Via First Class United States Mail
Stacey Harrington
Department of Environmental Management
1195 Third Street Ste. 101
Napa, CA 94559

SCHEDULE A
BUSINESS LOAN AGREEMENT

Rural Community Assistance Corporation

Business Loan Agreement

Loan Number: 6319-MWC-01

This Loan Agreement is made and entered into on **March 23, 2020**, hereinafter referred to as "Loan Agreement", by and between Rural Community Assistance Corporation, hereinafter referred to as "Lender", a nonprofit public benefit corporation established and operating under the laws of the State of California, with its principal office at 3120 Freeboard Drive, Suite 201, West Sacramento, California 95691, and **Meyer's Water Company, Inc.**, hereinafter referred to as "Borrower", having its mailing address at 1830 Milton Road, Napa, California 94559.

WHEREAS, the Borrower has applied for a loan for the purchase of new well and greensand filter system.

WHEREAS, the Borrower has applied for a One Hundred Twenty-Five Thousand Dollars and No Cents (**\$125,000.00**) loan in accordance with the Lender's policies and procedures and has submitted to Lender the application, which is herewith incorporated into and made a part of this Agreement;

NOW THEREFORE, in consideration of the mutual promises undertaken herein, the parties mutually agree as follows:

1. *Loan Terms*

Lender agrees to make a loan (referred to as Loan Number 6319-MWC-01), hereinafter referred to as "Loan", to Borrower in the principal sum of One Hundred Twenty-Five Thousand Dollars and No Cents (**\$125,000.00**). The loan term is One Hundred Twenty (120) months, the first Six (6) of which will be interest only followed by One Hundred Fourteen (14) monthly amortized payments and all sums shall become due and payable on April 1, 2030.

Borrower agrees to execute a promissory note, hereinafter referred to as "Promissory Note", in like amount bearing interest at the rate of seven and sixty five hundredths percent (7.65%) per annum on the outstanding principal and calculated on a 360-day year and actual days elapsed during the interest only period, and a 360-day year/30 day month for the amortized period of the loan. The Promissory Note is incorporated herein by reference.

2. *Loan Fees*

Borrower agrees that the Lender's loan fee ("Loan Fee") equal to one percent (1%) of the loan amount will be paid from the RCAC Loan Number 6319-MWC-01 loan proceeds at the time of closing.

Borrower agrees that **Meyer's Water Company, Inc.** loan fee in the amount of One Thousand Two Hundred Fifty Dollar and No Cents (**\$1,250.00**) and Document Preparation fee of **\$300.00** will be paid from the RCAC Loan Number 6319-MWC-01 loan proceeds at the time of closing.

3. *Security*

Borrower will provide Lender a first lien position Deed of Trust, (subject only to those exceptions which are consented to by Lender in the escrow instructions, hereinafter referred to as "Escrow Instructions", issued by Lender and consented to by Borrower), Commercial Security Agreement, two (2) Personal Guarantee Agreements and Lender will file a UCC-1 Financing Statement with the Secretary of State. The UCC-1 filing will include owned equipment, the equipment to be purchased and a general business filing on all business assets, which is more particularly described as:

Exhibit "A" attached hereto and made a part hereof,

Collectively, the agreements, instruments, certificates, opinions and other documents governing, evidencing, securing, related to, in connection with, executed or delivered in connection with the Loan, including without limitation, the Business Loan Agreement, Promissory Note, Commercial Security Agreement, UCC-1 Filing, two (2) Personal Guarantee Agreements and Escrow Instructions are hereinafter referred to as the "Loan Documents".

4. *Purpose of Loan*

The purpose of the Loan is for the construction of a new well, costs of a greensand filter system and related costs.

5. *Disbursement Schedule*

Upon receipt by Lender of the executed Loan Documents and when all loan closing conditions have been met, the Lender will disburse the loan proceeds as follows:

Gross Loan Amount		\$ 125,000.00
Loan Fee	\$ 1,250.00	
RCAC Doc Prep Fee	\$ 300.00	
Wire Fee	\$ 15.00	
Policy of Insurance of Record (PIRT) Fee	\$ 100.00	
Closing Costs - estimate, 2 Credit Reports, UCC Filing/Search	\$ 500.00	
Drilling/Constructions Cost	\$ 87,835.00	
Repayment of existing loan	\$ 35,000.00	
	<u>\$ 125,000.00</u>	<u>\$ 125,000.00</u>

The Loan fees will be disbursed to Lender upon funding of loan number 6319-MWC-01 which occurrence will be simultaneous with this loan closing. Borrower agrees to pay interest monthly for the first six (6) consecutive months following loan closing followed by One Hundred Fourteen (114) monthly amortized payments.

Lender shall have the option to withhold any disbursement if the Borrower fails to satisfy any condition precedent to a disbursement or if an event of a default has occurred under the terms of this Business Loan Agreement, the Promissory Note, the First Deed of Trust, the Commercial Security Agreement and two (2) Personal Guarantee Agreements or circumstances exist which would constitute such an event of default with notice, or lapse of time, or both.

6. *Reporting*

- a. Borrower shall submit to Lender a quarterly report, within 15 days following the end of each calendar quarter, beginning with calendar quarter ending June 30th; such report shall contain: 1) a narrative on the general status of the business, e.g., significant changes in operations, etc., 2) an end of quarter Balance Sheet, Profit and Loss Statement and an accounts payable and accounts receivable aging report.
- b. Borrower shall submit annually to Lender, within 15 days after filing with IRS, business and personal tax returns.
- c. Borrower shall submit annually to Lender, PUC (Public Utilities Commission) reports no later than April 15th of year.
- d. At the sole discretion of Lender, additional special reporting requirements may be imposed. Borrower agrees to submit any and all special reports to Lender within ten (10) days of the request for such reports.

7. *Insurance*

Borrower shall maintain comprehensive general liability insurance covering the legal liability of Borrower against claims for bodily injury, death, or property damage occurring on, in, or about the Project with coverage of One Million Dollars (\$1,000,000) combined single limit. Said policy of insurance required to be maintained by Borrower shall be in form and substance and with a company or companies acceptable to Lender. Lender retains the discretion to require an increase the amount of the required coverage, require insurance against additional risks, or withdraw approval of any insurance company at any time. Borrower shall obtain renewal of any policy which expires and deliver evidence of such renewal no later than ten (10) days prior to the expiration date of the policy being replaced. Should any of the above described policies be cancelled before the expiration date thereof, notice shall be delivered in accordance with the policy provisions. Notwithstanding any of the foregoing, Lender shall not be responsible for any such insurance or for the collection of any insurance moneys, or for any insolvency of any insurer or insurance underwriter. The Borrower shall also maintain adequate physical damage and liability coverage on all business vehicles as well as physical damage insurance on other business assets. Borrower shall provide a Certificate(s) of Insurance to Lender evidencing the above coverages at time of loan closing and thereafter at renewal. In connection with all policies covering assets in which Lender holds a security interest for the loan, Borrower will provide Lender with such lender's loss payable or other endorsements as Lender may require.

8. *Negative Covenants*

Borrower covenants and agrees with Lender that while this Business Loan Agreement is in effect, Borrower shall not, without the written consent of Lender:

Capital Expenditures. Make or contract to make capital expenditures, including leasehold Improvements, in any fiscal year in excess of \$5,000 or incur liability for rental of property (including both real estate and personal property) in an amount which, together with capital expenditures, shall in any fiscal year exceed such sum.

Indebtedness and Liens. (1) Except for trade debt incurred in the normal course of business and indebtedness to Lender per this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases; (2) sell, transfer, mortgage, pledge, lease, grant a security interest in or encumber any of Borrower's business assets (except as allowed as permitted liens), or (3) sell with recourse, any of Borrower's business accounts, except to Lender.

Continuity of Operations. (1) Engage in any business activities substantially different than those in which Borrower is presently engaged or (2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change ownership, dissolve or transfer or sell Collateral out of the ordinary course of business.

Loans, Acquisitions and Guarantees. (1) Loan, invest in or advance money or business assets to any other person, enterprise or entity, (2) purchase, create, or acquire any interest in any other enterprise or entity, or (3) incur any obligation as surety or guarantor other than in the ordinary course of business.

Agreements. Enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

Liabilities. Assume the liabilities or obligations of others.

Distributions/Compensation. Pay member distribution/compensation in excess of net earnings or, if such payment of distributions would cause the Borrower to be unable to meet all of its financial obligations, whichever is the lesser.

Collateral. Sell any portion of the collateral for this Loan.

Assets. Sell any assets for less than fair market price.

Mergers. Enter into any consolidation, merger, pool, joint venture, syndicate or other combination.

Debt Assumption. (a) Except for bills incurred in the normal course of business and indebtedness to Lender per this Agreement, create, incur or assume indebtedness for borrowed money, including capital leases; or (b) sell, transfer, mortgage pledge, lease, grant a security interest in or encumber any of Borrower's business assets.

Operations. Cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change ownership or interests

9. *Other Financing*

Lender's loan shall be secured by a First Deed of Trust, Commercial Security Agreement, 2 Personal Guarantee Agreement and UCC-1 Filing. Borrower certifies that no other liens, including mechanic liens, are or will be recorded against the Property without the prior written consent of the lender.

10. *Subordination*

Lender will not subordinate to any subsequent lenders.

11. *Prepayment Rights*

Borrower may prepay the Loan either in whole or in part without penalty. Any prepayment will be applied first to any fees that are due on the Loan, second to accrued interest and then to the latest maturing principal balance of the Loan.

12. *Late Payment Charge*

A late payment charge equal to five (5.0%) percent of the total payment due under the Promissory Note will be charged to the Borrower in the event that a payment is not received within fifteen (15) days of its due date. Any late payment charge will be due immediately along with the payment due. Lender's acceptance of any payment that is not accompanied by the applicable late payment charge shall not constitute a waiver of Lender's right to require payment of such late payment charge which is due in accordance with the provisions hereof.

13. *Expenses*

All expenses arising from the Loan and in connection with the origination and closing of the Loan, including but not limited to; credit reports, uniform commercial code financing statements, or other fees incurred in connection with originating or documenting the loan, inspections, taxes, penalties, deposits, brokerage commissions, and all other applicable costs incident to this transaction will be paid by the Borrower.

The Lender is under no obligation to pay any charges or expenses incident to compliance by Borrower with any of the duties or obligations imposed hereby.

14. *Additional Terms*

- A. The Equipment will be placed upon the real property which is the premises for operation of the business. Even though the equipment may be affixed to the real estate, Borrower agrees that the equipment remains chattel property and may be severed from the real estate upon default.
- B. Borrower has the power and authority to enter into the Business Loan Agreement.
- C. Borrower is not in default under any other loans or obligations which it may have.
- D. Borrower will execute any and all additional documents reasonably necessary to accomplish the purpose of this loan.
- E. All licenses, approvals, and permits necessary in connection with the occupancy, use and operation of the Business shall have been issued or granted by all appropriate governmental authorities and agencies and shall be in full force and effect on the closing date, (the "Closing Date"), which is defined as a date mutually agreed upon between Borrower and Lender on which Lender disburses funds under this Note to the Borrower, and the Business and its use comply and, on the Closing Date, shall continue to comply fully with all applicable zoning, building, housing, environmental and all other applicable laws, rules, regulations, ordinances, guidelines and requirements.

15. *Default*

On the occurrence of any Event of Default, the Lender, at its sole election, may declare all sums advanced upon the Loan to be immediately due and payable and may proceed at once, without notice to Borrower, to exercise all rights and remedies provided in the Promissory Note, Security Agreement or as otherwise provided by law to secure payment in full of all monies due Lender. Each of the following occurrences shall constitute an Event of Default:

- A. Failure to comply with any term or condition provided herein;
- B. Failure of Borrower to comply with any term or condition provided in the Promissory Note and/or Security Agreement;
- C. Failure of the Borrower to undertake in a timely way the expressed and implied activities necessary to carry out the purpose of the Loan or a substantial reduction by the Borrower in the scope of these activities;
- D. Borrower's failure to submit, on a timely basis, any periodic or special reports as may be required under the terms of this Loan Agreement or any modification thereto;
- E. Submission or making of any report, statement, warranty, or representation by Borrower or agent in its behalf to Lender in connection with the financial assistance awarded hereunder which is false, incomplete, incorrect or misleading;
- F. Any deterioration, loss, theft, substantial damage, destruction or depreciation in the value or market price of the collateral securing repayment of this loan, that causes the collateral in the judgment of Lender to become unsatisfactory as to character or value;
- G. Borrower's default on any subsequent liens against the Property;
- H. The Borrower becoming insolvent or bankrupt or being unable or admitting in writing its inability to pay its debts as they mature or making a general assignment for the benefit of or entering into any composition or arrangement with creditors;
- I. Proceedings for the appointment of a receiver, trustee, or liquidator of the assets of the Borrower or a substantial part thereof, being authorized or instituted by or against the Borrower;
- J. Proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law or any jurisdiction being authorized or instituted against the Borrower;
- K. Borrower's failure to pay when due any and all amounts due under this Business Loan Agreement and Promissory Note;
- L. Borrower ceases to be the legal owner of the Property; or
- M. Borrower commits or permits any illegal act to be conducted on the premises.

In general, RCAC Loan Fund will not:

- 1) Forgive loan principal
- 2) Forgive loan interest
- 3) Release loan security for the less than agreed to release price

If a borrower is unwilling or unable to restructure a loan or obtain grant funding from outside sources, RCAC will, at its option consider any of the following:

- 1) Foreclose on existing security
- 2) File appropriate disclosures with credit rating agencies
- 3) Maintain remaining debt in our records until the borrower is willing and/or able to restructure the loan
- 4) Pursue other appropriate legal action against borrower
- 5) Write-off the debt when the borrower ceases operations or obtains a bankruptcy court order

An outstanding debt in default precludes any future loans from RCAC.

16. *Severability*

All provisions and covenants contained herein are severable, and in the event any of them shall be held to be invalid by any competent court of law, this Business Loan Agreement shall be interpreted as if such invalid provisions and covenants were not contained herein, and all remaining provisions not affected by said ruling shall remain in full effect.

17. *Hold Harmless Agreement*

Borrower agrees to indemnify Lender for any liability, or fees incurred by it, including but not limited to attorneys' fees, arising out of any default by Borrower under this Business Loan Agreement.

18. *Assignment*

This Business Loan Agreement and the documents evidencing this Loan are not assignable to any other Borrower. The Business Loan Agreement shall be binding upon the Borrower and upon Lender and Lender's successors and assigns.

19. *Waiver*

The waiver by the Lender of any default or defaults of the Borrower under this Business Loan Agreement, the Promissory Note or Security Agreements shall not constitute a waiver of any subsequent default or defaults.

20. *Notices*

Any notice to the Borrower provided for in this Business Loan Agreement or other Loan Documents shall be given by mailing such notice by certified mail addressed to the Borrower at the address stated in herein, or to such other address as the Borrower may designate by notice to the Lender. Any notice to the Lender shall be given by mailing such notice by certified mail, return receipt requested, to the Lender at the address stated herein, or at such other address as may have been designated by notice to the Borrower.

21. *Scope of Agreement*

This Business Loan Agreement and any supplement attached hereto sets forth the entire Business Loan Agreement of the parties with respect to the Loan Number 6319-MWC-01. No modification or waiver of any provision of this Business Loan Agreement shall be effective unless the same shall be in writing, signed by the parties hereto. The transactions contemplated hereby shall be governed by and construed in accordance with the laws of the State of California.

22. *Interpretation*

In the event of any inconsistency among or between the documents evidencing the Loan, the order of precedence shall be: (1) Promissory Note, (2) Business Loan Agreement and (3) Security Agreement.

23. *Acceptance*

All obligations of Lender hereunder shall terminate and be of no further force and effect, if the Loan is not closed on or before commitment expiration date of August 1, 2020, unless otherwise agreed to in writing by Lender.

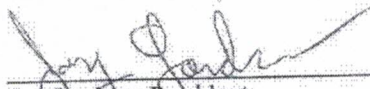
As required by Section 4107(d) (2) of the Small Business Jobs Act of 2010, Borrower hereby certifies to Lender that the principals of Borrower and its affiliates have not been convicted of, or pleaded *nolo contendere* to, a sex offense against a minor (as such terms are defined in section 111 of the Sex Offender Registration and Notification Act (42 U.S.C. 16911)).

This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute but one and the same instrument.


Borrower has executed this Loan Agreement as of the date MARCH 27, 2020

Borrower's Acceptance:

Meyer's Water Company, Inc.



Jay Gardner, President



Juell Fullner, Secretary/Treasurer

SCHEDULE B
PROMISSORY NOTE

Rural Community Assistance Corporation
[Loan No. 6319-MWC-01]

Promissory Note

U.S. \$125,000.00

Milton Road, Napa County
Napa, California

Date: March 23, 2020

For value received **Meyer's Water Company, Inc.** ("Borrower") with its principal office at 1830 Milton Road, Napa, California 94559, and its mailing address at 1830 Milton Road, Napa, California 94559 (hereafter referred to as "Borrower"), promises to pay to the order of Rural Community Assistance Corporation, a California nonprofit public benefit corporation (hereinafter referred to as "Lender"), at its principal place of business at 3120 Freeboard Drive, Suite 201, West Sacramento, CA 95691, or at such other place as the holder hereof may designate, the principal sum of One Hundred Twenty-Five Thousand Dollars and No Cents (\$125,000.00) with interest as set forth in this Promissory Note calculated on the basis of a 360-day year and actual days elapsed for the initial Six (6) month interest only period followed by a 360-day year/30 day month for the One Hundred Fourteen (14) month amortized payment period (the "Note"). All sums due are payable in lawful money of the United States of America. The principal amount of this Note will bear interest at the rate of seven and sixty-five hundredths percent (7.65%) per annum.

This Note is secured by a First Deed of Trust, Commercial Security Agreement and two (2) Personal Guarantee Agreements. Borrower will pay to Lender the principal amount of this Note, and accrued interest, as follows:

The loan term is One Hundred Twenty (120) months. Repayment will consist of Six (6) consecutive monthly interest only payments, beginning April 1, 2020; Thereafter, principal and interest shall be payable in equal monthly installments of One Thousand Five Hundred Forty Six and 11/100 Dollars (\$1,546.11) beginning October 1, 2020 and continuing on the first day of each month thereafter, with final payment of all remaining unpaid principal, interest and other sums due under this Note due and payable on or before April 1, 2030, (the "Maturity Date"). Borrower agrees that all regularly scheduled payments to be transmitted via electronic funds transfer (EFT) and a valid authorization will be in effect during the term of the loan.

Payments shall be applied first to any fees that are due, second to accrued interest as of the date of receipt thereof and the balance, if any, to principal. The Borrower may prepay this Note in full or in part, without penalty. Any such prepayment shall be applied first to accrued interest and the balance, if any, to the latest maturing principal.

Borrower shall pay Lender a late payment charge equal to five percent (5.00%) of the payment due in the event the payment is not made within fifteen days of the Due Date.

The term "indebtedness" shall include all principal, accrued interest, late charges, and expenses incurred under the Loan Documents or incurred in collecting this note.

The indebtedness evidenced by this Note is made pursuant to a Business Loan Agreement ("Loan Agreement") between the Borrower and Lender and is secured by a First Deed of Trust and Commercial Security Agreement.

This Note, First Deed of Trust, Business Loan Agreement, Commercial Security Agreement and two (2) Personal Guarantee Agreements are hereafter called "Loan Documents". The term "indebtedness" shall include all principal, accrued interest, late charges, and expenses incurred under the Loan Documents or incurred in collecting this Note.

On the occurrence of any Event of Default, the holder hereof, at its sole election, may declare all of the indebtedness evidenced by this Note to be immediately due and payable and may proceed at once without further notice to enforce this Note according to law.

Each of the following occurrences shall constitute an Event of Default: (1) failure of Borrower to repay any principal or interest when due under the terms of this Note; (2) termination of said Loan Agreement pursuant to the terms thereof or breach by the Borrower of any terms of the Loan Agreement; (3) failure of the Borrower to undertake in a timely way the express and implied activities for which said Loan Agreement has been executed or a substantial reduction by the Borrower in the scope of said activities; (4) submission or making of any report, statement, warranty, or representation by Borrower or agent in its behalf to Lender in connection with the financial assistance awarded hereunder which is false, incomplete, incorrect or misleading; (5) any deterioration, loss, theft, substantial damage, destruction or depreciation in the value or market price of the collateral securing repayment of this loan, that causes the collateral, in the judgment of Lender, to become unsatisfactory as to character or value; (6) Borrower's default on any existing or subsequent liens against the Property; (7) occurrence of: (a) Borrower becoming insolvent or bankrupt or being unable or admitting in writing its inability to pay its debts as they mature or making a general assignment for the benefit of or entering into any composition or arrangement with creditors; (b) proceedings for the appointment of a receiver, trustee, or liquidator of the assets of Borrower or a substantial part thereof, being authorized or instituted by or against Borrower; or (c) proceedings under any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law or any jurisdiction being authorized or instituted against Borrower; (8) Borrower's failure to pay when due any and all amounts due under this Security Agreement, Loan Agreement and/or Note; (9) Borrower ceases to be the legal owner of the Property; (10) Borrower commits or permits any illegal act to be conducted on the premises; and/or (11) Borrower's failure to submit on a timely basis any periodic or special reports as may be required under the terms of the Loan Agreement or any modification thereto.

No delay or failure of holder in the exercise of any right or remedy hereunder or under the Loan Documents shall affect any such right or remedy, and no action taken or omitted by holder shall be deemed a waiver of any right or remedy. A late payment charge shall not prevent Lender from exercising its rights and remedies under this Note, or the other Loan Documents.

Each maker, endorser, surety, and guarantor of this Note hereby severally waives demand, protest, presentment, notice of nonpayment, notice of protest and diligence in bringing suit against any party and does hereby consent that time of payment of all or any part of the indebtedness may be extended from time to time by the holder hereof without notice.

Any notice to the holder shall be given by mailing such notice by certified mail, return receipt requested, to the holder at the address stated in the Loan Agreement, or at such other address as may have been designated by notice to the Borrower.

If this Note is placed with an attorney for collection, for suit, or bankruptcy proceedings, Borrower agrees to pay all collection costs, court costs, and the expenses incurred, including reasonable attorney's fees at trial, on appeal and in bankruptcy proceedings.

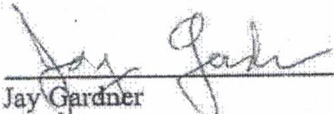
Lender or any other holder hereof may freely sell, assign, transfer or otherwise dispose of this Note and Borrower hereby consents and agrees that any subsequent holder of this Note shall have all of the rights of Lender provided herein.

This Note shall be construed and enforced in accordance with the laws of the State of California.

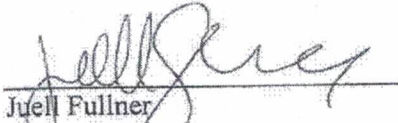
IN WITNESS WHEREOF, Borrower has executed this Note on this March 27, 2020.

Meyer's Water Company, Inc.

By:


Jay Gardner
President

By:


Juell Fullner
Secretary/Treasurer

Meyers Water Company, Inc
1830 Milton Road
Napa, CA 94559
707-254-9547

Narrative of Business Need
January 23, 2020

Meyers Water Company, Inc's (MWC) 70 year well is in need of replacement. The Edgerley Island community of 100 homes will need to keep its water use to a bare minimum until the new well can be drilled and brought on-line. Below, we have outlined the timeline and series of events that has led to this moment since taking ownership in 2003.

- 2003- new owners take over MWC. The well casing and pumping equipment are in bad shape and the system is not reliable. The new owners replace the equipment and sleeve the well to extend its usable life.
- From 2003 to the 2014 Napa Earthquake, the well and pumping equipment are maintained and pumps etc. are replaced as needed. The system works well and meets the needs of the island. The water is not treated in any way, so it still contains a lot of natural minerals and does not taste nice but is not dangerous to drink.
- The 2014 Napa Earthquake destroyed the hydro-pneumatic system at the well yard. New regulations made it impossible to rebuild the system as it had been in the past. Under the new regulations, MWC was required to have 1 peak day of stored water on-site in case of a source failure. Due to space limitations, MWC was allowed a variance from 32,000 gallons of storage down to 20,000 gallons or four 5,000 gallon tanks.
- By the end of 2014 the new storage tanks, new well pumps and an entirely new distribution booster system with redundant pumps had been installed. Also, because the water in storage tanks is exposed to atmosphere, where it could come into contact with naturally occurring bacteria, it was necessary to install a chlorine injection system for safety.
- From the end of 2014 through mid-2018, the precipitated minerals (mostly iron and manganese) that had come into contact with the chlorine, had settled in the tanks and mains and had required them to be cleaned and flushed multiple times.
- In late 2017 and early 2018, homeowners began coming to MWC about clogged filters on their homes. MWC began to become suspicious that the distribution system may have iron-bacteria that was causing the filters to clog rapidly. Tests in February of 2018 confirmed this. Iron-bacteria is not itself dangerous. However, it can create a biofilm that will clog home filters and can increase the water's acidity.
- For the first time, MWC began to have elevated lead and copper results from customer's home samples. This caused State regulations to kick in and MWC was placed in an increased lead and copper monitoring schedule. MWC suspected that the iron-bacteria was creating an acidic environment in customer's home plumbing that was causing the levels to rise.
- In February of 2018, MWC began requesting quotes for the installation of a Greensand Filter system. The idea is that it would remove the natural iron from the water, which is the food source for iron-bacteria, and thereby starve it out and help the chlorine residual to reach the ends of the system at higher levels. This would help keep it, and any other bacteria, in check. Some of the other expected benefits of installing the system were:

- Lower lead and copper results
- Lower turbidity in the water
- Less manganese in the water (manganese tastes bad and leaves black stains on fixtures)
- Better overall taste and less odor (T&O)
- Less storage tank cleaning would be needed
- Less system flushing would be needed
- After the first contractor fell through, MWC managed to get the GSF system installed in November of 2018.
- For several months following the installation of the new equipment, the system worked well and everything appeared to be going as planned including less clogging of home filters.
- In the summer of 2019, the GS filters began to clog and foul with higher and higher frequency. At first, MWC thought that the changing levels (always higher) of iron, manganese, turbidity, etc. in the raw water, was as a result of a stressed aquifer. As things continued to deteriorate however, the suspicion changed to the well itself.
- In October of 2019, MWC had the well video inspected to see if there was a repair that could be made. There was not. The only option remaining was to replace the well.
- In January of 2020, after a few more water outages caused by the failing well and stressed equipment, as well as plenty of filter breakthrough causing the water to appear brown or gray at times, MWC was finally able to procure a permit and a quote to re-drill the well.

Approximate cost breakdown:

\$50,000	Mclean & Williams (well driller)
\$35,000	Owner personal loan payback for green sand filter installation
\$3,000	Green sand filter valve rebuild kits
\$800	Well construction permit
\$5,000	Technical report preparation to amend permit due to green sand filtration treatment (<i>required by Napa County</i>)
\$306	Cost to amend permit to include green sand filtration treatment
\$15,000	Replace-in-kind adjacent driveway of neighbor that will be destroyed during well drilling process
\$10,000	Electrical contingencies
\$5,894	Other contingencies
Total=\$125,000.00	

Term requested: as long as possible

Time frame for installation: construction can start as soon as funding is secured.

Respectively submitted,

Juell Fullner

Meyers Water Company, Inc

**MEYERS WATER COMPANY
COMPARATIVE BALANCE SHEET
AS OF DECEMBER 31, 2019 AND 2018**

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
<u>PROPERTY & EQUIPMENT</u>		
Water Plant in Service	\$ 318,450	\$ 303,549
Accumulated Depreciation	(131,074)	(120,122)
Water Plant Acquisition Adjustment	-	3,453
Net Plant	<u>\$ 187,376</u>	<u>\$ 186,880</u>
<u>CURRENT ASSETS</u>		
Cash	\$ 10,009	\$ 8,273
Accounts Receivable - Customers	30	795
Other Current Assets	1,698	3,781
Total Current Assets	<u>\$ 11,737</u>	<u>\$ 12,849</u>
<u>DEFERRED ASSETS</u>		
Deferred Charges	\$ -	\$ 1,923
TOTAL ASSETS	<u><u>\$ 199,113</u></u>	<u><u>\$ 201,652</u></u>
<u>LIABILITIES</u>		
<u>STOCKHOLDERS EQUITY</u>		
Common Stock	\$ 77,500	\$ 77,500
Retained Earnings	(7,980)	(7,279)
Total Stockholders Equity	<u>\$ 69,520</u>	<u>\$ 70,221</u>
<u>LONG TERM DEBT</u>		
Long Term Debt	\$ 31,598	\$ 35,000
<u>CURRENT LIABILITIES</u>		
Accounts Payable	\$ 7,112	\$ 4,290
Customer Deposits	241	241
Taxes Accrued	1,322	1,597
Other Current Liabilities	4,021	249
	<u>\$ 12,696</u>	<u>\$ 6,377</u>
<u>CONTRIBUTIONS IN AID OF CONSTRUCTION</u>		
Contributions in Aid of Construction	\$ 116,167	\$ 116,167
Accumulated Amortization of Contributions	(30,868)	(26,113)
	<u>\$ 85,299</u>	<u>\$ 90,054</u>
TOTAL LIABILITIES & STOCKHOLDER EQUITY	<u><u>\$ 199,113</u></u>	<u><u>\$ 201,652</u></u>

MEYERS WATER COMPANY
COMPARATIVE INCOME STATEMENT
FOR THE CALENDAR YEAR 2019 AND 2018

<u>REVENUE</u>	2019	2018
Unmetered Water Revenue	\$ 93,644	\$ 93,665
Other Water Revenue	482	636
Total Revenue	<u>\$ 94,126</u>	<u>\$ 94,301</u>
<u>EXPENSES</u>		
Power	\$ 5,102	\$ 5,299
Other Volume Related Expenses	2,271	1,829
Employee Labor	12,000	12,000
Materials	633	1,071
Contract Work	7,580	3,839
Transportation Expense	2,400	2,603
Other Plant Maintenance Expenses	9,225	1,079
Office Salaries	9,600	9,600
Management Salaries	10,080	10,080
Uncollectible Accounts Expense	39	528
Office Services & Rentals	3,600	3,600
Office Supplies & Expenses	3,693	4,623
Professional Services	5,205	4,715
Insurance	2,182	3,090
Regulatory Compliance Expense	1,923	4,443
General Expenses	416	795
Capitalized Expenses	-	(2,248)
Depreciation Expense	6,197	4,550
Payroll Taxes	2,886	2,735
Property Taxes	1,112	1,098
Income Taxes	2,064	5,090
Interest Expense	1,566	-
Total Expenses	<u>\$ 89,774</u>	<u>\$ 80,419</u>
Non Utility Income	400	380
Non Utility Expenses	5,453	7,968
Net Income (Loss)	<u>\$ (701)</u>	<u>\$ 6,294</u>

MEYERS WATER COMPANY
STATEMENT OF PROPERTY AT ORIGINAL COST WITH
ACCUMULATED DEPRECIATION AS OF DECEMBER 31, 2019

<u>DESCRIPTION</u>	<u>WATER PLANT</u>	<u>ACCUMULATED DEPRECIATION</u>
Intangible Plant	\$ 2,000	\$ -
Land	4,000	-
Structures	41,840	7,049
Wells	25,653	25,653
Pumping Equipment	100,323	34,602
Other Water Source Plant	2,656	1,353
Water Treatment Plant	63,153	5,214
Reservoirs, Tanks and Standpipes	40,658	7,103
Water Mains	17,840	4,007
Services and Meter Installations	9,651	1,727
Meters	-	-
Hydrants	-	-
Other Equipment	7,699	6,124
Office Furniture and Equipment	2,977	2,374
Transportation Equipment	-	5,000
Amortization of Contributed Plant	-	30,868
Total	\$ 318,450	\$ 131,074

MEYERS WATER COMPANY
2020 PROFORMA INCOME STATEMENT
AFTER CPI INCREASE FOR YEAR 2019

REVENUE

Unmetered Water Revenue	\$ 95,819
Other Water Revenue	482
Total Revenue	<u>\$ 96,301</u>

EXPENSES

Power	\$ 5,102
Other Volume Related Expenses	2,271
Employee Labor	12,000
Materials	633
Contract Work	7,580
Transportation Expense	2,400
Other Plant Maintenance Expenses	9,225
Office Salaries	9,600
Management Salaries	10,080
Uncollectible Accounts Expense	39
Office Services & Rentals	3,600
Office Supplies & Expenses	3,693
Professional Services	5,205
Insurance	2,182
Regulatory Compliance Expense	1,923
General Expenses	416
Capitalized Expenses	-
Depreciation Expense	6,197
Payroll Taxes	2,886
Property Taxes	1,112
Income Taxes	800
Interest Expense	9,562
Total Expenses	<u>\$ 96,506</u>
Non Utility Income	400
Non Utility Expenses	-
Net Income (Loss)	<u><u>\$ 195</u></u>

**MEYERS WATER COMPANY
PROFORMA CASH FLOW STATEMENT
BASED ON 2020 PROFORMA INCOME STATEMENT**

Net Income (Schedule G)	\$ 195
Plus: Items Not Requiring Cash	
Depreciation	\$ 6,197
Long Term Debt Funds	<u>\$ 125,000</u>
Cash Available for Debt Payment	<u>\$ 131,392</u>
Less:	
Long Term Debt Principal and Interest Payments (Note)	\$ 37,466
Cash Available for Capital Investment	\$ 93,926
<u>Capital Investment</u>	
Capital Project to be Financed with Long-Term Debt Funds	\$ 87,000
Net Cash	<u><u>6,926</u></u>

Note: Long Term Debt Principal and Interest Payments of \$37,466 consist of the following:

Existing Shareholder Loan Debt Service	\$ 31,598
New Debt Service (10 years at 7.65%) (First 6 months interest only)	<u>5,868</u>
Total	<u><u>\$ 37,466</u></u>

MEYERS WATER COMPANY
ACTUAL CAPITALIZATION AS OF DECEMBER 31, 2019
AND PROFORMA CAPITALIZATION FOR YEARS 2020 AND 2021

	2019 Recorded		Adjustments		2020 Proforma		Adjustments		2021 Proforma	
	Amount	%	Amount		Amount	%	Amount		Amount	%
Debt										
Long - Term Debt	\$ 31,598	31.2%	\$ 119,132 (A)		\$ 119,132	63.1%	\$ (18,553) (C)		\$ 100,579	59.0%
Equity										
Common Stock	\$ 77,500	76.6%			\$ 77,500	41.0%			\$ 77,500	45.5%
Retained Earnings	(7,980)	-7.9%	\$ 195 (B)		(7,785)	-4.1%	\$ 195 (D)		(7,590)	-4.5%
Subtotal	\$ 69,520	68.8%			\$ 69,715	36.9%			\$ 69,910	41.0%
Total Capitalization	\$ 101,118	100.0%			\$ 188,847	100.0%			\$ 170,489	100.0%

(A) Issuance of long-term debt of \$125,000 requested in this filing and principal and interest payments of \$5,868 in year 2020

(B) Projected 2020 net earnings of \$195 (Schedule G)

(C) Estimated 2021 principal payment of long-term debt.

(D) Projected 2021 net earnings of \$195.

MEYERS WATER COMPANY
CASH REQUIREMENT FORECAST
YEAR 2020

Funds for Construction/Acquisition of New Water Plant	\$ 87,000
Bonds, Notes Retirements	\$ 31,598
Short-term Debt Repayment	\$ -
Refund for Advances for Construction	\$ -
Total Cash Required	<u>\$ 118,598</u>
Funds Required from Outside Sources	<u>118,598</u>