

LASHMEET PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)**

BOND TRANSCRIPT

Table of Contents

BASIC DOCUMENTS

1. Bond Resolution
2. Supplemental Resolution
3. Loan Agreement
4. Public Service Commission Orders
5. Infrastructure Council Approval
6. Cross-Receipt for Bonds and Bond Proceeds
7. Direction to Authenticate and Deliver Bonds
8. Specimen Bond

OPINIONS OF COUNSEL

9. Approving Opinion of Steptoe & Johnson, Bond Counsel
10. Opinion of Counsel to Issuer
11. Title Opinion

CERTIFICATES

12. General Certificate of Issuer and Attorney
13. Certificate of Engineer, with Schedule B Attached
14. Certificate of Certified Public Accountant

DOCUMENTS OF THE ISSUER

15. County Commission Orders on Creation and Enlargement of District
16. County Commission Orders Appointing Current Boardmembers
17. Oaths of Office of Current Boardmembers
18. Rules of Procedure
19. Affidavit of Publication on Borrowing
20. Minutes of Current Year Organizational Meeting
21. Minutes on Adoption of Bond Resolution and Supplemental Resolution
22. Municipal Bond Commission New Issue Report

MISCELLANEOUS DOCUMENTS

23. Acceptance by First Community Bank of Appointment as Depository Bank
24. Acceptance by One Valley Bank, National Association, of Duties as Registrar
25. Certificate of Registration of Bonds

MISCELLANEOUS DOCUMENTS (Continued)

- 26. Registrar's Agreement
- 27. Operation and Maintenance Agreement
- 28. Receipt of Payment of Prior Bonds

09/02/98
508160/94001

LASHMEET PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1998 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

BOND RESOLUTION

Table of Contents

Subject	Page
ARTICLE I	
STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS	
Section 1.01 Authority for this Resolution	1
Section 1.02 Findings	1
Section 1.03 Bond Legislation Constitutes Contract	3
Section 1.04 Definitions	3
ARTICLE II	
AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT	
Section 2.01 Authorization of Acquisition and Construction of the Project	11
ARTICLE III	
AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT	
Section 3.01 Authorization of Bonds	12
Section 3.02 Terms of Bonds	12
Section 3.03 Execution of Bonds	13
Section 3.04 Authentication and Registration	13
Section 3.05 Negotiability, Transfer and Registration	13
Section 3.06 Bonds Mutilated, Destroyed, Stolen or Lost	14
Section 3.07 Bonds not to be Indebtedness of the Issuer	14
Section 3.08 Bonds Secured by Pledge of Net Revenues	14
Section 3.09 Delivery of Bonds	15
Section 3.10 Form of Bonds	15
FORM OF BOND	16

Section 3.11	Sale of Bonds; Approval and Ratification of Execution of Loan Agreement	24
Section 3.12	"Amended Schedule" Filing	24

**ARTICLE IV
[RESERVED]** 25

**ARTICLE V
FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION
THEREOF**

Section 5.01	Establishment of Funds and Accounts with Depository Bank	26
Section 5.02	Establishment of Funds and Accounts with Commission	26
Section 5.03	System Revenues; Flow of Funds	26

**ARTICLE VI
BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS**

Section 6.01	Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds	31
Section 6.02	Disbursements From the Bond Construction Trust Fund	31

**ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER**

Section 7.01	General Covenants of the Issuer	33
Section 7.02	Bonds not to be Indebtedness of the Issuer	33
Section 7.03	Bonds Secured by Pledge of Net Revenues	33
Section 7.04	Initial Schedule of Rates and Charges	33
Section 7.05	Sale of the System	33
Section 7.06	Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances	34
Section 7.07	Parity Bonds	35
Section 7.08	Books; Records and Audit	36
Section 7.09	Rates	37
Section 7.10	Operating Budget and Monthly Financial Report	38
Section 7.11	Engineering Services and Operating Personnel	38
Section 7.12	No Competing Franchise	39
Section 7.13	Enforcement of Collections	39
Section 7.14	No Free Services	39
Section 7.15	Insurance and Construction Bonds	40
Section 7.16	Connections	41
Section 7.17	Completion and Operation of Project; Permits and Orders	41
Section 7.18	[Reserved]	41
Section 7.19	Statutory Mortgage Lien	41
Section 7.20	Compliance with Loan Agreement and Law	41

Section 7.21	Securities Laws Compliance	42
Section 7.22	Contracts	42

**ARTICLE VIII
INVESTMENT OF FUNDS**

Section 8.01	Investments	43
--------------	-------------	----

**ARTICLE IX
DEFAULT AND REMEDIES**

Section 9.01	Events of Default	44
Section 9.02	Remedies	44
Section 9.03	Appointment of Receiver	44

**ARTICLE X
PAYMENT OF BONDS**

Section 10.01	Payment of Bonds	46
---------------	------------------	----

**ARTICLE XI
MISCELLANEOUS**

Section 11.01	Amendment or Modification of Bond Legislation	47
Section 11.02	Bond Legislation Constitutes Contract	47
Section 11.03	Severability of Invalid Provisions	47
Section 11.04	Headings, Etc.	47
Section 11.05	Conflicting Provisions Repealed	47
Section 11.06	Covenant of Due Procedure, Etc.	48
Section 11.07	Public Notice of Proposed Financing	48
Section 11.08	Effective Date	49
	SIGNATURES	49
	CERTIFICATION	50
	EXHIBIT A	51

LASHMEET PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF LASHMEET PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$4,070,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF LASHMEET PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Resolution. This Resolution (together with any order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is adopted pursuant to the provisions of Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and other applicable provisions of law.

Section 1.02. Findings. It is hereby found, determined and declared that:

A. Lashmeet Public Service District (the "Issuer") is a public service district and a public corporation and political subdivision of the State of West Virginia in Mercer County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants

of the Issuer that there be acquired and constructed certain improvements and extensions to the existing public waterworks facilities of the Issuer, consisting of approximately 80,000 linear feet of water mains and three booster stations to serve the Lashmeet and Kegley areas, together with all appurtenant facilities (collectively, the "Project") (the Project and any further improvements or extensions thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The Issuer intends to permanently finance a portion of the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia Infrastructure Fund pursuant to the Act.

D. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), in the aggregate principal amount of not more than \$4,070,000 (the "Series 1998 A Bonds"), to permanently finance a portion of the costs of acquisition and construction of the Project. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 1998 A Bonds prior to and during acquisition and construction of the Project and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Reserve Accounts (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority, discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1998 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof; provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 1998 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

E. The period of usefulness of the System after completion of the Project is not less than 40 years.

F. It is in the best interests of the Issuer that its Series 1998 A Bonds be sold to the Authority pursuant to the terms and provisions of the loan agreement by and between the Issuer and the Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), in form satisfactory to the respective parties (the "Loan Agreement"), approved hereby if not previously approved by resolution of the Issuer.

G. There are no outstanding bonds or obligations of the Issuer which will rank prior to or on a parity with the Series 1998 A Bonds as to liens, pledge and source of and security for payment.

H. Pursuant to the Agreement (as hereinafter defined), by and between the Issuer and the Company (as hereinafter defined), the Company will operate, maintain, repair and replace the System and will pay the Issuer a use fee for use of the System until the Series 1998 A Bonds have been paid in full. The Issuer will receive all its revenues under and pursuant to the Agreement and is not expected to have any other sources of revenues. The revenues to be paid by the Company to the Issuer under the Agreement at all times will be sufficient to pay all costs of operation and maintenance of the System not otherwise paid by the Company and the principal of and interest on the Series 1998 A Bonds and to make payments into all funds and accounts and other payments provided for herein.

I. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 1998 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the obtaining of a certificate of public convenience and necessity and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 1998 A Bonds or such final order will not be subject to appeal or rehearing.

J. The Project has been reviewed and determined to be technically and financially feasible by the Council as required under Chapter 31, Article 15A of the West Virginia Code of 1931, as amended.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1998 A Bonds by those who shall be the Registered Owners of the same from time to time, this Bond Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of such Series 1998 A Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond of a series and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

Section 1.04. Definitions. The following terms shall have the following meanings herein unless the context expressly requires otherwise:

"Act" means, collectively, Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Agreement" means the Operation and Maintenance Agreement dated March 30, 1997, by and between the Issuer and the Company, including all amendments thereto.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 1998 A Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

"Authorized Officer" means the Chairman of the Governing Body of the Issuer or any temporary Chairman duly selected by the Governing Body.

"Bondholder," "Holder of the Bonds," "Holder," "Registered Owner" or any similar term whenever used herein with respect to an outstanding Bond or Bonds, means the person in whose name such Bond is registered.

"Bond Legislation," "Resolution," "Bond Resolution" or "Local Act" means this Bond Resolution and all orders and resolutions supplemental hereto or amendatory hereof.

"Bond Registrar" means the bank or other entity to be designated as such in the Supplemental Resolution and its successors and assigns.

"Bonds" means, collectively, the Series 1998 A Bonds and any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

"Bond Year" means the 12-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year, except that the first Bond Year shall begin on the Closing Date.

"Chairman" means the Chairman of the Governing Body of the Issuer.

"Closing Date" means the date upon which there is an exchange of the Series 1998 A Bonds for the proceeds or at least a de minimis portion thereof representing the purchase price of the Series 1998 A Bonds from the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, and the Regulations.

"Commission" means the West Virginia Municipal Bond Commission or any other agency of the State of West Virginia that succeeds to the functions of the Commission.

"Company" means West Virginia-American Water Company, a West Virginia corporation.

"Consulting Engineers" means Pentree, Incorporated, Princeton, West Virginia, or any qualified engineer or firm of engineers, licensed by the State, that shall at any time hereafter be procured by the Issuer as Consulting Engineers for the System or portion thereof in accordance with Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended; provided however, that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

"Costs" or "Costs of the Project" means those costs described in Section 1.02D hereof to be a part of the cost of acquisition and construction of the Project.

"Council" means the West Virginia Infrastructure and Jobs Development Council or any other agency of the State of West Virginia that succeeds to the functions of the Council.

"Depository Bank" means the bank designated as such in the Supplemental Resolution, and its successors and assigns, which shall be a member of FDIC.

"FDIC" means the Federal Deposit Insurance Corporation and any successor to the functions of the FDIC.

"Fiscal Year" means each 12-month period beginning on July 1 and ending on the succeeding June 30.

"Governing Body" or "Board" means the public service board of the Issuer, as it may now or hereafter be constituted.

"Government Obligations" means direct obligations of, or obligations the timely payment of the principal of and interest on which is guaranteed by, the United States of America.

"Grants" means all moneys received by the Issuer on account of any Grant for the Project.

"Gross Revenues" means the aggregate gross operating and non-operating revenues of the System, as hereinafter defined, determined in accordance with generally accepted accounting principles, after deduction of prompt payment discounts, if any, and reasonable provision for uncollectible accounts; provided that, "Gross Revenues" does not include any proceeds from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined) or any Tap Fees (as hereinafter defined).

"Herein," "hereto" and similar words shall refer to this entire Bond Legislation.

"Independent Certified Public Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

"Investment Property" means any security (as said term is defined in Section 165(g)(2)(A) or (B) of the Code), obligation, annuity contract, investment-type property or any residential rental property for family units which is not located within the jurisdiction of the Issuer and which is not acquired to implement a court ordered or approved housing desegregation plan, excluding, however, obligations the interest on which is excluded from gross income, under Section 103 of the Code, for federal income tax purposes other than specified private activity bonds as defined in Section 57(a)(5)(C) of the Code.

"Issuer" means Lashmeet Public Service District, a public service district, public corporation and political subdivision of the State of West Virginia in Mercer County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into by and between the Issuer and the Authority, on behalf of the Council, providing for the purchase of the Series 1998 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 1998 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 1998 A Bonds Reserve Account. For purposes of the Private Business Use limitations set forth herein, the term Net Proceeds shall include any amounts resulting from the investment of proceeds of the Series 1998 A Bonds, without regard to whether or not such investment is made in tax-exempt obligations.

"Net Revenues" means the balance of the Gross Revenues, remaining after deduction of Operating Expenses, as hereinafter defined.

"Nonpurpose Investment" means any Investment Property which is acquired with the gross proceeds or any other proceeds of the Series 1998 A Bonds and is not acquired in order to carry out the governmental purpose of the Series 1998 A Bonds.

"Operating Expenses" means the reasonable, proper and necessary costs of repair, maintenance and operation of the System and includes, without limiting the generality

of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the Costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and Paying Agent (all as hereinafter defined), other than those capitalized as part of the Costs, payments to pension or retirement funds, taxes and such other reasonable operating costs and expenses as should normally and regularly be included under generally accepted accounting principles; provided, that "Operating Expenses" does not include payments on account of the principal of or redemption premium, if any, or interest on the Bonds, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

"Outstanding," when used with reference to Bonds and as of any particular date, describes all Bonds theretofore and thereupon being authenticated and delivered, except (i) any Bond cancelled by the Bond Registrar at or prior to said date; (ii) any Bond for the payment of which moneys, equal to its principal amount and redemption premium, if applicable, with interest to the date of maturity or redemption shall be in trust hereunder and set aside for such payment (whether upon or prior to maturity); (iii) any Bond deemed to have been paid as provided in Article X hereof; and (iv) for purposes of consents or other action by a specified percentage of Bondholders, any Bonds registered to the Issuer.

"Parity Bonds" means additional Bonds issued under the provisions and within the limitations prescribed by Section 7.07 hereof.

"Paying Agent" means the Commission or other entity designated as such for the Series 1998 A Bonds in the Supplemental Resolution.

"Private Business Use" means use (directly or indirectly) in a trade or business carried on by any person other than a governmental unit; provided that use as a member of the general public shall not be taken into account.

"Project" means the Project as described in Section 1.02B hereof.

"Qualified Investments" means and includes any of the following:

(a) Government Obligations;

(b) Government Obligations which have been stripped of their unmatured interest coupons, interest coupons stripped from Government Obligations, and receipts or certificates evidencing payments from Government Obligations or interest coupons stripped from Government Obligations;

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal

Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

(d) Any bond, debenture, note, participation certificate or other similar obligations issued by the Federal National Mortgage Association to the extent such obligation is guaranteed by the Government National Mortgage Association or issued by any other federal agency and backed by the full faith and credit of the United States of America;

(e) Time accounts (including accounts evidenced by time certificates of deposit, time deposits or other similar banking arrangements) which, to the extent not insured by the FDIC or Federal Savings and Loan Insurance Corporation, shall be secured by a pledge of Government Obligations, provided, that said Government Obligations pledged either must mature as nearly as practicable coincident with the maturity of said time accounts or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said time accounts;

(f) Money market funds or similar funds whose only assets are investments of the type described in paragraphs (a) through (e) above;

(g) Repurchase agreements, fully secured by investments of the types described in paragraphs (a) through (e) above, with banks or national banking associations which are members of FDIC or with government bond dealers recognized as primary dealers by the Federal Reserve Bank of New York, provided, that said investments securing said repurchase agreements either must mature as nearly as practicable coincident with the maturity of said repurchase agreements or must be replaced or increased so that the market value thereof is always at least equal to the principal amount of said repurchase agreements, and provided further that the holder of such repurchase agreement shall have a prior perfected security interest in the collateral therefor; must have (or its agent must have) possession of such collateral; and such collateral must be free of all claims by third parties;

(h) The West Virginia "consolidated fund" managed by the West Virginia Investment Management Board pursuant to Chapter 12, Article 6 of the West Virginia Code of 1931, as amended; and

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is excluded from gross income for federal income tax purposes, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

"Registrar" means the Bond Registrar.

"Regulations" means temporary and permanent regulations promulgated under the Code or any predecessor to the Code.

"Revenue Fund" means the Revenue Fund established by Section 5.01 hereof.

"Secretary" means the Secretary of the Governing Body of the Issuer.

"Series 1998 A Bonds" means the Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 1998 A Bonds Construction Trust Fund" means the Series 1998 A Bond Construction Trust Fund established by Section 5.01 hereof.

"Series 1998 A Bonds Reserve Account" means the Series 1998 A Bonds Reserve Account established in the Series 1998 A Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1998 A Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1998 A Bonds in the then current or any succeeding year.

"Series 1998 A Bonds Sinking Fund" means the Series 1998 A Bonds Sinking Fund established by Section 5.02 hereof.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 1998 A Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1998 A Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Series 1998 A Bonds Reserve Account.

"System" means the complete waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, and shall include the Project and any

additions, extensions, improvements thereto hereafter acquired or constructed for the System from any sources whatsoever.

"Tap Fees" means the fees, if any, paid by prospective customers of the System in order to connect thereto.

"West Virginia Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Chapter 31, Article 15A, Section 9 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

Additional terms and phrases are defined in this Resolution as they are used. Words importing singular number shall include the plural number in each case and vice versa; words importing persons shall include firms and corporations; and words importing the masculine, feminine or neutral gender shall include any other gender.

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project.
There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of \$5,775,258, in accordance with the plans and specifications which have been prepared by the Consulting Engineers, heretofore filed in the office of the Governing Body. The proceeds of the Series 1998 A Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Authority and the Council.

The cost of the Project is estimated to be \$5,775,258, of which approximately \$4,070,000 will be obtained from proceeds of the Series 1998 A Bonds and approximately \$1,705,258 will be paid by the Company.

ARTICLE III

AUTHORIZATION, TERMS, EXECUTION, REGISTRATION AND SALE OF BONDS; AUTHORIZATION AND EXECUTION OF LOAN AGREEMENT

Section 3.01. Authorization of Bonds. For the purposes of capitalizing interest on the Series 1998 A Bonds, funding a reserve account for the Series 1998 A Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1998 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued negotiable Series 1998 A Bonds of the Issuer. The Series 1998 A Bonds shall be issued as a single bond, designated "Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund)," in the principal amount of not more than \$4,070,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1998 A Bonds remaining after funding of the Series 1998 A Bonds Reserve Account (if funded from Bond proceeds) and capitalizing interest on the Series 1998 A Bonds, if any, shall be deposited in or credited to the Series 1998 A Bonds Construction Trust Fund established by Section 5.01 hereof and applied as set forth in Article VI hereof.

Section 3.02. Terms of Bonds. The Series 1998 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum rate, payable quarterly on such dates; shall mature on such dates and in such amounts; and shall be redeemable, in whole or in part, all as the Issuer shall prescribe in a Supplemental Resolution or as specifically provided in the Loan Agreement. The Series 1998 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 1998 A Bonds, if any, shall be paid by check or draft of the Paying Agent mailed to the Registered Owner thereof at the address as it appears on the books of the Bond Registrar, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner thereof.

Unless otherwise provided by the Supplemental Resolution, the Series 1998 A Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 1998 A Bonds. The Series 1998 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Series 1998 A Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from such date.

Section 3.03. Execution of Bonds. The Series 1998 A Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 1998 A Bonds shall cease to be such officer of the Issuer before the Series 1998 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 1998 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 1998 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the forms set forth in Section 3.10 shall have been manually executed by the Bond Registrar. Any such executed Certificate of Authentication and Registration upon any such Bond shall be conclusive evidence that such Bond has been authenticated, registered and delivered under this Bond Legislation. The Certificate of Authentication and Registration on any Series 1998 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1998 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 1998 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that such Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 1998 A Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of the Bonds.

The registered Series 1998 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 1998 A Bonds or transferring the registered Bonds are exercised, Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Bonds, the Bond Registrar may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer and the cost of preparing each new Bond upon each exchange or transfer, and any other expenses of the Bond Registrar incurred in connection therewith, which sum or sums shall be paid by the Issuer. The Bond Registrar shall not be obliged to make any such exchange or transfer of Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1998 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1998 A Bonds shall not, in any event, be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Net Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 1998 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1998 A Bonds or the interest thereon.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1998 A Bonds shall be secured by a first lien on the Net

Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 1998 A Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1998 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1998 A Bonds to the original purchasers upon receipt of the documents set forth below:

A. If other than the Authority, a list of the names in which the Series 1998 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;

B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 1998 A Bonds to the original purchasers;

C. An executed and certified copy of the Bond Legislation;

D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 1998 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 1998 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LASHMEET PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1998 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-_____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: That LASHMEET PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Mercer County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199 ____, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 199 ____, as set forth on EXHIBIT B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated _____, 199 ____.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on _____, 199____, and a Supplemental Resolution duly adopted by the Issuer on _____, 199____ (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1998 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1998 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 100% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar, by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, LASHMEET PUBLIC SERVICE DISTRICT
has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto
affixed and attested by its Secretary, and has caused this Bond to be dated
_____, 199__.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 199____.

**ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar**

Authorized Officer

(Form of)

EXHIBIT A
RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$		(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$ _____

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

FOR VALUE RECEIVED the undersigned sells, assigns, and transfers unto

the within Bond and does hereby irrevocably constitute and appoint
_____, Attorney to transfer the said Bond
on the books kept for registration of the within Bond of the said Issuer with full power of
substitution in the premises.

Dated: _____, _____.

In the presence of:

Section 3.11. Sale of Bonds: Approval and Ratification of Execution of Loan Agreement. The Series 1998 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. "Amended Schedule" Filing. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the Council a schedule in substantially the form attached to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

Section 5.01. Establishment of Funds and Accounts with Depository Bank. The following special funds or accounts are hereby created with and shall be held by the Depository Bank, separate and apart from all other funds or accounts of the Depository Bank and the Issuer and from each other:

- (1) Revenue Fund; and
- (2) Series 1998 A Bonds Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with and shall be held by the Commission, separate and apart from all other funds or accounts of the Commission and the Issuer and from each other:

- (1) Series 1998 A Bonds Sinking Fund; and
- (2) Within the Series 1998 A Bonds Sinking Fund, the Series 1998 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System shall be deposited upon receipt in the Revenue Fund. The Revenue Fund shall constitute a trust fund for the purposes provided in this Bond Legislation and shall be kept separate and distinct from all other funds of the Issuer and the Depository Bank and used only for the purposes and in the manner herein provided. All moneys in the Revenue Fund shall be disposed of only in the following manner and order of priority:

(1) The Issuer shall first, each month, pay from the Revenue Fund the Operating Expenses of the System not otherwise paid by the Company pursuant to the Agreement.

(2) The Issuer shall next, on the first day of each month, (i) commencing 3 months prior to the first date of payment of interest on the Series 1998 A Bonds, for which interest has not been capitalized or as required in the Loan Agreement, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1998 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will become due on the Series 1998 A Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 A Bonds

Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly interest payment date, the required amount of interest coming due on such date; and (ii) commencing 3 months prior to the first date of payment of principal of the Series 1998 A Bonds, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1998 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 1998 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1998 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(3) The Issuer shall next, on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 1998 A Bonds, if not fully funded upon issuance of the Series 1998 A Bonds, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1998 A Bonds Reserve Account, an amount equal to 1/120th of the Series 1998 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 1998 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 1998 A Bonds Reserve Requirement.

(4) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein may be used to prepay installments of the Series 1998 A Bonds or for any lawful purpose of the System.

Moneys in the Series 1998 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1998 A Bonds, as the same shall become due. Moneys in the Series 1998 A Bonds Reserve Account shall be used only for the purpose of paying principal of and interest on the Series 1998 A Bonds as the same shall become due, when other moneys in the Series 1998 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the Series 1998 A Bonds Sinking Fund and the Series 1998 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 1998 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied

in full, first to the next ensuing interest payment due on the Series 1998 A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 1998 A Bonds Reserve Account which result in a reduction in the balance of the Series 1998 A Bonds Reserve Account to below the Series 1998 A Bonds Reserve Requirement shall be subsequently restored from the first Net Revenues available after all required payments have been made in full in the order set forth above.

As and when additional Bonds ranking on a parity with the Series 1998 A Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional parity Bonds.

The Issuer shall not be required to make any further payments into the Series 1998 A Bonds Sinking Fund or the Series 1998 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 1998 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 1998 A Bonds Sinking Fund and the Series 1998 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 1998 A Bonds Sinking Fund and the Series 1998 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1998 A Bonds Sinking Fund and the Series 1998 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1998 A Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period

as required by the Act, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

C. The Issuer shall, on the first day of each month (if such day is not a business day, then the next succeeding business day), deposit with the Commission the required principal, interest and reserve payments with respect to the Series 1998 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement for the Series 1998 A Bonds, and submit a copy of said form along with a copy of its payment check to the Authority by the 5th day of such calendar month.

E. The Issuer shall remit from the Revenue Fund to the Commission, the Registrar, the Paying Agent or the Depository Bank, on such dates as the Commission, the Registrar, the Paying Agent or the Depository Bank, as the case may be, shall require, such additional sums as shall be necessary to pay their respective charges and fees then due. In the case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at anytime, make the necessary arrangements whereby such required payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required.

F. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in all funds and accounts shall at all times be secured, to the full extent thereof in excess of such insured sum, by Qualified Investments as shall be eligible as security for deposits of state and municipal funds under the laws of the State.

G. If on any monthly payment date the revenues are insufficient to place the required amount in any of the funds and accounts as hereinabove provided, the deficiency shall be made up in the subsequent payments in addition to the payments which would otherwise be required to be made into the funds and accounts on the subsequent payment dates; provided, however, that the priority of curing deficiencies in the funds and accounts herein shall be in the same order as payments are to be made pursuant to this Section 5.03, and the Net Revenues shall be applied to such deficiencies before being applied to any other payments hereunder.

H. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited.

I. The Gross Revenues of the System shall only be used for purposes of the System.

J. All Tap Fees shall be deposited by the Issuer, as received, in the Series 1998 A Bonds Construction Trust Fund, and following completion of the Project, shall be deposited in the Revenue Fund and may be used for any lawful purpose of the System.

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds. From the moneys received from the sale of the Series 1998 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1998 A Bonds, there shall first be deposited with the Commission in the Series 1998 A Bonds Sinking Fund, the amount, if any, set forth in the Supplemental Resolution as capitalized interest.

B. Next, from the proceeds of the Series 1998 A Bonds, there shall be deposited with the Commission in the Series 1998 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding the Series 1998 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1998 A Bonds, such moneys shall be deposited with the Depository Bank in the Series 1998 A Bonds Construction Trust Fund and applied solely to payment of Costs of the Project in the manner set forth in Section 6.02 and until so expended, are hereby pledged as additional security for the Series 1998 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all Costs have been paid, any remaining proceeds of the Series 1998 A Bonds shall be applied as directed by the Council.

Section 6.02. Disbursements From the Bond Construction Trust Fund. The Issuer shall each month provide the Council with a requisition for the costs incurred for the Project, together with such documentation as the Council shall require. Payments of all Costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Series 1998 A Bonds Construction Trust Fund (except for the costs of issuance of the Series 1998 A Bonds which shall be made upon request of the Issuer) shall be made only after submission to, and approval from the Council, of a certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

(a) None of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

(b) Each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes a Cost of the Project;

(c) Each of such costs has been otherwise properly incurred; and

(d) Payment for each of the items proposed is then due and owing.

Pending such application, moneys in the Series 1998 A Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 1998 A Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 1998 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1998 A Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 1998 A Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 1998 A Bonds, shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1998 A Bonds or the interest thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1998 A Bonds shall be secured by a first lien on the Net Revenues derived from the System. The Net Revenues in an amount sufficient to pay the principal of and interest on the Series 1998 A Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered April 16, 1998, in Case No. 96-1490-PWD-CN, and such rates are hereby adopted.

Section 7.05. Sale of the System. So long as the Series 1998 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of, except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1998 A Bonds, immediately be remitted to the Commission for deposit in the Series 1998 A Bonds Sinking Fund, and, with the written permission of the Authority and the Council, or in the event the Authority is no longer a

Bondholder, the Issuer shall direct the Commission to apply such proceeds to the payment of principal of and interest on the Series 1998 A Bonds. Any balance remaining after the payment of the Series 1998 A Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$10,000 but not in excess of \$50,000, the Issuer shall first, determine upon consultation with the Consulting Engineers that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof and may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding. The proceeds of any such sale shall, with the written consent of the Council, be remitted by the Issuer to the Commission for deposit in the Series 1998 A Bonds Sinking Fund. The payment of such proceeds into the Revenue Fund or the Series 1998 A Bonds Sinking Fund shall not reduce the amount required to be paid into said funds by other provisions of this Bond Legislation. No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided in this Section 7.06 and Section 7.07 hereof, the Issuer shall not issue any obligations whatsoever payable from the revenues of the System which rank prior to, or equally, as to lien on and source of and security for payment from such revenues with the Series 1998 A Bonds. All obligations issued by the Issuer after the issuance of the Series 1998 A Bonds and payable from the revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source

of and security for payment from such revenues and in all other respects, to the Series 1998 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 1998 A Bonds, and the interest thereon, if any, upon any or all of the income and revenues of the System pledged for payment of the Series 1998 A Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority and the Council prior written notice of its issuance of any other obligations to be used for the System, payable from the revenues of the System or from any grants, or any other obligations related to the Project or the System.

Section 7.07. Parity Bonds. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1998 A Bonds pursuant to this Bond Legislation, except with the prior written consent of the Authority and the Council under the conditions and in the manner herein provided.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1998 A Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions and improvements to the System or refunding any outstanding Bonds, or both such purposes.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on revenues of the System is subject to the prior and superior liens of the Series 1998 A Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from revenues of the System, or any part thereof,

which rank prior to or, except in the manner and under the conditions provided in this section, equally, as to lien on and source of and security for payment from such revenues, with the Series 1998 A Bonds.

No Parity Bonds shall be issued any time, however, unless all the payments into the respective funds and accounts provided for in this Bond Legislation with respect to the Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of delivery of such Parity Bonds, and the Issuer shall then be in full compliance with all the covenants, agreements and terms of this Bond Legislation.

Section 7.08. Books; Records and Audit. The Issuer shall keep complete and accurate records of the cost of acquiring the Project site and the costs of acquiring, constructing and installing the Project. The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at all reasonable times for the purpose of audit and examination. The Issuer shall submit to the Authority and the Council such documents and information as they may reasonably require in connection with the acquisition, construction and installation of the Project, the operation and maintenance of the System and the administration of the loan or any grants or other sources of financing for the Project.

The Issuer shall permit the Authority and the Council, or their agents and representatives, to inspect all records pertaining to the operation of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

The Issuer will keep books and records of the System, which shall be separate and apart from all other books, records and accounts of the Issuer, in which complete and correct entries shall be made of all transactions relating to the System, and any Holder of a Bond or Bonds issued pursuant to this Bond Legislation shall have the right at all reasonable times to inspect the System and all parts thereof and all records, accounts and data of the Issuer relating thereto.

The accounting system for the System shall follow current generally accepted accounting principles and safeguards to the extent allowed and as prescribed by the Public Service Commission of West Virginia. Separate control accounting records shall be maintained by the Issuer. Subsidiary records as may be required shall be kept in the manner and on the forms, books and other bookkeeping records as prescribed by the Governing Body. The Governing Body shall prescribe and institute the manner by which subsidiary records of the accounting system which may be installed remote from the direct supervision of the Governing Body shall be reported to such agent of the Issuer as the Governing Body shall direct.

The Issuer shall file with the Council, the Authority, or any other original purchaser of the Series 1998 A Bonds, and shall mail in each year to any Holder or Holders of the Series 1998 A Bonds, requesting the same, an annual report containing the following:

(A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.

(B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation, and the status of all said funds and accounts.

(C) The amount of any Bonds, notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants in compliance with the applicable OMB Circular or any successor thereto and the Single Audit Act or any successor thereto, to the extent legally required, and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 1998 A Bonds, and shall submit said report to the Council and the Authority, or any other original purchaser of the Series 1998 A Bonds. Such audit report submitted to the Authority and the Council shall include a statement that the Issuer is in compliance with the terms and provisions of the Act, the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

The Issuer shall permit the Authority and the Council, or their agents and representatives, to enter and inspect the Project site and Project facilities at all reasonable times. Prior to, during and after completion of construction of the Project, the Issuer shall also provide the Authority and the Council, or their agents and representatives, with access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the Council with respect to the System pursuant to the Act.

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect

shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 100% of the maximum amount required in any year for payment of principal of and interest on the Series 1998 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 1998 A Bonds. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the Council within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Consulting Engineers, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the System, and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by a resolution duly adopted. No increased expenditures in excess of 10% of the amount of such budget shall be made except upon the further certificate of the Consulting Engineers that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the Council and to any Holder of any Bonds, within 30 days of adoption thereof, and shall make available such budgets and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times to the Authority and the Council and to any Holder of any Bonds, or anyone acting for and in behalf of such Holder of any Bonds.

Commencing on the date contracts are executed for the acquisition and construction of the Project and for two years following the completion of the Project, the Issuer shall each month complete a "Monthly Financial Report," a form of which is attached to the respective Loan Agreements, and forward a copy of such report to the Authority and the Council by the 15th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and the Council covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority, the Council and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall employ qualified operating personnel properly certified by the State to operate the System during the entire term of the Loan Agreement.

Section 7.12. No Competing Franchise. To the extent legally allowable, the Issuer will not grant or cause, consent to or allow the granting of, any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatsoever for the providing of any services which would compete with services provided by the System.

Section 7.13. Enforcement of Collections. The Issuer will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the Act, the rules and regulations of the Public Service Commission of West Virginia and other laws of the State of West Virginia.

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid, when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System to all users of the services of the System delinquent in payment of charges for the services of the System and will not restore such services until all delinquent charges for the services of the System, plus reasonable interest and penalty charges for the restoration of service, have been fully paid and shall take all further actions to enforce collections to the maximum extent permitted by law.

Section 7.14. No Free Services. The Issuer will not render or cause to be rendered any free services of any nature by the System, nor will any preferential rates be established for users of the same class; and in the event the Issuer, or any department, agency, instrumentality, officer or employee of the Issuer shall avail itself or themselves of

Based upon the foregoing and upon our examination of such other documents as we have deemed necessary, we are of the opinion as follows:

1. The Loan Agreement has been duly authorized by and executed on behalf of the Governmental Agency and is a valid and binding special obligation of the Governmental Agency enforceable in accordance with the terms thereof.

2. The Loan Agreement inures to the benefit of the Authority and cannot be amended so as to affect adversely the rights of the Authority or diminish the obligations of the Governmental Agency without the consent of the Authority.

3. The Governmental Agency is a duly organized and presently existing _____, with full power and authority to construct and acquire the Project and to operate and maintain the System referred to in the Loan Agreement and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Governmental Agency has legally and effectively enacted the Local Act and all other necessary _____ in connection with the issuance and sale of the Local Bonds. The Local Act contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

5. The Local Bonds are valid and legally enforceable special obligations of the Governmental Agency, payable from the [net] revenues of the System referred to in the Local Act and secured by a [first] lien on and pledge of the [net] revenues of said System, all in accordance with the terms of the Local Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. [If required, the Local Bonds are, by statute, exempt _____, and under existing statutes and court decisions of the United States of America, as presently written and applied, the interest on the Local Bonds is excludable from the gross income of the recipients thereof for Federal income tax purposes.]

No opinion is given herein as to the effect upon enforceability of the Local Bonds of bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined executed and authenticated Local Bond numbered R-1, and in our opinion the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

[Name of Bond Issue]

Fiscal Year - __

Report Month: _____

	<u>CURRENT</u>	<u>YEAR TO</u>	<u>BUDGET YEAR</u>	
<u>ITEM</u>	<u>MONTH</u>	<u>DATE</u>	<u>TO DATE</u>	<u>DIFFERENCE</u>
1. Gross Revenues Collected				
2. Operation and Maintenance Expense				
3. Other Bond Debt Payments (including Reserve Fund deposits)				
4. Bond Payments (include Reserve Fund deposits)				
5. Renewal and Replacement Fund Deposit				
6. Funds available for capital construction				

Witnesseth my signature this __ day of ____, 19__.

[Name of Governmental Agency]

By: _____
Authorized Officer

CHASFS3:58465

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	\$4,070,000
Purchase Price of Bonds	\$4,070,000

Principal and interest on the Bonds is payable quarterly, commencing September 1, 1999 to and including September 1, 2038, at a rate of 2% per annum. Quarterly payments will be made thereafter on each September 1, December 1, March 1 and June 1, as set forth on Schedule Y attached hereto and incorporated herein by reference.

The Governmental Agency shall submit its payments monthly to the West Virginia Municipal Bond Commission which will make quarterly payments to the West Virginia Water Development Authority at such address as is given to the West Virginia Municipal Bond Commission in writing by the Authority.

The Bonds will be fully registered in the name of the West Virginia Water Development Authority as to principal and interest and such Bonds shall grant the Authority a first lien on the net revenues of the Governmental Agency's system.

The Governmental Agency may prepay the Bonds in full at any time at the price of par but only with the Council's written consent. The Governmental Agency shall request approval from the Authority and Council in writing of any proposed debt which will be issued by the Governmental Agency on a parity with the Bonds which request must be filed at least 60 days prior to the intended date of issuance.

SCHEDULE Y

Lashmeet Road Public Service District
Infrastructure Fund Loan
\$4,070,000; 40 Years; 2% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principa	Coupon	Interest	Total Pay
6/01/1999	-	-	-	-
9/01/1999	17,127.86	2.000%	20,350.00	37,477.86
12/01/1999	17,213.50	2.000%	20,264.36	37,477.86
3/01/2000	17,299.57	2.000%	20,178.29	37,477.86
6/01/2000	17,386.06	2.000%	20,091.80	37,477.86
9/01/2000	17,472.99	2.000%	20,004.87	37,477.86
12/01/2000	17,560.38	2.000%	19,917.50	37,477.86
3/01/2001	17,648.18	2.000%	19,829.70	37,477.86
6/01/2001	17,736.40	2.000%	19,741.46	37,477.86
9/01/2001	17,825.08	2.000%	19,652.78	37,477.86
12/01/2001	17,914.21	2.000%	19,563.65	37,477.86
3/01/2002	18,003.78	2.000%	19,474.08	37,477.86
6/01/2002	18,093.80	2.000%	19,384.06	37,477.86
9/01/2002	18,184.27	2.000%	19,293.59	37,477.86
12/01/2002	18,275.19	2.000%	19,202.67	37,477.86
3/01/2003	18,366.56	2.000%	19,111.29	37,477.85
6/01/2003	18,458.40	2.000%	19,019.46	37,477.86
9/01/2003	18,550.69	2.000%	18,927.17	37,477.86
12/01/2003	18,643.44	2.000%	18,834.42	37,477.86
3/01/2004	18,736.66	2.000%	18,741.20	37,477.86
6/01/2004	18,830.34	2.000%	18,647.52	37,477.86
9/01/2004	18,924.50	2.000%	18,553.36	37,477.86
12/01/2004	19,019.12	2.000%	18,458.74	37,477.86
3/01/2005	19,114.21	2.000%	18,363.65	37,477.86
6/01/2005	19,209.78	2.000%	18,268.07	37,477.85
9/01/2005	19,305.83	2.000%	18,172.03	37,477.86
12/01/2005	19,402.36	2.000%	18,075.50	37,477.86
3/01/2006	19,499.37	2.000%	17,978.48	37,477.85
6/01/2006	19,596.87	2.000%	17,880.99	37,477.86
9/01/2006	19,694.86	2.000%	17,783.00	37,477.86
12/01/2006	19,793.33	2.000%	17,684.53	37,477.86
3/01/2007	19,892.30	2.000%	17,585.56	37,477.86
6/01/2007	19,991.76	2.000%	17,486.10	37,477.86
9/01/2007	20,091.72	2.000%	17,386.14	37,477.86
12/01/2007	20,192.18	2.000%	17,285.68	37,477.86
3/01/2008	20,293.14	2.000%	17,184.72	37,477.86
6/01/2008	20,394.60	2.000%	17,083.26	37,477.86
9/01/2008	20,496.57	2.000%	16,981.28	37,477.85
12/01/2008	20,599.06	2.000%	16,878.80	37,477.86
3/01/2009	20,702.05	2.000%	16,775.81	37,477.86
6/01/2009	20,805.56	2.000%	16,672.30	37,477.86
9/01/2009	20,909.59	2.000%	16,568.27	37,477.86
12/01/2009	21,014.14	2.000%	16,463.72	37,477.86
3/01/2010	21,119.21	2.000%	16,358.65	37,477.86
6/01/2010	21,224.81	2.000%	16,253.05	37,477.86
9/01/2010	21,330.93	2.000%	16,146.93	37,477.86

Lashmeet Road Public Service District
Infrastructure Fund Loan
\$4,070,000; 40 Years; 2% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principa	Coupon	Interest	Total Pa
12/01/2010	21,437.58	2.000%	16,040.27	37,477.85
3/01/2011	21,544.77	2.000%	15,933.09	37,477.86
6/01/2011	21,652.50	2.000%	15,825.36	37,477.86
9/01/2011	21,760.76	2.000%	15,717.10	37,477.86
12/01/2011	21,869.56	2.000%	15,608.30	37,477.86
3/01/2012	21,978.91	2.000%	15,498.95	37,477.86
6/01/2012	22,088.81	2.000%	15,389.05	37,477.86
9/01/2012	22,199.25	2.000%	15,278.61	37,477.86
12/01/2012	22,310.25	2.000%	15,167.61	37,477.86
3/01/2013	22,421.80	2.000%	15,056.06	37,477.86
6/01/2013	22,533.91	2.000%	14,943.95	37,477.86
9/01/2013	22,646.58	2.000%	14,831.28	37,477.86
12/01/2013	22,759.81	2.000%	14,718.05	37,477.86
3/01/2014	22,873.61	2.000%	14,604.25	37,477.86
6/01/2014	22,987.97	2.000%	14,489.88	37,477.85
9/01/2014	23,102.91	2.000%	14,374.94	37,477.85
12/01/2014	23,218.43	2.000%	14,259.43	37,477.86
3/01/2015	23,334.52	2.000%	14,143.34	37,477.86
6/01/2015	23,451.19	2.000%	14,026.66	37,477.85
9/01/2015	23,568.45	2.000%	13,909.41	37,477.86
12/01/2015	23,686.29	2.000%	13,791.57	37,477.86
3/01/2016	23,804.72	2.000%	13,673.13	37,477.85
6/01/2016	23,923.75	2.000%	13,554.11	37,477.86
9/01/2016	24,043.37	2.000%	13,434.49	37,477.86
12/01/2016	24,163.58	2.000%	13,314.28	37,477.86
3/01/2017	24,284.40	2.000%	13,193.48	37,477.86
6/01/2017	24,405.82	2.000%	13,072.04	37,477.86
9/01/2017	24,527.85	2.000%	12,950.01	37,477.86
12/01/2017	24,650.49	2.000%	12,827.37	37,477.86
3/01/2018	24,773.74	2.000%	12,704.11	37,477.85
6/01/2018	24,897.61	2.000%	12,580.25	37,477.86
9/01/2018	25,022.10	2.000%	12,455.76	37,477.86
12/01/2018	25,147.21	2.000%	12,330.65	37,477.86
3/01/2019	25,272.95	2.000%	12,204.91	37,477.86
6/01/2019	25,399.31	2.000%	12,078.55	37,477.86
9/01/2019	25,526.31	2.000%	11,951.55	37,477.86
12/01/2019	25,653.94	2.000%	11,823.92	37,477.86
3/01/2020	25,782.21	2.000%	11,695.85	37,477.86
6/01/2020	25,911.12	2.000%	11,566.74	37,477.86
9/01/2020	26,040.68	2.000%	11,437.18	37,477.86
12/01/2020	26,170.88	2.000%	11,306.98	37,477.86
3/01/2021	26,301.73	2.000%	11,176.12	37,477.85
6/01/2021	26,433.24	2.000%	11,044.62	37,477.86
9/01/2021	26,565.41	2.000%	10,912.45	37,477.86
12/01/2021	26,698.24	2.000%	10,779.62	37,477.86
3/01/2022	26,831.73	2.000%	10,646.13	37,477.86

Lashmeet Road Public Service District
Infrastructure Fund Loan
\$4,070,000; 40 Years; 2% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total Pay
6/01/2022	26,965.89	2.000%	10,511.97	37,477.86
9/01/2022	27,100.72	2.000%	10,377.14	37,477.86
12/01/2022	27,236.22	2.000%	10,241.64	37,477.86
3/01/2023	27,372.40	2.000%	10,105.46	37,477.86
6/01/2023	27,509.26	2.000%	9,968.60	37,477.86
9/01/2023	27,646.81	2.000%	9,831.05	37,477.86
12/01/2023	27,785.04	2.000%	9,692.82	37,477.86
3/01/2024	27,923.97	2.000%	9,553.89	37,477.86
6/01/2024	28,063.59	2.000%	9,414.27	37,477.86
9/01/2024	28,203.91	2.000%	9,273.95	37,477.86
12/01/2024	28,344.92	2.000%	9,132.93	37,477.85
3/01/2025	28,486.65	2.000%	8,991.21	37,477.86
6/01/2025	28,629.08	2.000%	8,848.78	37,477.86
9/01/2025	28,772.23	2.000%	8,705.63	37,477.86
12/01/2025	28,916.09	2.000%	8,561.77	37,477.86
3/01/2026	29,060.67	2.000%	8,417.19	37,477.86
6/01/2026	29,205.97	2.000%	8,271.89	37,477.86
9/01/2026	29,352.00	2.000%	8,125.86	37,477.86
12/01/2026	29,498.76	2.000%	7,979.10	37,477.86
3/01/2027	29,646.26	2.000%	7,831.60	37,477.86
6/01/2027	29,794.49	2.000%	7,683.37	37,477.86
9/01/2027	29,943.46	2.000%	7,534.40	37,477.86
12/01/2027	30,093.18	2.000%	7,384.68	37,477.86
3/01/2028	30,243.64	2.000%	7,234.22	37,477.86
6/01/2028	30,394.86	2.000%	7,083.00	37,477.86
9/01/2028	30,546.84	2.000%	6,931.02	37,477.86
12/01/2028	30,699.57	2.000%	6,778.29	37,477.86
3/01/2029	30,853.07	2.000%	6,624.79	37,477.86
6/01/2029	31,007.33	2.000%	6,470.53	37,477.86
9/01/2029	31,162.37	2.000%	6,315.49	37,477.86
12/01/2029	31,318.18	2.000%	6,159.66	37,477.86
3/01/2030	31,474.77	2.000%	6,003.09	37,477.86
6/01/2030	31,632.15	2.000%	5,845.71	37,477.86
9/01/2030	31,790.31	2.000%	5,687.55	37,477.86
12/01/2030	31,949.26	2.000%	5,528.60	37,477.86
3/01/2031	32,109.01	2.000%	5,368.85	37,477.86
6/01/2031	32,269.55	2.000%	5,208.31	37,477.86
9/01/2031	32,430.90	2.000%	5,046.86	37,477.86
12/01/2031	32,593.05	2.000%	4,884.61	37,477.86
3/01/2032	32,756.02	2.000%	4,721.64	37,477.86
6/01/2032	32,919.80	2.000%	4,558.06	37,477.86
9/01/2032	33,084.40	2.000%	4,393.46	37,477.86
12/01/2032	33,249.82	2.000%	4,228.04	37,477.86
3/01/2033	33,416.07	2.000%	4,061.79	37,477.86
6/01/2033	33,583.15	2.000%	3,894.71	37,477.86
9/01/2033	33,751.06	2.000%	3,726.79	37,477.85

Lashmeet Road Public Service District
Infrastructure Fund Loan
\$4,070,000; 40 Years; 2% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total Pmt
12/01/2033	33,919.82	2.000%	3,558.04	37,477.86
3/01/2034	34,089.42	2.000%	3,388.44	37,477.86
6/01/2034	34,259.87	2.000%	3,217.99	37,477.86
9/01/2034	34,431.17	2.000%	3,046.69	37,477.86
12/01/2034	34,603.32	2.000%	2,874.54	37,477.86
3/01/2035	34,776.34	2.000%	2,701.52	37,477.86
6/01/2035	34,950.22	2.000%	2,527.84	37,477.86
9/01/2035	35,124.97	2.000%	2,352.69	37,477.86
12/01/2035	35,300.60	2.000%	2,177.26	37,477.86
3/01/2036	35,477.10	2.000%	2,000.76	37,477.86
6/01/2036	35,654.48	2.000%	1,823.38	37,477.86
9/01/2036	35,832.76	2.000%	1,645.10	37,477.86
12/01/2036	36,011.92	2.000%	1,465.94	37,477.86
3/01/2037	36,191.98	2.000%	1,285.88	37,477.86
6/01/2037	36,372.94	2.000%	1,104.92	37,477.86
9/01/2037	36,554.80	2.000%	923.05	37,477.85
12/01/2037	36,737.58	2.000%	740.28	37,477.86
3/01/2038	36,921.27	2.000%	556.59	37,477.86
6/01/2038	37,105.87	2.000%	371.99	37,477.86
9/01/2038	37,291.40	2.000%	186.46	37,477.86
Total	4,070,000.00	-	1,814,023.88	5,884,023.88

YIELD STATISTICS

Bond Year Dollars.....	\$90,701.19
Average Life.....	22.285 Years
Average Coupon.....	2.0000000%
Net Interest Cost (NIC).....	2.0000000%
True Interest Cost (TIC).....	2.0050000%
Bond Yield for Arbitrage Purposes.....	2.0050000%
All Inclusive Cost (AIC).....	2.0050000%
IRS FORM 8038	
Net Interest Cost.....	2.0000000%
Weighted Average Maturity.....	22.285 Years

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 1st day of September, 1998.

**CASE NO. 96-1490-PWD-CN
LASHMEET PUBLIC SERVICE DISTRICT**
Application for a certificate of convenience and necessity to construct water facilities in the Lashmeet and Kegley areas; and for approval of funding and rates incidental thereto.

COMMISSION CORRECTIVE ORDER

On May 6, 1998, the Commission granted Lashmeet Public Service District a certificate to construct water facilities to serve about 400 new customers in Lashmeet and Kegley, West Virginia. The certified project included a connecting main to the West Virginia-American Water Company system in Princeton.

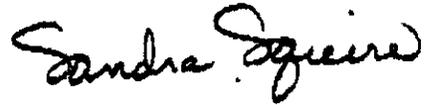
On June 15, 1998, Lashmeet petitioned to reopen the case for approval of revised financing. Lashmeet advised that on June 3, 1998, the West Virginia Infrastructure & Jobs Development Council had committed an additional \$186,000 loan, which would be used for additional equipment for the project, specifically Additive Alternative No. 2 on Contracts 2 and 3. Lashmeet said its bids would expire shortly and that it hoped to close the bond issue within thirty (30) days. Thus, the District asked for expedited treatment.

On July 22, 1998, the Commission entered an order reopening the proceeding, and approving the revised financing. However, throughout the order, it was mentioned that the funding was a grant from the West Virginia Infrastructure and Jobs Development Council, when actually it was a loan from the West Virginia Infrastructure and Jobs Development Council.

IT IS THEREFORE ORDERED that the Commission's Order entered July 22, 1998, be corrected to indicate that the West Virginia Infrastructure and Jobs Development Council had committed an additional \$186,000 loan for Lashmeet Public Service District.

IT IS FURTHER ORDERED that the Executive Secretary serve this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Tests:



Sandra Squire
Executive Secretary

SS/pjh

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the Public Service Commission of West Virginia, in the City of Charleston, on the 22nd day of July, 1998.

CASE NO. 96-1490-PWD-CN (Reopened)

LASHMEET PUBLIC SERVICE DISTRICT

Application for petition to reopen the case for approval of additional financing of \$186,00.

COMMISSION ORDER

On May 6, 1998, the Commission granted Lashmeet Public Service District a certificate to construct water facilities to serve about 400 new customers in Lashmeet and Kegley, West Virginia. Commission Order p. 4. The certificated project included a connecting main to the West Virginia-American Water Company (WV-AWC) system in Princeton. Id.

On June 15, 1998, Lashmeet petitioned to reopen the case for approval of revised financing. Petition p. 1. Lashmeet advised that on June 3, 1998, the West Virginia Infrastructure & Jobs Development Council had committed an additional \$186,000 grant, which would be used for additional equipment for the project, specifically Additive Alternative No. 2 on Contracts 2 and 3. Petition p. 1 & Attachment to Petition. Lashmeet said that its bids would expire shortly and that it hoped to close the bond issue within thirty (30) days. Petition p. 1. Thus, Lashmeet asked for expedited treatment. Id.

On July 6, 1998, Commission Staff (Staff) recommended that the petition to reopen be granted and that the revised financing be approved. Initial & Final Joint Staff Memorandum p. 1. Based upon its review of a revised cash flow statement, Staff advised that Lashmeet would have sufficient cash flow to service all debt and other expenses. Further Final Internal Memorandum p. 1, attached to Initial & Final Joint Staff Memorandum.

On July 7, 1998, Lashmeet advised that it supported Staff's recommendation and repeated its request for expedited treatment. Letter p. 1.

DISCUSSION

Since Lashmeet has recently secured additional funding for its project, it is reasonable to reopen this case and review Lashmeet's petition. Due to the bid expiration date and the bond closing date, it is reasonable to grant Lashmeet's request for expedited treatment.

Furthermore, it is also reasonable to approve the revised funding since the Infrastructure Council has committed additional grants funds and since Staff's review of Lashmeet's revised financial statement shows that Lashmeet should have sufficient cash flow to service all debt and other expenses. Therefore, we shall approve the revised funding that Lashmeet requests. Lashmeet must seek the Commission's approval of any further changes in the scope or financing of the project.

FINDINGS OF FACT

1. On May 6, 1998, the Commission granted Lashmeet a certificate to construct water facilities to serve about 400 new customers in Lashmeet and Kegley, West Virginia. Commission Order.

2. On June 15, 1998, Lashmeet petitioned to reopen the case for approval of revised financing. Petition p. 1. Lashmeet advised that on June 3, 1998, the Infrastructure Council had committed an additional \$186,000 grant, which would be used for additional equipment for the project, specifically Additive Alternative No. 2 on Contracts 2 and 3. Petition p. 1 & Attachment to Petition. Lashmeet said that its bids would expire shortly and that it hoped to close the bond issue within thirty (30) days. Petition p. 1. Thus, Lashmeet asked for expedited treatment. Id.

3. On July 6, 1998, Staff recommended that the petition to reopen be granted and that the revised financing be approved. Initial & Final Joint Staff Memorandum p. 1. Based upon its review of a revised cash flow statement, Staff advised that Lashmeet would have sufficient cash flow to service all debt and other expenses. Further Final Internal Memorandum p. 1, attached to Initial & Final Joint Staff Memorandum.

4. On July 7, 1998, Lashmeet advised that it supported Staff's recommendation and repeated its request for expedited treatment. Letter.

CONCLUSIONS OF LAW

1. Since Lashmeet has recently secured additional funding for its project, it is reasonable to reopen this case and review Lashmeet's petition.

2. Due to the bid expiration date and the bond closing date, it is reasonable to grant Lashmeet's request for expedited treatment.

3. Lashmeet's revised funding should be approved since the Infrastructure Council has committed additional grants funds and since Staff's review of Lashmeet's revised financial statement shows that Lashmeet should have sufficient cash flow to service all debt and other expenses.

4. Lashmeet must seek the Commission's approval of any further changes in the scope or financing of the project.

ORDER

IT IS THEREFORE ORDERED that this case is reopened.

IT IS FURTHER ORDERED that the revised financing proposed by Lashmeet is approved.

IT IS FURTHER ORDERED that if there are further changes to the funding or scope of the project, Lashmeet must seek further Commission approval.

IT IS FURTHER ORDERED that this proceeding be removed from the Commission's docket of active cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary shall serve a copy of this order upon all parties of record by United States First Class Mail, and upon Commission Staff by hand delivery.

A True Copy, Tests:



Sandra Squire
Executive Secretary

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL

5-6-98

Entered: ~~April 16, 1998~~

CASE NO. 96-1490-PWD-CN

LASHMEET PUBLIC SERVICE DISTRICT,
a public utility.

Application for a certificate of convenience and necessity to construct water facilities in the Lashmeet and Kegley areas; and for approval of funding and rates incidental thereto.

RECOMMENDED DECISION

On September 29, 1997, the Lashmeet Public Service District (District) filed with the Public Service Commission (Commission), pursuant to W. Va. Code §24-2-11, an application for a certificate of convenience and necessity to construct water facilities in the Lashmeet and Kegley areas, and for approval of funding and rates incidental thereto. Among the documents attached to the application was the permit issued for the project by the West Virginia Office of Environmental Health Services (Health).

On October 23, 1997, the Commission directed the District to publish the Notice of Filing. The notice stated that, if no protest to the application was filed within thirty (30) days after the date of publication, the Commission might waive formal hearing and grant the application based upon its review of the evidence submitted with the application.

On November 3, 1997, the Commission, by Order, referred this matter to the Division of Administrative Law Judges (ALJ Division) for decision on or before May 21, 1998.

On November 14, 1997, the District filed an Affidavit of Publication establishing that the Notice of Filing had been published in the Bluefield Daily Telegraph on October 30, 1997.

On December 1, 1997, Staff Attorney Cassius H. Toon filed a Final Joint Staff Memorandum, with attached memorandum from Joseph A. Marakovi's, Technical Analyst; Audra Blackwell, Technical Analyst-in-Training; and Roy McMillion, Utility Analyst. Staff stated that no commitment letter had been received from the West Virginia Infrastructure and Jobs Development Council (Infrastructure Council) and that the District's counsel, William Winfrey, II, had informed Staff that no funding would be available from the Infrastructure Council until additional bonds were issued, sometime in 1998. Staff, accordingly, recommended that the application be dismissed. The

District could refile upon receipt of the necessary commitment of funding. Staff noted, furthermore, that a petition for approval of an operation and maintenance agreement between the District and West Virginia-American Water Company (WVAW) was pending before the Commission in Case No. 97-0688-W-PWD-PC, and the agreement specifies that the District's customers will be charged WVAW's rates. Because generally the rates published in the Notice of Filing were lower than WVAW's, further publication would be needed upon re-filing.

On December 23, 1998, the District, by counsel, filed a letter from the Infrastructure Council committing to the District a \$3,884,000 forty-year loan at 2% annual interest.

On January 16, 1998, the undersigned ALJ issued a Procedural Order requiring the District to publish an attached Revised Notice of Filing because the rates of WVAW had been increased, effective January 1, 1998.

On February 5, 1998, the District, by counsel, filed an affidavit establishing that the District had published the Revised Notice of Filing on January 27 and February 3, 1998, in The Bluefield Daily Telegraph.

On March 26, 1998, Mr. Toon filed the Final Joint Staff Memorandum, with an attached memorandum, dated March 12, 1998, from Mr. McMillion, Mr. Marakovits, and Ms. Blackwell. The purpose of the project is to serve potentially 366 new customers in the community of Kegley and to improve water service to the District's 882 existing customers by constructing a connecting main to WVAW's water system in Princeton, West Virginia. The project will consist of over 80,000 linear feet of water mains of various diameters, three booster stations, and appurtenances. Staff, noting that the project had not been bid, stated that the estimated project cost of \$3,884,000 appeared to be reasonable; that the plans and specifications did not violate any of the rules and regulations of the Commission; and that the project had been permitted by Health.

Staff explained that the present treatment plant has become inadequate to serve the needs of the customers of the District and will be abandoned after the connection with WVAW's system has been made. Staff noted that operation and maintenance of the new and existing system will be conducted by WVAW pursuant to the agreement before the Commission in Case No. 97-0688-W-PWD-PC. Finally, Staff stated that one protest had been received on this project, from Mr. and Mrs. Darryl Shrader, from Kegley, West Virginia, concerning the placement of a booster station near or on their property, but that the parties were negotiating with the Shraders to change the location of the station on their property. Staff recommended that the application be granted subject to Commission approval of the agreement in Case No. 97-0688-W-PWD-PC, and subject to resolution of the protest. Mr. Toon stated that he had been advised by the District's counsel that the protest had been resolved, but that confirmation from the Shraders had not yet been received.

On March 27, 1998, the undersigned ALJ issued a Procedural Order that noted that, on March 25, 1998, the Commission had approved the operation and maintenance agreement in Case No. 97-0688-W-PWD-PC. Regarding this matter,

the undersigned ALJ explained that the protest from the Shraders had been mistakenly filed in the case file of Case No. 97-0688-W-PWD-PC; accordingly, she had taken no action based on it. Moreover, since no withdrawal of the protest had been filed, it was necessary that the undersigned ALJ treat it as an active protest at that time. Accordingly, the undersigned ALJ ordered the Executive Secretary of the Commission to send the Shraders a copy of the order and stated that, unless a signed withdrawal of the protest was filed within ten (10) days of the date of the order, she would schedule this matter for an immediate hearing.

On April 13, 1998, the undersigned ALJ issued a Procedural Order that explained that no withdrawal of the Shraders protest had been filed, and, therefore, scheduled this matter for hearing at 1:00 p.m. on April 21, 1998, in the County Commissioners' Hearing Room, Mercer County Courthouse, Princeton, West Virginia. The order stated that, should the Shraders wish to withdraw their protest, such withdrawal had to be filed immediately. If the protest was withdrawn, the hearing would be canceled.

On April 15, 1998, the Shraders filed a withdrawal of their protest, explaining that their protest had been settled on Friday, April 10, 1998.

DISCUSSION

The application for a certificate of convenience and necessity will be granted hereby. Moreover, the undersigned ALJ will approve the funding. The rates of the new customers will be the same as those of the other customers of the District, as is required by the operation and maintenance agreement approved in Case No. 97-0688-W-PWD-PC. The hearing will be canceled by separate order.

FINDINGS OF FACT

1. On September 29, 1997, the Lashmeet Public Service District filed with the Public Service Commission an application for a certificate of convenience and necessity to construct water facilities in the Lashmeet and Kegley areas, and for approval of funding and rates incidental thereto. (See application).
2. The purpose of the project is to serve potentially 366 new customers in the community of Kegley and to improve water service to the District's 882 existing customers by constructing a connecting main to the water system of West Virginia-American Water Company in Princeton, West Virginia. The project will consist of over 80,000 linear feet of water mains of various diameters, three booster stations, and appurtenances. The estimated project cost is \$3,884,000. (See application; Final Joint Staff Memorandum filed March 26, 1998).
3. The funding for the project will be a \$3,884,000 forty-year loan at 2% annual interest from the West Virginia Infrastructure and Jobs Development Council. (See December 23, 1998 filing).

4. The West Virginia Office of Environmental Health Services has issued a permit for the project. (See attachment to application).

5. Staff explained that the District's present treatment plant has become inadequate to serve its customers and will be abandoned after completion of the connection to the system of West Virginia-American Water Company. Staff recommended that the project be approved, as well as its financing. (See Final Joint Staff Memorandum filed March 26, 1998).

6. It is provided in an operation and maintenance agreement between the District and West Virginia-American Water Company, which was approved by the Commission in Case No. 97-0688-W-PWD-PC on March 25, 1998, that the customers of the District are to be charged the rates of the Water Company. (See Order in Case No. 97-0688-W-PWD-PC; Final Joint Staff Memorandum filed December 1, 1997).

7. The District published a Revised Notice of Filing on January 27 and February 3, 1998, in The Bluefield Daily Telegraph. One protest was filed, objecting to the location of a booster station, but that protest was withdrawn. (See affidavit of publication filed February 5, 1998; protest filed February 23, 1998; withdrawal of protest filed April 16, 1998).

CONCLUSIONS OF LAW

1. It is appropriate to grant the application, pursuant to W.Va. Code §24-2-11, and to approve the project and its funding because the public convenience and necessity require the project; it is economically feasible; it is appropriate; the only protest has been withdrawn; and Commission Staff has recommended approval.

2. It is appropriate that the new customers who will be served by the project be charged the rates of West Virginia-American Water Company, as required by the operation and maintenance agreement approved in Case No. 97-0688-W-PWD-PC (March 25, 1998).

ORDER

IT IS, THEREFORE, ORDERED that the application filed on September 29, 1997, by the Lashmeet Public Service District for a certificate of convenience and necessity be granted, and the project be approved.

IT IS FURTHER ORDERED that the funding of the project, a \$3,884,000 forty-year loan at 2% annual interest, from the West Virginia Infrastructure and Jobs Development Council, be approved.

IT IS FURTHER ORDERED that, if there is any change in the cost of the project, estimated at \$3,884,000, or in the terms, conditions, or scheduling of the project, or its funding, the Lashmeet Public Service District notify the Public Service Commission and file for approval of any such revision.

IT IS FURTHER ORDERED that the new customers who will be served by the project be charged the rates of the West Virginia-American Water Company.

IT IS FURTHER ORDERED that this matter be removed from the Commission's docket of open cases.

IT IS FURTHER ORDERED that the Executive Secretary of the Commission serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed, this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Sunya Anderson
Administrative Law Judge

SA:s

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 30th day of June, 1998.

CASE NO. 97-0688-W-PWD-PC (REOPENED)

WEST VIRGINIA-AMERICAN WATER COMPANY and
LASHMEET PUBLIC SERVICE DISTRICT

Petition for consent and approval of an amendment to the Joint Application and an amendment to the Operation and Maintenance Agreement filed by the joint applicants.

COMMISSION ORDER GRANTING PETITION AND APPROVING AMENDMENT

On May 21, 1998, West Virginia-American Water Company (Company) and Lashmeet Public Service District (LSPD) filed a petition for consent to amend the joint application and operation and maintenance agreement previously approved by an Administrative Law Judge's Recommended Decision.

On June 1, 1998, Commission Staff filed its "Initial and Final Joint Staff Memorandum" with an attached memorandum from Technical Staff. Technical stated that the amendment to the operation and maintenance agreement centers on the handling of a loan from Rural Utilities Service (RUS) to LSPD. Technical Staff further stated that rather than the Company making annual use fee payments of \$221,084 to LSPD to cover the debt service, the Company will retire this debt of approximately \$740,196 and will in turn reduce the use fee to \$156,199. In return for payment of the RUS loans by the Company, LPDS will transfer a portion of the distribution and transmission system equal to the amount of the loans retired, based on the depreciated original cost of those facilities. Technical Staff also noted that the parties the agreement stated that these changes will have no impact on LPSD or its customers and that in all other respects the agreement will work exactly the same. Accordingly, Staff Counsel recommended approval of the amendment.

Upon a review of the case file before us, we will retain this case for our own disposition. Further, pursuant to Staff's recommendation, we will grant the instant joint petition and approve the amendment to the operation and maintenance agreement attached hereto as "Appendix A."

FINDINGS OF FACT

1. On May 21, 1998, West Virginia-American Water Company (Company) and Lashmeet Public Service District (LSPD) filed a petition for consent to amend the joint application and operation and maintenance agreement previously approved by an Administrative Law Judge's

Recommended Decision. See, Petition filed on May 21, 1998.

2. On June 1, 1998, Commission Staff recommended approval of the amendment. See, Staff's memorandum filed on June 1, 1998.

CONCLUSION OF LAW

The Commission finds that it is reasonable to grant the Company's an the District's instant petition and approve the amendment to the operation and maintenance agreement attached hereto as "Appendix A."

ORDER

IT IS THEREFORE ORDERED that Case No. 97-0688-W-P.D.-PC is hereby reopened and that West Virginia-American Water Company's (Company) and Lashmeet Public Service District's (LSPD) petition for consent to amend the joint application and operation and maintenance agreement previously approved by an Administrative Law Judge's Recommended Decision shall be, and it hereby is, approved.

IT IS FURTHER ORDERED that the amendment to the operation and maintenance agreement attached hereto as "Appendix A" shall be, and hereby is, approved and adopted.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Teste:



Sandra Squire
Executive Secretary

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

At a session of the Public Service Commission of West Virginia, in the City of Charleston,
on the 25th day of March, 1998.

CASE NO. 97-0688-W-PWD-PC

**WEST VIRGINIA AMERICAN WATER CO. and
LASHMEET PUBLIC SERVICE DISTRICT**

**Joint application for prior consent and an Operation
and Maintenance Agreement and related transactions.**

COMMISSION ORDER

PROCEDURE

On May 28, 1997, the West Virginia-American Water Company (Water Company) and the Lashmeet Public Service District (District) filed a "Joint Application for Prior Consent to an Operation and Maintenance Agreement" and other related transactions.

On September 19, 1997, a Recommended Decision was filed by the Administrative Law Judge granting the approval of the operating and maintenance agreement and the related transactions. The approval was contingent on the Water Company receiving a certificate of convenience and necessity for its construction proposed under the contract.

On October 3, 1997, the Water Company filed exceptions to the Recommended Decision suggesting the Decision should be "corrected" because it incorrectly makes the approval of the petition and agreement "contingent on the [Water] Company being granted a certificate of convenience and necessity", and no evidence supports the notion that the Company should be required to obtain a certificate for the construction of the facilities.

DISCUSSION

It appears the Recommended Decision misconstrued the language of the Staff Memoranda to reflect a requirement that the Company, rather than the District, seek a certificate of convenience and necessity. In Staff's Initial Joint Staff Memorandum, dated June 4, 1997, Staff made no recommendation about a certificate. In the Final Joint Staff Memorandum of August 1, 1997, Staff made its recommendation contingent upon approval of the District's certificate filed in case No. 96-1490-PWD-PF which was the District's filing for the approval of the certificate for the construction of the District facilities.

the facilities or services provided by the System, or any part thereof, the same rates, fees or charges applicable to other customers receiving like services under similar circumstances shall be charged the Issuer and any such department, agency, instrumentality, officer or employee. The revenues so received shall be deemed to be revenues derived from the operation of the System, and shall be deposited and accounted for in the same manner as other revenues derived from such operation of the System.

Section 7.15. Insurance and Construction Bonds. A. The Issuer hereby covenants and agrees that so long as the Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

(1) **FIRE, LIGHTNING, VANDALISM, MALICIOUS MISCHIEF AND EXTENDED COVERAGE INSURANCE**, on all above-ground insurable portions of the System in an amount equal to the actual cost thereof. In time of war the Issuer will also carry and maintain insurance to the extent available against the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Revenue Fund and used only for the repairs and restoration of the damaged or destroyed properties or for the other purposes provided herein for the Revenue Fund. The Issuer will itself, or will require each contractor and subcontractor to, obtain and maintain builder's risk insurance (fire and extended coverage) to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their respective interests may appear, in accordance with the Loan Agreement, during construction of the Project on a 100% basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Issuer, the contractors and subcontractors, as their interests may appear.

(2) **PUBLIC LIABILITY INSURANCE**, with limits of not less than \$1,000,000 per occurrence to protect the Issuer from claims for bodily injury and/or death and not less than \$500,000 per occurrence from claims for damage to property of others which may arise from the operation of the System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

(3) **WORKER'S COMPENSATION COVERAGE FOR ALL EMPLOYEES OF OR FOR THE SYSTEM ELIGIBLE THEREFOR; AND PERFORMANCE AND PAYMENT BONDS**, such bonds to be in the amounts of 100% of the construction contract and to be required of each contractor contracting directly with the Issuer, and such payment bonds will be filed with the Clerk of The County Commission of the County in which such work is to be performed prior to commencement of construction of the Project in compliance with West Virginia Code, Chapter 38, Article 2, Section 39.

(4) FLOOD INSURANCE, if the facilities of the System are or will be located in designated special flood or mudslide-prone areas and to the extent available at reasonable cost to the Issuer.

(5) BUSINESS INTERRUPTION INSURANCE, to the extent available at reasonable cost to the Issuer.

(6) FIDELITY BONDS will be provided as to every officer, member and employee of the Issuer or the Governing Body having custody of the revenues or of any other funds of the System, in an amount at least equal to the total funds in the custody of any such person at any one time.

Section 7.16. Connections. To the extent permitted by the laws of the State and rules and regulations of the Public Service Commission of West Virginia, the Issuer shall require every owner, tenant or occupant of any house, dwelling or building intended to be served by the System to connect thereto.

Section 7.17. Completion and Operation of Project; Permits and Orders. The Issuer will complete the Project as promptly as possible and operate and maintain the System as a revenue-producing utility in good condition and in compliance with all federal and state requirements and standards.

The Issuer will obtain all permits required by state and federal laws for the acquisition and construction of the Project and all orders and approvals from the Public Service Commission of West Virginia necessary for the acquisition and construction of the Project and the operation of the System.

Section 7.18. [Reserved].

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1998 A Bonds, a statutory mortgage lien upon the System is granted and created by the Act, which statutory mortgage lien is hereby recognized and declared to be valid and binding, shall take effect immediately upon delivery of the Series 1998 A Bonds.

Section 7.20. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the Council with copies of all documents submitted to the Authority.

The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the Council or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.21. Securities Laws Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.22. Contracts. A. The Issuer shall, simultaneously with the delivery of the Series 1998 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer will submit all proposed change orders to the Council for written approval. The Issuer will obtain the written approval of the Council before expending any proceeds of the Series 1998 A Bonds held in "contingency" as set forth in the schedule attached to the Loan Agreement. The Issuer will also obtain the written approval of the Council before expending any proceeds of the Series 1998 A Bonds made available due to bid or construction or project underruns.

ARTICLE VIII

INVESTMENT OF FUNDS

Section 8.01. Investments. Any moneys held as a part of the funds and accounts created by this Bond Legislation other than the Revenue Fund, shall be invested and reinvested by the Commission, the Depository Bank, or such other bank or national banking association holding such fund or account, as the case may be, at the written direction of the Issuer in any Qualified Investments to the fullest extent possible under applicable laws, this Bond Legislation, the need for such moneys for the purposes set forth herein and the specific restrictions and provisions set forth in this Section 8.01.

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission shall sell and reduce to cash a sufficient amount of such investments whenever the cash balance in any fund or account is insufficient to make the payments required from such fund or account, regardless of the loss on such liquidation. The Depository Bank may make any and all investments permitted by this section through its own bond department and shall not be responsible for any losses from such investments, other than for its own negligence or willful misconduct.

The Depository Bank shall keep complete and accurate records of all funds, accounts and investments, and shall distribute to the Issuer, at least once each year, or more often as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings. The Issuer shall retain all such records and any additional records with respect to such funds, accounts and investment earnings so long as any of the Bonds are Outstanding.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. **Events of Default.** Each of the following events shall constitute an "Event of Default" with respect to the Series 1998 A Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest, if any, on the Series 1998 A Bonds; or

(2) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1998 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1998 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, Registrar or any other Paying Agent or a Holder of a Bond; or

(3) If the Issuer files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America.

Section 9.02. **Remedies.** Upon the happening and continuance of any Event of Default, any Registered Owner of a Series 1998 A Bond may exercise any available remedy and bring any appropriate action, suit or proceeding to enforce his or her rights and, in particular, (i) bring suit for any unpaid principal or interest then due, (ii) by mandamus or other appropriate proceeding enforce all rights of such Registered Owners including the right to require the Issuer to perform its duties under the Act and the Bond Legislation relating thereto, including but not limited to the making and collection of sufficient rates or charges for services rendered by the System, (iii) bring suit upon the Series 1998 A Bonds, (iv) by action at law or bill in equity require the Issuer to account as if it were the trustee of an express trust for the Registered Owners of the Series 1998 A Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Series 1998 A Bonds, or the rights of such Registered Owners.

Section 9.03. **Appointment of Receiver.** Any Registered Owner of a Series 1998 A Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, the completion of the Project and after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a Series 1998 A Bond shall, in addition to all other remedies or rights, have the right by appropriate legal proceedings to obtain the appointment of a receiver to

administer the System or to complete the acquisition and construction of the Project on behalf of the Issuer, with power to charge rates, rentals, fees and other charges sufficient to provide for the payment of Operating Expenses of the System, the payment of the Series 1998 A Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other revenues in conformity with the provisions of this Bond Legislation and the Act.

The receiver so appointed shall forthwith, directly or by his or her or its agents and attorneys, enter into and upon and take possession of all facilities of said System and shall hold, operate and maintain, manage and control such facilities, and each and every part thereof, and in the name of the Issuer exercise all the rights and powers of the Issuer with respect to said facilities as the Issuer itself might exercise.

Whenever all that is due upon the Series 1998 A Bonds and interest thereon and under any covenants of this Bond Legislation for reserve, sinking or other funds and upon any other obligations and interest thereon having a charge, lien or encumbrance upon the revenues of the System shall have been paid and made good, and all defaults under the provisions of this Bond Legislation shall have been cured and made good, possession of the System shall be surrendered to the Issuer upon the entry of an order of the court to that effect. Upon any subsequent default, any Registered Owner of any Bonds shall have the same right to secure the further appointment of a receiver upon any such subsequent default.

Such receiver, in the performance of the powers hereinabove conferred upon him or her or it, shall be under the direction and supervision of the court making such appointment, shall at all times be subject to the orders and decrees of such court and may be removed thereby, and a successor receiver may be appointed in the discretion of such court. Nothing herein contained shall limit or restrict the jurisdiction of such court to enter such other and further orders and decrees as such court may deem necessary or appropriate for the exercise by the receiver of any function not specifically set forth herein.

Any receiver appointed as provided herein shall hold and operate the System in the name of the Issuer and for the joint protection and benefit of the Issuer and Registered Owners of the Series 1998 A Bonds. Such receiver shall have no power to sell, assign, mortgage or otherwise dispose of any assets of any kind or character belonging or pertaining to the System, but the authority of such receiver shall be limited to the completion of the Project and the possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Registered Owners of such Bonds and the curing and making good of any Event of Default with respect thereto under the provisions of this Bond Legislation, and the title to and ownership of the System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid to the Holders of the Series 1998 A Bonds, the principal of and interest, if any, due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Net Revenues and other moneys and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 1998 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE XI

MISCELLANEOUS

Section 11.01. **Amendment or Modification of Bond Legislation.** Prior to issuance of the Series 1998 A Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1998 A Bonds, no material modification or amendment of this Resolution, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 1998 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 1998 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of any Bond or Bonds or the rate of interest thereon, or in the principal amount thereof, or affecting the unconditional promise of the Issuer to pay such principal and interest out of the funds herein respectively pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 1998 A Bonds, required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the exclusion of interest on the Series 1998 A Bonds from gross income of the holders thereof.

Section 11.02. **Bond Legislation Constitutes Contract.** The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the Series 1998 A Bonds, and no change, variation or alteration of any kind of the provisions of the Bond Legislation shall be made in any manner, except as in this Bond Legislation provided.

Section 11.03. **Severability of Invalid Provisions.** If any section, paragraph, clause or provision of this Resolution should be held invalid by any court of competent jurisdiction, the invalidity of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Resolution, the Supplemental Resolution, or the Series 1998 A Bonds.

Section 11.04. **Headings, Etc.** The headings and catchlines of the articles, sections and subsections hereof are for convenience of reference only, and shall not affect in any way the meaning or interpretation of any provision hereof.

Section 11.05. **Conflicting Provisions Repealed.** All orders or resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 11.06. Covenant of Due Procedure, Etc. The Issuer covenants that all acts, conditions, things and procedures required to exist, to happen, to be performed or to be taken precedent to and in the adoption of this Resolution do exist, have happened, have been performed and have been taken in regular and due time, form and manner as required by and in full compliance with the laws and Constitution of the State of West Virginia applicable thereto; and that the Chairman, Secretary and members of the Governing Body were at all times when any actions in connection with this Resolution occurred and are duly in office and duly qualified for such office.

Section 11.07. Public Notice of Proposed Financing. Prior to making formal application to the Public Service Commission of West Virginia for a Certificate of Public Convenience and Necessity and adoption of this Resolution, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation in each municipality in Lashmeet Public Service District and within the boundaries of the District, a Class II legal advertisement stating:

(a) The maximum amount of the Series 1998 A Bonds to be issued;

(b) The maximum interest rate and terms of the Series 1998 A Bonds authorized hereby;

(c) The public service properties to be acquired or constructed and the cost of the same;

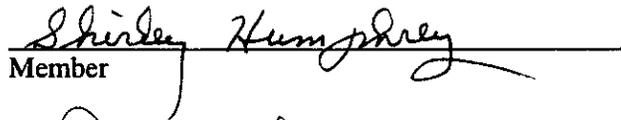
(d) The maximum anticipated rates which will be charged by the Issuer; and

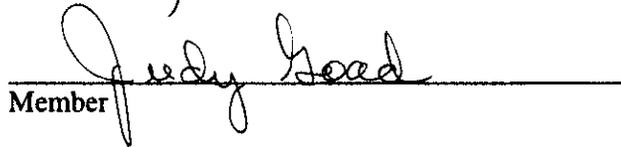
(e) The date that the formal application for a certificate of public convenience and necessity is to be filed with the Public Service Commission of West Virginia.

Section 11.08. Effective Date. This Resolution shall take effect immediately upon adoption. —

Adopted this 9th day of September, 1998.


Chairman


Member


Member

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of LASHMEET PUBLIC SERVICE DISTRICT on the 9th day of September, 1998.

Dated: September 10, 1998.

[SEAL]


Secretary

09/02/98
508160/94001

EXHIBIT A

Loan Agreement included in bond transcript as Document 3.

LASHMEET PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1998 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF LASHMEET PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Lashmeet Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective September 9, 1998 (the "Resolution") entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF LASHMEET PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$4,070,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH

**BONDS; APPROVING, RATIFYING AND CONFIRMING A
LOAN AGREEMENT RELATING TO SUCH BONDS;
AUTHORIZING THE SALE AND PROVIDING FOR THE
TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING
OTHER PROVISIONS RELATING THERETO.**

**WHEREAS, capitalized terms used herein and not otherwise defined herein
shall have the same meanings set forth in the Resolution when used herein;**

**WHEREAS, the Resolution provides for the issuance of Water Revenue
Bonds, Series 1998 A (West Virginia Infrastructure Fund), of the Issuer, in the aggregate
principal amount not to exceed \$4,070,000 (the "Bonds" or the "Series 1998 A Bonds"), and
has authorized the execution and delivery of the loan agreement relating to the Bonds (the
"Loan Agreement"), by and between the Issuer and the West Virginia Water Development
Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs
Development Council (the "Council"), all in accordance with Chapter 16, Article 13A and
Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the
"Act"); and in the Resolution it is provided that the form of the Loan Agreement and the
exact principal amount, date, maturity date, redemption provision, interest rate, interest and
principal payment dates, sale price and other terms of the Bonds should be established by a
supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds
be herein provided for;**

**WHEREAS, the Loan Agreement has been presented to the Issuer at this
meeting;**

**WHEREAS, the Bonds are proposed to be purchased by the Authority
pursuant to the Loan Agreement; and**

**WHEREAS, the Governing Body deems it essential and desirable that this
supplemental resolution (the "Supplemental Resolution") be adopted, that the Loan
Agreement be approved and entered into by the Issuer, that the exact principal amount, the
date, the maturity date, the redemption provision, the interest rate, the interest and principal
payment dates and the sale price of the Bonds be fixed hereby in the manner stated herein,
and that other matters relating to the Bonds be herein provided for;**

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF LASHMEET PUBLIC SERVICE DISTRICT:

Section 1. Pursuant to the Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered AR-1, in the principal amount of \$4,070,000. The Series 1998 A Bonds shall be dated the date of delivery thereof, shall finally mature September 1, 2038, and shall bear interest at the rate of 2% per annum. The interest on and principal of the Series 1998 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1999, and ending September 1, 2038, and in the amounts as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 1998 A Bonds. The Series 1998 A Bonds shall be subject to redemption upon the written consent of the Authority and the Council, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Series 1998 A Bonds.

Section 2. All other provisions relating to the Bonds and the text of the Bonds shall be in substantially the form provided in the Resolution.

Section 3. The Issuer does hereby authorize, ratify, approve and accept the Loan Agreement, a copy of which is incorporated herein by reference, and the execution and delivery of the Loan Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, directed, ratified and approved. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the Council and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon; provided that, the proceeds of the Bonds will be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Resolution and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, approved and directed.

Section 5. The Issuer does hereby appoint and designate the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Bonds under the Resolution.

Section 6. The Issuer does hereby appoint and designate First Community Bank, Princeton, West Virginia, to serve as Depository Bank under the Resolution.

Section 7. Series 1998 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1998 A Bonds Sinking Fund as capitalized interest.

Section 8. Series 1998 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 1998 A Bonds Reserve Account.

Section 9. The balance of the proceeds of the Series 1998 A Bonds shall be deposited in the Series 1998 A Bonds Construction Trust Fund as received from time to time for payment of Costs of the Project, including, without limitation, costs of issuance of the Series 1998 A Bonds.

Section 10. The Chairman and Secretary are hereby authorized and directed to execute and deliver such other documents, agreements, instruments and certificates required or desirable in connection with the Bonds hereby and by the Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about September 10, 1998.

Section 11. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

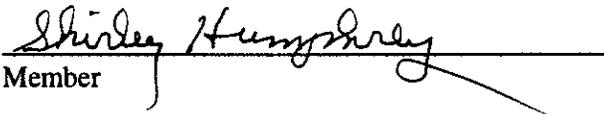
Section 12. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Resolution held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements or time accounts, until further directed by the Issuer. Moneys in the Series 1998 A Bonds Sinking Fund and the Series 1998 A Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

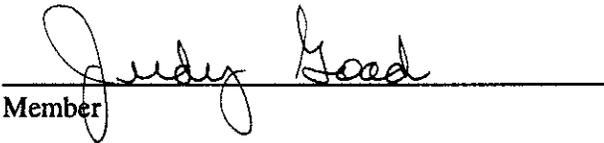
Section 13. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 9th day of September, 1998.

LASHMEET PUBLIC SERVICE DISTRICT


Chairman


Member

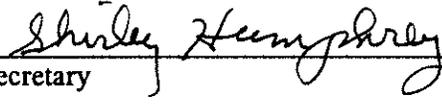

Member

CERTIFICATION

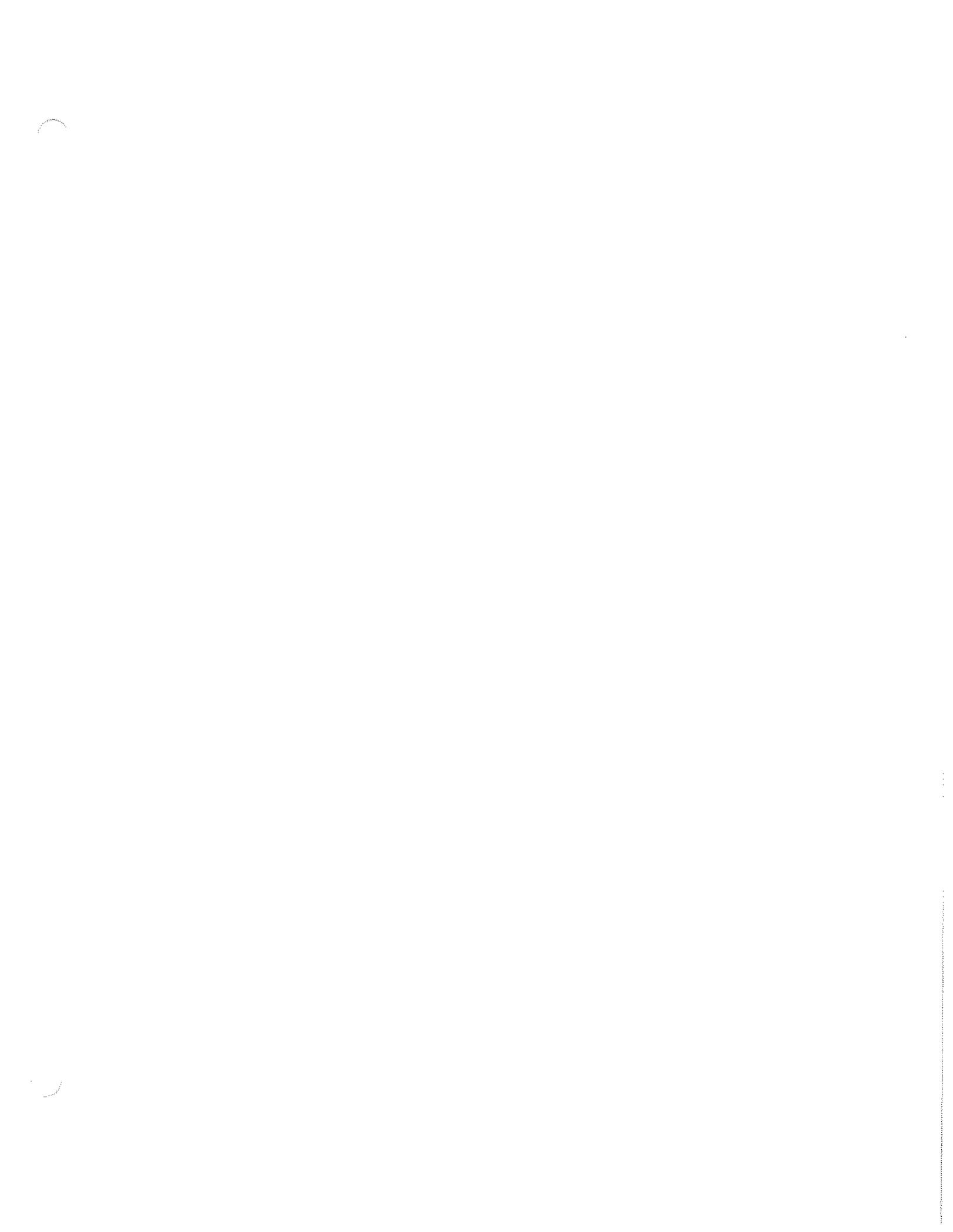
Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of LASHMEET PUBLIC SERVICE DISTRICT on the 9th day of September, 1998.

Dated: September 10, 1998.

[SEAL]


Secretary

09/03/98
508160/94001



FINDINGS OF FACT

1. On May 28, 1997, the West Virginia-American Water Company (Water Company) and the Lashmeet Public Service District (District) filed a "Joint Application for Prior Consent to an Operation and Maintenance Agreement" and other related transactions.

2. On September 19, 1997, a Recommended Decision was filed by the Administrative Law Judge granting the approval of the operating and maintenance agreement and the related transactions. The approval was contingent on the Water Company receiving a certificate of convenience and necessity for its construction proposed under the contract

3. On October 3, 1997, the Water Company filed exceptions to the Recommended Decision suggesting the Decision should be "corrected" because it incorrectly makes the approval of the petition and agreement "contingent on the [Water] Company being granted a certificate of convenience and necessity", and no evidence supports the notion that the Company should be required to obtain a certificate for the construction of the facilities.

CONCLUSIONS OF LAW

It is reasonable to correct the Recommended Decision of September 19, 1997 to change the reference to the approval being contingent on the District, not the Water Company, obtaining a certificate of convenience and necessity.

ORDER

IT IS THEREFORE ORDERED that the approval of the Petition and related Operations and Maintenance Agreement is contingent on the Lashmeet Public Service District obtaining a certificate of convenience and necessity and is not contingent on the West Virginia-American Water Company obtaining such a certificate.

IT IS FURTHER ORDERED that the September 19, 1997 Recommended Decision of the Administrative Law Judge is adopted as a final order of the Commission as herein modified.

IT IS FURTHER ORDERED this petition is hereby resolved and shall be removed from the Commission's docket of active cases.

IT IS FURTHER ORDERED that the Commission's Executive Secretary shall serve a copy of this order upon all parties of record by United States First Class Mail, and upon the Commission by hand delivery.

A True Copy. Tests:

ARC



**Sandra Neal
Executive Secretary**

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: September 19, 1997

CASE NO. 97-0688-PWD-PC

WEST VIRGINIA-AMERICAN WATER COMPANY and
LASHMEET PUBLIC SERVICE DISTRICT,
Petition for consent and approval
of an Operating and Maintenance
Agreement and related transactions.

RECOMMENDED DECISION

On May 28, 1997, the West Virginia-American Water Company (Company) and the Lashmeet Public Service District (District) filed a joint petition for Commission consent and approval of an Operating and Maintenance Agreement and other related transactions. The agreement calls for the Company to read meters and bill District customers. The Company also would operate, maintain, repair and replace the District system. The Company would supply water to the District customers. The Company would construct facilities to interconnect the District to the Company estimated to cost \$1,000,000, while the District would construct an expansion of its system estimated to cost an additional \$3,884,000. The Company will pay the District a use fee of \$221,084 for use of District facilities until the District pays off the debt associated with the construction of the District facilities. The Company will be entitled to keep the revenue equivalent to the revenue to which the Company would be entitled if the District customers were Company customers. The proposal is to reduce the District's rates to the same rates as are currently approved for the Company.

On June 5, 1997, Staff filed its Initial Joint Staff Memorandum. Staff indicated that it would issue a substantive recommendation at a later date.

On June 17, 1997, the Commission referred the matter to the Division of Administrative Law Judges. The Commission established a decision due date of December 24, 1997.

By Procedural Order of July 24, 1997, the matter was set for hearing on September 26, 1997.

On August 4, 1997, Staff issued a Final Joint Staff Memorandum. Staff generally supported the proposed agreement. Staff did raise two concerns regarding the agreement. Staff was concerned with Section VIII which stated that the Company would pay a use fee to the District until certain debt "has been paid in part or in full." Staff expressed confusion as to what the "in part" might be addressing. Staff also

expressed concern related to Section XV(C) which would apparently grant the Company a perpetual right to transport water through the District's facilities without any payment being required by the Company. Staff argued that the Company should be required to pay for any future transportation rights.

By Procedural Order of August 27, 1997, the Company and the District were required to respond in writing to the Staff recommendation.

On September 3, 1997, the Company filed a written response to the Staff recommendation. The Company indicated that it was the intention of the parties, in Section VIII, to have the use fee decline over time as the debt was retired. The phrase "in part" was intended to describe the declining nature of the use fee. The Company assured the Commission that at no time would the fee be insufficient to meet the debt of the District. Regarding Section XV(C), the Company indicated that it would be willing to use different language to avoid a conflict with the Staff.

On September 16, 1997, the Company proposed alternative language for Section XV(C). The alternative language would provide the Company with future transportation rights but reserve the issue of whether a future payment for such rights would be required to a later occasion. The proposed language follows:

Water Company and LPSD agree that Water Company shall have the right, even after termination of this Agreement, to transfer water through LPSD facilities, and all future additions and future extensions thereto, and to serve customers who may be connected, directly or indirectly, to Water Company mains, whether inside or outside LPSD's service area. The parties agree that neither this Agreement, nor the approval of this Agreement by the Commission, constitutes a determination by the parties or the Commission that any subsequent use of the LPSD Facilities by Water Company after termination of this Agreement, or any extensions thereof, shall require the payment of a transportation rate by the Water Company, but either party shall be free to raise that issue for determination before the Public Service Commission following such termination.

On September 17, 1997, Staff filed a Further Final Joint Staff Memorandum. Staff agreed to the Company alternative language proposed for Section XV(C). Staff recommended cancellation of the September 26, 1997 hearing given that all issues had been resolved between the parties.

DISCUSSION

The proposed agreement, as amended to modify Section XV(C), is reasonable, in the public interest and should be approved. The approval is contingent upon the Company being granted a certificate of convenience and necessity for the Company construction proposed under the contract. The agreement is a cooperative venture between the Company and District which will result in additional customers obtaining public water service and the interconnection of the two utilities. Staff supports approval of the agreement, as modified, contingent on the Company being granted the certificate of convenience and necessity.

FINDINGS OF FACT

1. On May 28, 1997, the West Virginia-American Water Company and the Lashmeet Public Service District filed a joint petition for Commission consent and approval of an Operating and Maintenance Agreement and other related transactions. (See petition and agreement).
2. The agreement calls for the Company to read meters; supply water to and bill District customers; and operate, maintain, repair and replace the District system. (See agreement).
3. The agreement requires the Company to construct facilities to interconnect the District to the Company estimated to cost \$1,000,000. (See agreement).
4. The District would construct an expansion of its system estimated to cost an additional \$3,884,000. (See agreement).
5. Under the agreement, the Company will pay the District a use fee of \$221,084 for use of District facilities until the District pays off the debt associated with the construction of the District facilities. (See agreement).
6. The Company will be entitled to keep the revenue equivalent to the revenue to which the Company would be entitled if the District customers were Company customers. (See agreement).
7. The proposal is to reduce the District's rates to the same rates as are currently approved for the Company. (See agreement).
8. On September 16, 1997, the Company proposed alternative language for Section XV(C) of the agreement in order to satisfy certain Staff concerns. (See Company filing of September 16, 1997).
9. Staff agreed to the proposed alternative language for Section XV(C). (See Further Final Joint Staff Memorandum filed September 17, 1997).

CONCLUSION OF LAW

The proposed agreement, as amended to modify Section XV(C), is reasonable, in the public interest and should be approved contingent on the Company receiving a certificate of convenience and necessity for the Company construction proposed under the agreement.

ORDER

IT IS, THEREFORE, ORDERED that the joint petition filed by the West Virginia-American Water Company and the Lashmeet Public Service District on May 28, 1997, for approval of an operating and maintenance agreement and other related transactions, be, and hereby is, granted. The agreement approved by this order contains the alternative language proposed by the Company for Section XV(C) in its September 16, 1997 filing. The approval

is contingent upon the Company receiving a certificate of convenience and necessity for the Company construction proposed under the contract.

The Executive Secretary hereby is ordered to serve a copy of this order upon the Commission Staff by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested.

Leave hereby is granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served the exceptions.

If no exceptions are filed, this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's order by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Keith A. George
Administrative Law Judge

KAG:s



STATE OF WEST VIRGINIA
WATER DEVELOPMENT AUTHORITY

1201 DUNBAR AVENUE
DUNBAR, WV 25064

Telephone (304) 558-3612
Telecopier (304) 558-0298

May 2, 1996

Mr. Dillard Shrewsbury, Chairman
Lashmeet Public Service District
P.O. Box 189
Lashmeet WV 24733-0189

PRELIMINARY APPLICATION -
LASHMEET PSD - WATER PROJECT

The West Virginia Infrastructure and Jobs Development Council (the "Council") has reviewed the Preliminary Application for the above-referenced project and has determined that the project is technically feasible within the guidelines of the Act. (See attached Water Assessment Committee comments.)

The Council recommends that the Lashmeet PSD secure \$1,000,000 from the West Virginia-American Water Company toward financing this \$4,004,000 project. (This letter does not constitute funding approval by that company.) The Lashmeet PSD may be eligible to receive Infrastructure Fund assistance for the remaining \$3,884,000, and the Council's decision is being deferred pending availability of Infrastructure Fund moneys.

If you have any questions, please contact Daniel Yonkosky, Director of the Water Development Authority, who serves as chairman of the Council's Funding Committee.

Daniel B. Yonkosky
for RUSSELL L. ISAACS, CHAIRMAN
WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

c Becky McClure, West Virginia-American Water Company

000000

LASHMEET PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the undersigned Chairman of Lashmeet Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 10th day of September, 1998, the Authority received the Lashmeet Public Service District Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), issued in the principal amount of \$4,070,000, as a single, fully registered Bond, numbered AR-1 and dated September 10, 1998 (the "Bonds").

2. At the time of such receipt, the Bonds had been executed by the Chairman and the Secretary of the Issuer, by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Bonds, of \$357,575 being a portion of the principal amount of the Series 1998 A Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer by the Authority and the Council as acquisition and construction of the Project progresses.

WITNESS our respective signatures on this 10th day of September, 1998.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY


Authorized Representative

LASHMEET PUBLIC SERVICE DISTRICT


Chairman

08/31/98
508160/94001

LASHMEET PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)**

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

**One Valley Bank, National Association,
as Bond Registrar
Charleston, West Virginia**

Ladies and Gentlemen:

There are delivered to you herewith:

(1) Bond No. AR-1, constituting the entire original issue of the Lashmeet Public Service District Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), in the principal amount of \$4,070,000, dated September 10, 1998 (the "Bonds"), executed by the Chairman and Secretary of Lashmeet Public Service District (the "Issuer"), and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond Resolution and a Supplemental Resolution, both duly adopted by the Issuer on September 9, 1998 (the "Bond Legislation");

(2) A copy of the Bond Legislation authorizing the above-described Bond issue, duly certified by the Secretary of the Issuer;

(3) Executed counterparts of the loan agreement dated September 10, 1998, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Loan Agreement"); and

(4) An executed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Bonds.

You are hereby requested and authorized to deliver the Bonds to the Authority upon payment to the account of the Issuer of the sum of \$357,575, representing a portion of the principal amount of the Bonds. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated this 10th day of September, 1998.

LASHMEET PUBLIC SERVICE DISTRICT


Chairman

08/31/98
508160/94001

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
LASHMEET PUBLIC SERVICE DISTRICT
WATER REVENUE BONDS, SERIES 1998 A
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. AR-1

\$4,070,000

KNOW ALL MEN BY THESE PRESENTS: That LASHMEET PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Mercer County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the West Virginia Water Development Authority (the "Authority") or registered assigns the sum of FOUR MILLION SEVENTY THOUSAND DOLLARS (\$4,070,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1999, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on each installment at the rate per annum set forth on said EXHIBIT B. The interest shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1999, as set forth on EXHIBIT B attached hereto.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the registered owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Infrastructure and Jobs Development Council (the "Council"), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the Council, dated September 10, 1998.

This Bond is issued (i) to pay a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); and (ii) to pay certain costs of issuance of the Bonds of this Series (the "Bonds") and related costs. The existing public waterworks facilities of the Issuer, the Project and any further improvements or extensions thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (the "Act"), and a Bond Resolution duly adopted by the Issuer on September 9, 1998, and a Supplemental Resolution duly adopted by the Issuer on September 9, 1998 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, and from moneys in the reserve account created under the Bond Legislation for the Bonds (the "Series 1998 A Bonds Reserve Account") and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest, if any, on all bonds which may be issued pursuant to the Act and shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same, except from said special fund provided from the Net Revenues, the moneys in the Series 1998 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 100% of the maximum amount payable in any year for principal of and interest on the Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

Subject to the registration requirements set forth herein, this Bond is transferable, as provided in the Bond Legislation, only upon the books of the Registrar, by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or its attorney duly authorized in writing.

Subject to the registration requirements set forth herein, this Bond, under the provision of the Act is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia.

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance hereof described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such moneys, until so applied, in favor of the registered owner of this Bond.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and at the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, LASHMEET PUBLIC SERVICE DISTRICT
has caused this Bond to be signed by its Chairman and its corporate seal to be hereunto
affixed and attested by its Secretary, and has caused this Bond to be dated September 10,
1998.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1998 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: September 10, 1998.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

Authorized Officer

EXHIBIT A
RECORD OF ADVANCES

AMOUNT	DATE	AMOUNT	DATE
(1) \$357,575	9-10-98	(19) \$	
(2) \$		(20) \$	
(3) \$		(21) \$	
(4) \$		(22) \$	
(5) \$		(23) \$	
(6) \$		(24) \$	
(7) \$		(25) \$	
(8) \$		(26) \$	
(9) \$		(27) \$	
(10) \$		(28) \$	
(11) \$		(29) \$	
(12) \$		(30) \$	
(13) \$		(31) \$	
(14) \$		(32) \$	
(15) \$		(33) \$	
(16) \$		(34) \$	
(17) \$		(35) \$	
(18) \$		(36) \$	

TOTAL \$ _____

EXHIBIT B
SCHEDULE OF ANNUAL DEBT SERVICE

Lashmeet Public Service District
Infrastructure Fund Loan
\$4,070,000; 40 Years; 2% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total Pmt
6/01/1999	-	-	-	-
9/01/1999	17,127.86	2.000%	20,350.00	37,477.86
12/01/1999	17,213.50	2.000%	20,264.36	37,477.86
3/01/2000	17,299.57	2.000%	20,178.29	37,477.86
6/01/2000	17,386.06	2.000%	20,091.80	37,477.86
9/01/2000	17,472.99	2.000%	20,004.87	37,477.86
12/01/2000	17,560.36	2.000%	19,917.50	37,477.86
3/01/2001	17,648.18	2.000%	19,829.70	37,477.86
6/01/2001	17,736.40	2.000%	19,741.46	37,477.86
9/01/2001	17,825.08	2.000%	19,652.78	37,477.86
12/01/2001	17,914.21	2.000%	19,563.65	37,477.86
3/01/2002	18,003.78	2.000%	19,474.08	37,477.86
6/01/2002	18,093.80	2.000%	19,384.06	37,477.86
9/01/2002	18,184.27	2.000%	19,293.59	37,477.86
12/01/2002	18,275.19	2.000%	19,202.67	37,477.86
3/01/2003	18,366.56	2.000%	19,111.29	37,477.85
6/01/2003	18,458.40	2.000%	19,019.48	37,477.86
9/01/2003	18,550.69	2.000%	18,927.17	37,477.86
12/01/2003	18,643.44	2.000%	18,834.42	37,477.86
3/01/2004	18,736.66	2.000%	18,741.20	37,477.86
6/01/2004	18,830.34	2.000%	18,647.52	37,477.86
9/01/2004	18,924.50	2.000%	18,553.36	37,477.86
12/01/2004	19,019.12	2.000%	18,458.74	37,477.86
3/01/2005	19,114.21	2.000%	18,363.65	37,477.86
6/01/2005	19,209.78	2.000%	18,268.07	37,477.85
9/01/2005	19,305.83	2.000%	18,172.03	37,477.86
12/01/2005	19,402.36	2.000%	18,075.50	37,477.86
3/01/2006	19,499.37	2.000%	17,978.48	37,477.85
6/01/2006	19,596.87	2.000%	17,880.99	37,477.86
9/01/2006	19,694.86	2.000%	17,783.00	37,477.86
12/01/2006	19,793.33	2.000%	17,684.53	37,477.86
3/01/2007	19,892.30	2.000%	17,585.56	37,477.86
6/01/2007	19,991.76	2.000%	17,486.10	37,477.86
9/01/2007	20,091.72	2.000%	17,386.14	37,477.86
12/01/2007	20,192.18	2.000%	17,285.68	37,477.86
3/01/2008	20,293.14	2.000%	17,184.72	37,477.86
6/01/2008	20,394.60	2.000%	17,083.26	37,477.86
9/01/2008	20,496.57	2.000%	16,981.28	37,477.85
12/01/2008	20,599.06	2.000%	16,878.80	37,477.86
3/01/2009	20,702.05	2.000%	16,775.81	37,477.86
6/01/2009	20,805.56	2.000%	16,672.30	37,477.86
9/01/2009	20,909.59	2.000%	16,568.27	37,477.86
12/01/2009	21,014.14	2.000%	16,463.72	37,477.86
3/01/2010	21,119.21	2.000%	16,358.65	37,477.86
6/01/2010	21,224.81	2.000%	16,253.05	37,477.86
9/01/2010	21,330.93	2.000%	16,146.93	37,477.86

Lashmeet Public Service District
Infrastructure Fund Loan
\$4,070,000; 40 Years; 2% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total Pmt
12/01/2010	21,437.58	2.000%	16,040.27	37,477.85
3/01/2011	21,544.77	2.000%	15,933.09	37,477.86
6/01/2011	21,652.50	2.000%	15,825.36	37,477.86
9/01/2011	21,760.76	2.000%	15,717.10	37,477.86
12/01/2011	21,869.56	2.000%	15,608.30	37,477.86
3/01/2012	21,978.91	2.000%	15,498.95	37,477.86
6/01/2012	22,088.81	2.000%	15,389.05	37,477.86
9/01/2012	22,199.25	2.000%	15,278.61	37,477.86
12/01/2012	22,310.25	2.000%	15,167.61	37,477.86
3/01/2013	22,421.80	2.000%	15,056.06	37,477.86
6/01/2013	22,533.91	2.000%	14,943.95	37,477.86
9/01/2013	22,646.58	2.000%	14,831.28	37,477.86
12/01/2013	22,759.81	2.000%	14,718.05	37,477.86
3/01/2014	22,873.61	2.000%	14,604.25	37,477.86
6/01/2014	22,987.97	2.000%	14,489.88	37,477.85
9/01/2014	23,102.91	2.000%	14,374.94	37,477.85
12/01/2014	23,218.43	2.000%	14,259.43	37,477.86
3/01/2015	23,334.52	2.000%	14,143.34	37,477.86
6/01/2015	23,451.19	2.000%	14,026.68	37,477.85
9/01/2015	23,568.45	2.000%	13,909.41	37,477.86
12/01/2015	23,686.29	2.000%	13,791.57	37,477.86
3/01/2016	23,804.72	2.000%	13,673.13	37,477.85
6/01/2016	23,923.75	2.000%	13,554.11	37,477.86
9/01/2016	24,043.37	2.000%	13,434.49	37,477.86
12/01/2016	24,163.58	2.000%	13,314.28	37,477.86
3/01/2017	24,284.40	2.000%	13,193.46	37,477.86
6/01/2017	24,405.82	2.000%	13,072.04	37,477.86
9/01/2017	24,527.85	2.000%	12,950.01	37,477.86
12/01/2017	24,650.49	2.000%	12,827.37	37,477.86
3/01/2018	24,773.74	2.000%	12,704.11	37,477.85
6/01/2018	24,897.61	2.000%	12,580.25	37,477.86
9/01/2018	25,022.10	2.000%	12,455.76	37,477.86
12/01/2018	25,147.21	2.000%	12,330.65	37,477.86
3/01/2019	25,272.95	2.000%	12,204.91	37,477.86
6/01/2019	25,399.31	2.000%	12,078.55	37,477.86
9/01/2019	25,526.31	2.000%	11,951.55	37,477.86
12/01/2019	25,653.94	2.000%	11,823.92	37,477.86
3/01/2020	25,782.21	2.000%	11,695.65	37,477.86
6/01/2020	25,911.12	2.000%	11,566.74	37,477.86
9/01/2020	26,040.68	2.000%	11,437.18	37,477.86
12/01/2020	26,170.88	2.000%	11,306.98	37,477.86
3/01/2021	26,301.73	2.000%	11,176.12	37,477.85
6/01/2021	26,433.24	2.000%	11,044.62	37,477.86
9/01/2021	26,565.41	2.000%	10,912.45	37,477.86
12/01/2021	26,698.24	2.000%	10,779.62	37,477.86
3/01/2022	26,831.73	2.000%	10,646.13	37,477.86

Lashmeet Public Service District
Infrastructure Fund Loan
\$4,070,000; 40 Years; 2% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principle	Coupon	Interest	TOTAL
6/01/2022	26,965.89	2.000%	10,511.97	37,477.86
9/01/2022	27,100.72	2.000%	10,377.14	37,477.86
12/01/2022	27,236.22	2.000%	10,241.84	37,477.86
3/01/2023	27,372.40	2.000%	10,105.48	37,477.86
6/01/2023	27,509.26	2.000%	9,968.80	37,477.86
9/01/2023	27,646.81	2.000%	9,831.05	37,477.86
12/01/2023	27,785.04	2.000%	9,692.82	37,477.86
3/01/2024	27,923.97	2.000%	9,553.89	37,477.86
6/01/2024	28,063.59	2.000%	9,414.27	37,477.86
9/01/2024	28,203.91	2.000%	9,273.95	37,477.86
12/01/2024	28,344.92	2.000%	9,132.93	37,477.85
3/01/2025	28,486.65	2.000%	8,991.21	37,477.86
6/01/2025	28,629.08	2.000%	8,848.78	37,477.86
9/01/2025	28,772.23	2.000%	8,705.63	37,477.86
12/01/2025	28,916.09	2.000%	8,561.77	37,477.86
3/01/2026	29,060.67	2.000%	8,417.19	37,477.86
6/01/2026	29,205.97	2.000%	8,271.89	37,477.86
9/01/2026	29,352.00	2.000%	8,125.86	37,477.86
12/01/2026	29,498.76	2.000%	7,979.10	37,477.86
3/01/2027	29,646.26	2.000%	7,831.60	37,477.86
6/01/2027	29,794.49	2.000%	7,683.37	37,477.86
9/01/2027	29,943.46	2.000%	7,534.40	37,477.86
12/01/2027	30,093.18	2.000%	7,384.68	37,477.86
3/01/2028	30,243.64	2.000%	7,234.22	37,477.86
6/01/2028	30,394.86	2.000%	7,083.00	37,477.86
9/01/2028	30,546.84	2.000%	6,931.02	37,477.86
12/01/2028	30,699.57	2.000%	6,778.29	37,477.86
3/01/2029	30,853.07	2.000%	6,624.79	37,477.86
6/01/2029	31,007.33	2.000%	6,470.53	37,477.86
9/01/2029	31,162.37	2.000%	6,315.49	37,477.86
12/01/2029	31,318.18	2.000%	6,159.68	37,477.86
3/01/2030	31,474.77	2.000%	6,003.09	37,477.86
6/01/2030	31,632.15	2.000%	5,845.71	37,477.86
9/01/2030	31,790.31	2.000%	5,687.55	37,477.86
12/01/2030	31,949.26	2.000%	5,528.60	37,477.86
3/01/2031	32,109.01	2.000%	5,368.85	37,477.86
6/01/2031	32,269.55	2.000%	5,208.31	37,477.86
9/01/2031	32,430.90	2.000%	5,046.98	37,477.86
12/01/2031	32,593.05	2.000%	4,884.81	37,477.86
3/01/2032	32,756.02	2.000%	4,721.84	37,477.86
6/01/2032	32,919.80	2.000%	4,558.06	37,477.86
9/01/2032	33,084.40	2.000%	4,393.46	37,477.86
12/01/2032	33,249.82	2.000%	4,228.04	37,477.86
3/01/2033	33,416.07	2.000%	4,061.79	37,477.86
6/01/2033	33,583.15	2.000%	3,894.71	37,477.86
9/01/2033	33,751.06	2.000%	3,728.79	37,477.85

Lashmeet Public Service District
Infrastructure Fund Loan
\$4,070,000; 40 Years; 2% Interest Rate

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Interest	Total
12/01/2033	33,919.82	2.000%	3,558.04	37,477.86
3/01/2034	34,089.42	2.000%	3,388.44	37,477.86
6/01/2034	34,259.87	2.000%	3,217.99	37,477.86
9/01/2034	34,431.17	2.000%	3,046.69	37,477.86
12/01/2034	34,603.32	2.000%	2,874.54	37,477.86
3/01/2035	34,778.34	2.000%	2,701.52	37,477.86
6/01/2035	34,950.22	2.000%	2,527.64	37,477.86
9/01/2035	35,124.97	2.000%	2,352.89	37,477.86
12/01/2035	35,300.60	2.000%	2,177.28	37,477.86
3/01/2036	35,477.10	2.000%	2,000.78	37,477.86
6/01/2036	35,654.48	2.000%	1,823.38	37,477.86
9/01/2036	35,832.76	2.000%	1,645.10	37,477.86
12/01/2036	36,011.92	2.000%	1,465.94	37,477.86
3/01/2037	36,191.98	2.000%	1,285.88	37,477.86
6/01/2037	36,372.94	2.000%	1,104.92	37,477.86
9/01/2037	36,554.80	2.000%	923.05	37,477.86
12/01/2037	36,737.58	2.000%	740.28	37,477.86
3/01/2038	36,921.27	2.000%	558.59	37,477.86
6/01/2038	37,105.87	2.000%	371.99	37,477.86
9/01/2038	37,291.40	2.000%	186.46	37,477.86
Total	4,070,000.00	-	1,814,023.88	5,884,023.88

YIELD STATISTICS

Bond Year Dollars.....	\$90,701.19
Average Life.....	22.285 Years
Average Coupon.....	2.0000000%
Net Interest Cost (NIC).....	2.0000000%
True Interest Cost (TIC).....	2.0050000%
Bond Yield for Arbitrage Purposes.....	2.0050000%
All Inclusive Cost (AIC).....	2.0050000%

IRS FORM 8038

Net Interest Cost.....	2.0000000%
Weighted Average Maturity.....	22.285 Years

Ferris, Baker Watts, Inc.

West Virginia Public Finance Department

File = LASHMEET-083198- SINGLE PURPOSE

8/31/1998 4:13 PM

LOAN AGREEMENT

THIS LOAN AGREEMENT, Made and entered into in several counterparts, by and between the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), acting on behalf of the WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL (the "Council") and the governmental agency designated below (the "Governmental Agency");

LASHMEET PUBLIC SERVICE DISTRICT
(Governmental Agency)

W I T N E S S E T H:

WHEREAS, pursuant to the provisions of Chapter 31, Article 15A, of the Code of West Virginia, 1931, as amended (the "Act"), the Authority is empowered upon request of the Council to make loans to governmental agencies for the acquisition or construction of projects by such governmental agencies, subject to such provisions and limitations as are contained in the Act;

WHEREAS, the Governmental Agency constitutes a governmental agency as defined by the Act;

WHEREAS, the Governmental Agency is authorized and empowered by the statutes of the State to construct, operate and improve a project, as defined by the Act, and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds issued by the Governmental Agency;

WHEREAS, the Governmental Agency intends to construct, is constructing or has constructed such a project at the location and as more particularly described and set forth in the Application, as hereinafter defined (the "Project");

WHEREAS, the Governmental Agency has completed and filed with the Authority an Application for a Construction Loan with attachments and exhibits and an Amended Application for a Construction Loan also with attachments and exhibits (together, as further revised and supplemented, the "Application"), which Application is incorporated herein by this reference; and

WHEREAS, having reviewed the Application and made all findings required by the Act and having available sufficient funds therefor, the Council has authorized the Authority to lend the Governmental Agency the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Governmental Agency with money in the Infrastructure Fund subject to the Governmental Agency's satisfaction of certain legal and other requirements of the Council's loan program (the "Program") as hereinafter set forth.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Governmental Agency and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "governmental agency," "project," "waste water facility" and "water facility" have the definitions and meanings ascribed to them in the Act.

1.2 "Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser of the Bonds, acting in its administrative capacity pursuant to Section 10 of the Council Act and upon authorization from the Council.

1.3 "Consulting Engineers" means the professional engineer, licensed by the State, who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political sub-divisions, and designated in the Application and any qualified successor thereto; provided, however, when a Loan is made for a Project financed, in part, by the Office of Abandoned Mine Lands, "Consulting Engineers" shall mean the West Virginia Division of Environmental Protection, or any successor thereto.

1.4 "Infrastructure Fund" means the West Virginia Infrastructure Fund established in accordance with Section 9 of the Act.

1.5 "Loan" means the loan to be made by the Authority to the Governmental Agency through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.6 "Local Act" means the official action of the Governmental Agency required by Section 4.1 hereof, authorizing the Local Bonds.

1.7 "Local Bonds" means the revenue bonds to be issued by the Governmental Agency pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority, all in accordance with the provisions of this Loan Agreement.

1.8 "Local Statute" means the specific provisions of the Code of West Virginia, 1931, as amended, pursuant to which the Local Bonds are issued.

1.9 "Operating Expenses" means the reasonable, proper and necessary costs of operation and maintenance of the System, as hereinafter defined, as should normally and regularly be included as such under generally accepted accounting principles.

1.10 "Project" means the project hereinabove referred to, to be constructed or being constructed by the Governmental Agency in whole or in part with the net proceeds of the Local Bonds.

1.11 "System" means the project owned by the Governmental Agency, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

1.12 Additional terms and phrases are defined in this Loan Agreement as they are used.

ARTICLE II

The Project and the System

2.1 The Project shall generally consist of the construction and acquisition of the facilities described in the Application, to be, being or having been constructed in accordance with plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers, the Authority and Council having found, to the extent applicable, that the Project is consistent with the Act.

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and of the Local Act, the Governmental Agency has acquired, or shall do all things necessary to acquire, the proposed site of the Project and shall do, is doing or has done all things necessary to construct the Project in accordance with the plans, specifications and designs prepared for the Governmental Agency by the Consulting Engineers.

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Governmental Agency, subject to any mortgage lien or

other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property or any interest therein is approved by the Authority and Council.

2.4 The Governmental Agency agrees that the Authority and its duly authorized agents shall have the right at all reasonable times to enter upon the Project site and Project facilities and to examine and inspect the same. The Governmental Agency further agrees that the Authority and its duly authorized agents and representatives shall, prior to, at and after completion of construction and commencement of operation of the Project, have such rights of access to the System site and System facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority with respect to the System pursuant to the pertinent provisions of the Act.

2.5 The Governmental Agency shall keep complete and accurate records of the cost of acquiring the Project site and the costs of constructing, acquiring and installing the Project. The Governmental Agency shall permit the Authority, acting by and through its Director or his duly authorized agents and representatives, to inspect all books, documents, papers and records relating to the Project and the System at any and all reasonable times for the purpose of audit and examination, and the Governmental Agency shall submit to the Authority such documents and information as it may reasonably require in connection with the construction, acquisition and installation of the Project, the operation and maintenance of the System and the administration of the Loan or of any State and federal grants or other sources of financing for the Project.

2.6 The Governmental Agency agrees that it will permit the Authority and its agents and representatives to have access to the records of the Governmental Agency pertaining to the operation and maintenance of the System at any reasonable time following completion of construction of the Project and commencement of operation thereof or if the Project is an improvement to an existing system at any reasonable time following commencement of construction.

2.7 The Governmental Agency shall require that each construction contractor furnish a performance bond and a payment bond, each in an amount at least equal to one hundred percent (100%) of the contract price of the portion of the Project covered by the particular contract, as security for the faithful performance of such contract.

2.8 The Governmental Agency shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority. Until the Project facilities are completed and accepted by the Governmental Agency, the Governmental Agency or (at the option of the Governmental Agency) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Governmental Agency, the prime contractor and

all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Governmental Agency on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds is outstanding. Prior to commencing operation of the Project, the Governmental Agency must also obtain, and maintain so long as any of the Local Bonds is outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Governmental Agency shall provide and maintain competent and adequate resident engineering services satisfactory to the Council and the Authority covering the supervision and inspection of the development and construction of the Project, and bearing the responsibility of assuring that construction conforms to the plans, specifications and designs prepared by the Consulting Engineers, which have been approved by all necessary governmental bodies. Such resident engineer shall certify to the Authority and the Governmental Agency at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

2.10 The Governmental Agency agrees that it will at all times provide operation and maintenance of the System to comply with any and all State and federal standards. The Governmental Agency agrees that qualified operating personnel properly certified by the State will be retained to operate the System during the entire term of this Loan Agreement.

2.11 The Governmental Agency hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Council, the Authority or other State, federal or local bodies in regard to the construction of the Project and operation, maintenance and use of the System.

2.12 The Governmental Agency, commencing on the date contracts are executed for the construction of the Project and for two years following the completion of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward a copy by the 15th of each month to the Authority and Council.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

3.1 The agreement of the Authority and Council to make the Loan is subject to the Governmental Agency's fulfillment, to the satisfaction of the Authority, of each and all of those certain conditions precedent on or before the delivery date for the Local Bonds, which shall be the date established pursuant to Section 3.4 hereof. Said conditions precedent are as follows:

(a) The Governmental Agency shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

(b) The Governmental Agency shall have authorized the issuance of and delivery to the Authority of the Local Bonds described in this Article III and in Article IV hereof;

(c) The Governmental Agency shall either have received bids or entered contracts for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application; provided, that, if the Loan will refund an interim financing of construction, the Governmental Agency must either be constructing or have constructed its Project for a cost and as otherwise compatible with the plan of financing described in the Application; and, in either case, the Authority shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit A;

(d) The Governmental Agency shall have obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, and the Authority shall have received a certificate of the Consulting Engineers to such effect;

(e) The Governmental Agency shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") necessary for the construction of the Project and operation of the System with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(f) The Governmental Agency shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local

counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(g) The Governmental Agency shall have obtained any and all approvals of rates and charges required by State law and shall have taken any other action required to establish and impose such rates and charges (imposition of such rates and charges is not, however, required to be effective until completion of construction of the Project) with all requisite appeal periods having expired without successful appeal, and the Authority shall have received an opinion of counsel to the Governmental Agency, which may be local counsel to the Governmental Agency, bond counsel or special PSC counsel but must be satisfactory to the Authority, to such effect;

(h) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof, and the Authority shall have received a certificate of the accountant for the Governmental Agency, or such other person or firm experienced in the finances of governmental agencies and satisfactory to the Authority, to such effect; and

(i) The net proceeds of the Local Bonds, together with all moneys on deposit or to be simultaneously deposited (or, with respect to proceeds of grant anticipation notes or other indebtedness for which a binding purchase contract has been entered, to be deposited on a date certain) and irrevocably pledged thereto and the proceeds of grants irrevocably committed therefor, shall be sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and the Authority shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of water development projects and satisfactory to the Authority, to such effect, such certificate to be in form and substance satisfactory to the Authority, and evidence satisfactory to the Authority of such irrevocably committed grants.

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the Authority or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Governmental Agency and the Governmental Agency shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Governmental Agency shall sell to the Authority and the Authority shall make the Loan by purchasing the Local Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

3.3 The Loan shall be secured and shall be repaid in the manner hereinafter provided in this Loan Agreement.

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Governmental Agency by written notice to the

Authority, which written notice shall be given not less than ten (10) business days prior to the date designated; provided, however, that if the Authority is unable to accept delivery on the date designated, the Local Bonds shall be delivered to the Authority on a date as close as possible to the designated date and mutually agreeable to the Authority and the Governmental Agency. The date of delivery so designated or agreed upon is hereinafter referred to as the "Date of Loan Closing." Notwithstanding the foregoing, the Date of Loan Closing shall in no event occur more than ninety (90) days after the date of execution of this Loan Agreement by the Authority.

3.5 The Governmental Agency understands and acknowledges that it is one of several governmental agencies which have applied to the Council for loans to finance projects and that the obligation of the Authority to make any such loan is subject to the Council's authorization and the Governmental Agency's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing. The Governmental Agency specifically recognizes that the Authority will not purchase the Local Bonds unless and until it has available in the Infrastructure Fund funds sufficient to purchase all the Local Bonds and that, prior to such execution, the Authority may commit to and purchase the revenue bonds of other governmental agencies for which it has sufficient funds available.

ARTICLE IV

Local Bonds; Security for Loan;
Repayment of Loan; Interest on Loan;
Fees and Charges

4.1 The Governmental Agency shall, as one of the conditions of the Authority to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Governmental Agency in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows, unless the specific provision or covenant is modified or waived by the Council:

(a) That the gross revenues of the System shall always be used for purposes of the System. The revenues generated from the operation of the System will be used monthly, in the order of priority listed below:

- (i) to pay Operating Expenses of the System;
- (ii) to the extent not otherwise limited by any outstanding loan resolution, indenture or other act or document and beginning on the date set forth in Schedule

X to provide debt service on the Local Bonds by depositing in a sinking fund one-third (1/3) of the interest payment next coming due on the Local Bonds and one-third (1/3) of the principal payment next coming due on the Local Bonds and, beginning three (3) months prior to the first date of payment of principal of the Local Bonds, if the reserve account for the Local Bonds, if any (the "Reserve Account"), was not funded from proceeds of the Local Bonds or otherwise concurrently with the issuance thereof in an amount equal to an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement"), by depositing in the Reserve Account an amount not less than one-twelfth (1/12) of one-tenth (1/10) of the Reserve Requirement or, if the Reserve Account has been so funded (whether by Local Bond proceeds, monthly deposits or otherwise), any amount necessary to maintain the Reserve Account at the Reserve Requirement;

(iii) to create a renewal and replacement, or similar, fund in an amount equal to two and one-half percent (2-1/2%) of the gross revenues from the System, exclusive of any payments into the Reserve Account, for the purpose of improving or making emergency repairs or replacements to the System or eliminating any deficiencies in the Reserve Account; and

(iv) for other legal purposes of the System, including payment of debt service on other obligations junior, subordinate and inferior to the Local Bonds.

Provided, that if the Governmental Agency has existing outstanding indebtedness which has greater coverage or renewal and replacement fund requirements, then the greater requirements will prevail until said existing indebtedness is paid in full.

(b) Covenants substantially as follows:

(i) That the Local Bonds shall be secured by the gross or net revenues from the System, as more fully set forth in Schedules X and Y attached hereto;

(ii) That the schedule of rates or charges for the services of the System shall be sufficient to provide funds which, along with other revenues of the System, will pay all Operating Expenses and leave a balance each year equal to at least one hundred fifteen percent (115%) of the maximum amount required in any year for debt service on the Local Bonds and all other obligations secured by a lien on or payable from the revenues of the System prior to or on a parity with the Local Bonds or, if the reserve account, if any, established for the payment of debt service on the Local Bonds (the "Reserve Account") is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount at least equal to the maximum amount of principal and interest which will come due on the Local Bonds in the then current or any succeeding year (the "Reserve Requirement") and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum

amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

(iii) That the Governmental Agency will complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or with the written consent of the Council and the Authority, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Local Bonds outstanding, with further restrictions on the disposition of portions of the System as are normally contained in such covenants;

(v) That the Governmental Agency shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, based upon the rates, Operating Expenses and customer usage on the date of closing, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the revenues of the System prior to the Local Bonds; provided, however, that additional parity bonds may be issued to complete the Project, as described in the Application as of the date hereof, without regard to the foregoing;

(vi) That the Governmental Agency will carry such insurance as is customarily carried with respect to works and properties similar to the System, including those specified by Section 2.8 hereof;

(vii) That the Governmental Agency will not render any free services of the System;

(viii) That any Local Bond owner may, by proper legal action, compel the performance of the duties of the Governmental Agency under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law;

(ix) That, to the extent authorized by the laws of the State and the rules and regulations of the PSC, all delinquent rates and charges, if not paid when due, shall become a lien on the premises served by the System;

(x) That, to the extent legally allowable, the Governmental Agency will not grant any franchise to provide any services which would compete with the System;

(xi) That the Governmental Agency shall annually cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority, which report shall include a statement that the Governmental Agency is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Governmental Agency's revenues are adequate to meet its operation and maintenance expenses and debt service requirements;

(xii) That the Governmental Agency shall annually adopt a detailed budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority within 30 days of adoption thereof;

(xiii) That for wastewater systems, to the extent authorized by the laws of the State and the rules and regulations of the PSC, prospective users of the System shall be required to connect thereto;

(xiv) That the proceeds of the Local Bonds must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Governmental Agency and on which the owners of the Local Bonds shall have a lien until such proceeds are applied to the construction of the Project (including the repayment of any incidental interim financing for non-construction costs) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim funding of such Governmental Agency, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Governmental Agency may not redeem any Local Bonds by it without the written consent of the Authority and the Council and otherwise in compliance with this Loan Agreement;

(xvi) That, unless it qualifies for an exception to the provisions of Section 148 of the Code, which exception shall be set forth in an opinion of bond counsel, the Governmental Agency will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Code, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xvii) That the Governmental Agency shall take any and all action, or shall refrain from taking any action, as shall be deemed necessary by the Authority to maintain the exclusion from gross income for Federal income tax purposes of interest on the State's general obligation bonds or any bonds secured by the Local Bonds;

(xviii) That the Governmental Agency shall have obtained the certificate of the Consulting Engineer in the form attached to the Loan Application, to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority, the Project is adequate for the purposes for which it was designed and the funding plan as submitted to the Authority is sufficient to pay the costs of acquisition and construction of the Project;

(xix) To the extent applicable, that the Governmental Agency shall, to the full extent permitted by applicable law and the rules and regulations of the West Virginia Public Service Commission, terminate the services of any water facility owned by it to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore the services of the water facility until all delinquent charges for the services of the System have been fully paid or, if the water facility is not owned by the Governmental Agency, then the Governmental Agency shall enter into a termination agreement with the water provider;

(xx) That the Governmental Agency shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" of the Local Bonds (as that term is defined in the Code) from time to time as the Authority may request; and

(xxi) That the Governmental Agency shall submit all proposed change orders to the Council for written approval. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule B. The Governmental Agency shall obtain the written approval of the Council before expending any proceeds of the Local Bonds available due to bid/construction/project underruns.

The Governmental Agency hereby represents and warrants that the Local Act has been or shall be duly adopted in compliance with all necessary corporate and other action and in accordance with applicable provisions of law. All legal matters incident to the authorization, issuance, sale and delivery of the Local Bonds shall be approved without qualification by recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit B.

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such

reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority and the Council.

4.3 The principal of the Loan shall be repaid by the Governmental Agency on the days and in the years provided in Schedule X hereto. Interest payments on the Loan shall be made by the Governmental Agency on a quarterly basis as provided in said Schedule X.

4.4 The Loan shall bear interest from the date of first payment at the rate or rates per annum set forth on Schedule X hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.5 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Governmental Agency. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series, as reflected by Schedule X hereto.

4.6 The Governmental Agency agrees to expend the net proceeds of the Local Bonds for the Project within 3 years of the issuance of the State's general obligation bonds unless otherwise agreed to by the Council.

ARTICLE V

Certain Covenants of the Governmental Agency; Imposition and Collection of User Charges; Payments To Be Made by Governmental Agency to the Authority

5.1 The Governmental Agency hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Governmental Agency hereby further irrevocably covenants and agrees that, as one of the conditions of the Authority to make the Loan, it has fixed and collected, or will fix and collect, the rates, fees and other charges for the use of the System, as set forth in the Local Act and in compliance with the provisions of Subsections 4.1(a) and 4.1(b)(ii) hereof.

5.2 In the event, for any reason, the schedule of rates, fees and charges initially established for the System in connection with the Local Bonds shall prove to be insufficient to produce the minimum sums set forth in the Local Act, the Governmental Agency hereby covenants and agrees that it will, to the extent or in the manner authorized by law, immediately adjust and increase such schedule of rates, fees and charges so as to provide funds sufficient to produce the minimum sums set forth in the Local Act and as required by this Loan Agreement.

5.3 In the event the Governmental Agency defaults in the payment of any fees due to the Authority pursuant to Section 4.6 hereof, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency, the Authority may exercise any or all of the rights and powers granted under the Act and State law, including without limitation the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

6.1 The Governmental Agency hereby warrants and represents that all information provided to the Authority in this Loan Agreement, in the Application or in any other application or documentation with respect to financing the Project was at the time, and now is, true, correct and complete, and such information does not omit any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Prior to the Authority's making the Loan and receiving the Local Bonds, the Authority shall have the right to cancel all or any of its obligations under this Loan Agreement if (a) any representation made to the Authority by the Governmental Agency in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Governmental Agency has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of this Loan Agreement.

6.2 The Governmental Agency hereby covenants that it will rebate any amounts required by Section 148 of the Internal Revenue Code of 1986, as amended, and will take all steps necessary to make any such rebates. In the event the Governmental Agency fails to make any such rebates as required, then the Governmental Agency shall pay any and all penalties, obtain a waiver from the Internal Revenue Service and take any other actions necessary or desirable to preserve the exclusion from gross income for Federal income tax purposes of interest on the Local Bonds.

6.3 Notwithstanding Section 6.2, the Authority may at any time, in its sole discretion, cause the rebate calculations prepared by or on behalf of the Governmental Agency to be monitored or cause the rebate calculations for the Governmental Agency to be prepared, in either case at the expense of the Governmental Agency.

6.4 The Governmental Agency hereby agrees to give the Authority prior written notice of the issuance by it of any other obligations to be used for the Project,

payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.5 The Governmental Agency hereby agrees to file with the Authority upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule A to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

7.1 Additional definitions, additional terms and provisions of the Loan and additional covenants and agreements of the Governmental Agency may be set forth in Schedule Z attached hereto and incorporated herein by reference, with the same effect as if contained in the text of this Loan Agreement.

7.2 The Authority shall take all actions required by the Council in making and enforcing this Loan Agreement.

7.3 If any provision of this Loan Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such provision shall not affect any of the remaining provisions of this Loan Agreement, and this Loan Agreement shall be construed and enforced as if such invalid or unenforceable provision had not been contained herein.

7.4 This Loan Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute but one and the same instrument. Each party agrees that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Loan Agreement.

7.5 No waiver by either party of any term or condition of this Loan Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Loan Agreement.

7.6 This Loan Agreement merges and supersedes all prior negotiations, representations and agreements between the parties hereto relating to the Loan and constitutes the entire agreement between the parties hereto in respect thereof.

7.7 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Governmental Agency specifically recognizes that it is hereby agreeing to sell its Local Bonds to the Authority and that such obligation may be specifically enforced or subject to a similar equitable remedy by the Authority.

7.8 This Loan Agreement shall terminate upon the earlier of:

- (i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Local Bonds to the Authority;
- (ii) termination by the Authority pursuant to Section 6.1 hereof; or
- (iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

7.9 The Authority acknowledges that certain terms and requirements in this Loan Agreement may not be applicable when the Project is financed in part by the West Virginia Division of Environmental Protection, Office of Abandoned Mine Lands and under that circumstance those terms and requirements are specifically waived or modified as agreed to by the Authority and set forth in the Local Act.

IN WITNESS WHEREOF, the parties hereto have caused this Loan Agreement to be executed by their respective duly authorized officers as of the date executed below by the Authority.

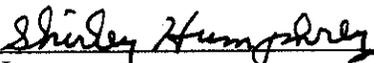
LASHMEET PUBLIC SERVICE DISTRICT

(SEAL)

By: 
Its: Chairman

Attest:

Date: September 10, 1998


Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: 
Director

Attest:

Date: September 10, 1998


Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____, Consulting Engineers, _____, _____, hereby certify that my firm is engineer for the acquisition and construction of _____ to the _____ system (herein called the "Project") of _____ (the "Issuer") to be constructed primarily in ___ County, West Virginia, which construction and acquisition are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words not defined herein shall have the meaning set forth in the _____ passed by the _____ of the Issuer on _____, 19__, effective __, 19__, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority") dated _____, 19__.

1. The Bonds are being issued for the purpose of _____
_____ (the "Project").

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least _____ years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the chosen bidder received any and all addenda to the original bid documents; (v) the bid documents reflect the Project as approved by the West Virginia [Division of Environmental Protection][Bureau for Public Health]; (vi) the chosen bid includes every construction item necessary to complete the Project, or explains any deviation thereof; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (ix) the rates and charges for the System as adopted by the Issuer are sufficient to comply with the provisions of Subsection 4.1(b)(ii) of the Loan Agreement, (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably

pledged thereto and the proceeds of grants irrevocably committed therefor, are sufficient to pay the costs of construction and acquisition of the Project as set forth in the Application, and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Total Cost of Project and Sources of Funds" for the Project.

WITNESS my signature on this __ day of ____, 19__.

By: _____

West Virginia License No. _____

[SEAL]

EXHIBIT B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
c/o West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

Ladies and Gentlemen:

We are bond counsel to _____ (the
"Governmental Agency"), a _____
_____.

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated _____, 19__, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, 19__ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$_____, issued in the form of one bond registered as to principal and interest to the Authority, with interest and principal payable in installments on September 1, December 1, March 1 and June 1 of each year, beginning _____, at the rate as set forth in Exhibit A incorporated in and made a part of the Bonds.

The Local Bonds are issued for the purpose of _____ and paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of _____ of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the bond _____ duly enacted by the Governmental Agency on _____ (the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan Agreement that has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

STEPTOE & JOHNSON

ATTORNEYS AT LAW

BANK ONE CENTER

SIXTH FLOOR

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

September 10, 1998

RILEY BUILDING, FOURTH FLOOR

14TH AND CHAPLINE STREETS

P. O. BOX 150

WHEELING, W. VA. 26003-0020

(304) 233-0000

FACSIMILE (304) 233-0014

THE RIVERS OFFICE PARK

200 STAR AVENUE, SUITE 220

P. O. BOX 628

PARKERSBURG, W. VA. 26102-0628

(304) 422-6463

FACSIMILE (304) 422-6462

ALAN B. MOLLOHAN INNOVATION CENTER

1000 TECHNOLOGY DRIVE

P. O. BOX 2210

FAIRMONT, W. VA. 26554-8824

(304) 368-8000

FACSIMILE (304) 368-8413

WRITER'S DIRECT DIAL NUMBER

BANK ONE CENTER, SEVENTH FLOOR

P. O. BOX 1588

CHARLESTON, W. VA. 25326-1588

(304) 353-8000

FACSIMILE (304) 353-8180

1000 HAMPTON CENTER

P. O. BOX 1616

MORGANTOWN, W. VA. 26507-1616

(304) 598-8000

FACSIMILE (304) 598-8116

126 EAST BURKE STREET

P. O. BOX 2629

MARTINSBURG, W. VA. 25402-2629

(304) 263-6991

FACSIMILE (304) 262-3541

Lashmeet Public Service District
Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)

Lashmeet Public Service District
Lashmeet, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Lashmeet Public Service District (the "Issuer"), a public service district and public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$4,070,000 Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of the loan agreement for the Bonds, dated September 10, 1998, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one bond, registered as to principal and interest to the Authority, with principal and interest payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 1999, and ending September 1, 2038, all as set forth in "Schedule Y," attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes

of (i) paying a portion of the costs of acquisition and construction of certain improvements and extensions to the existing public waterworks facilities of the Issuer (the "Project"); and (ii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on September 9, 1998, as supplemented by a Supplemental Resolution duly adopted by the Issuer on September 9, 1998 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

Based upon the foregoing, and upon our examination of such other documents as we have deemed necessary, we are of the opinion, under existing law, as follows:

1. The Issuer is a duly organized and validly existing public service district, public corporation and political subdivision of the State of West Virginia, with corporate power and authority to acquire and construct the Project, to operate and maintain the System and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

2. The Loan Agreement has been duly authorized by and executed on behalf of the Issuer, is a valid and binding special obligation of the Issuer enforceable in accordance with the terms thereof, and inures to the benefit of the Authority and the Council and cannot be amended by the Issuer so as to affect adversely the rights of the Authority and the Council or diminish the obligations of the Issuer without the written consent of the Authority and the Council.

3. The Bond Legislation and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

4. The Bonds have been duly authorized, issued, executed and delivered by the Issuer to the Authority and are valid, legally enforceable and binding special obligations of the Issuer, payable from the Net Revenues of the System and secured by a first lien on and pledge of the Net Revenues of the System, all in accordance with the terms of the Bonds and the Bond Legislation.

5. The Bonds are, under the Act, exempt from taxation by the State of West Virginia, and the other taxing bodies of the State, and the interest on the Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreement, the Bond Legislation and the liens and pledges therein may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting

creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Bond numbered AR-1 and in our opinion the form of said bond and its execution and authentication is regular and proper.

Very truly yours,



STEPTOE & JOHNSON

08/31/98
508160/94001

LAW OFFICES

WILLIAM S. WINFREY, II

1608 MAIN STREET WEST

POST OFFICE BOX 1159

PRINCETON, W. VA. 24740

FILE NO.

TELEPHONE
304-487-1887

TELECOPIER
304-425-7340

September 10, 1998

Lashmeet Public Service District
Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)

Lashmeet Public Service District
Lashmeet, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Steptoe & Johnson
Clarksburg, West Virginia

Ladies and Gentlemen:

I am counsel to Lashmeet Public Service District, a public service district in Mercer County, West Virginia (the "Issuer"). As such counsel, I have examined a copy of the approving opinion of Steptoe & Johnson, as bond counsel, the loan agreement for the Bonds, dated September 10, 1998, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"), the Bond Resolution duly adopted by the Issuer on September 9, 1998, the Supplemental Resolution duly adopted by the Issuer on September 9, 1998 (collectively, the "Bond Legislation"), and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (the "Bonds") and orders of The County Commission of Mercer County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer. All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

I am of the opinion that:

1. The Issuer is duly created and validly existing as a public service district and as a public corporation and political subdivision of the State of West Virginia.

2. The Loan Agreement has been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the Authority, constitutes a valid and binding agreement of the Issuer in accordance with its terms.

3. The members and officers of the Public Service Board of the Issuer have been duly, lawfully and properly appointed and elected, have taken the requisite oaths, and are authorized to act in their respective capacities on behalf of the Issuer.

4. The Bond Legislation has been duly adopted by the Issuer and is in full force and effect.

5. The execution and delivery of the Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Bonds, the Loan Agreement and the Bond Legislation, and the carrying out of the terms thereof, do not and will not, in any material respect, conflict with or constitute, on the part of the Issuer, a breach of or default under any agreement, document or instrument to which the Issuer is a party or by which the Issuer or its properties are bound or any existing law, regulation, rule, order or decree to which the Issuer is subject.

6. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges, including, without limitation, all requisite orders, consents, certificates and approvals from The County Commission of Mercer County, the West Virginia Infrastructure and Jobs Development Council and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the Final Orders of the Public Service Commission of West Virginia entered on April 16, 1998, July 22, 1998, and September 1, 1998, in Case No. 96-1490-PWD-CN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the latter Final Order has not expired prior to the date hereof. However, the parties to such Final Order have stated that they do not intend to appeal such Final Order. Such Final Order is not subject to any appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application. The Issuer has also received the Final Orders of the Public Service Commission of West Virginia entered on September 19, 1997, and March 25, 1998, in Case No. 97-0688-PWD-PC, among other things, approving the operation and maintenance agreement between the Issuer and West Virginia - American Water Company and related transactions. The time for appeal of such Final Orders has expired prior to the date hereof without any appeal.

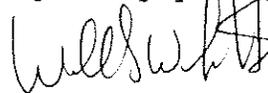
7. The Issuer has duly published a notice of the acquisition and construction of the Project, the issuance of the Bonds and related matters, as required under Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended, and has duly complied with the provisions thereof.

8. Pursuant to Chapter 16, Article 13A, Section 2 of the West Virginia Code of 1931, as amended, the boundaries of the Issuer have been properly enlarged by The County Commission of Mercer County. The Issuer has received the Final Orders of the Public Service Commission of West Virginia entered on August 31, 1998, and September 1, 1998, in Case No. 98-0906-PSD-PC, approving the enlargement of the boundaries of the Issuer. The time for appeal of such Final Orders has not expired prior to the date hereof. However, the parties to such Final Order have stated that they do not intend to appeal such Final Orders. Such Final Orders are not subject to any appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application.

9. To the best of my knowledge, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Loan Agreement, the Bonds and the Bond Legislation, the acquisition and construction of the Project, the operation of the System or the validity of the Bonds or the collection or pledge of the Net Revenues therefor.

All counsel to this transaction may rely upon this opinion as if specifically addressed to them.

Very truly yours,



William S. Winfrey, II, Esquire

LAW OFFICES

WILLIAM S. WINFREY, II

1608 MAIN STREET WEST

POST OFFICE BOX 1159

PRINCETON, W. VA. 24740

FILE NO.

TELEPHONE
304-487-1887

TELECOPIER
304-425-7340

September 3, 1998

Susan Riggs
WV Infrastructure and Jobs
Development Council
1320 One Valley Square
Charleston, WV 25301

RE: Lashmeet Public Service District

Dear Ms. Riggs:

I am an attorney for Lashmeet Public Service District. I have reviewed the rights of way maps prepared by Pentree, Inc., setting forth the necessary easements, rights of ways and acquisitions for the construction of water transmission and distribution lines in Mercer County, West Virginia. Based upon my review and upon examination of appropriate land records, I am of the opinion,

1. Lashmeet Public Service District is a duly created public service district in Mercer County, West Virginia.

2. Lashmeet Public Service District has obtained approval for all necessary permits and approvals for the construction of the proposed water distribution system. A Certificate from the Public Service Commission of West Virginia for construction has been received and is final, as well as approval for the expansion of the District. The Public Service Commission of West Virginia has approved the operation and maintenance agreement with amendments thereto, which approvals are final.

3. The District has acquired 100 percent of all necessary rights of ways, easements, and acquisitions for the purpose of construction and installation of the facilities contemplated within those plans.

4. All other necessary permits have been obtained by the District.

I am not aware of any threatened or pending litigations concerning this project.

Yours very truly,



William S. Winfrey, II

WSW, II/als

cc: Lashmeet Public Service District
Pentree, Inc.
Steptoe and Johnson

LASHMEET PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)**

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS AND BIDDING
4. NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS
5. CERTIFICATION OF COPIES OF DOCUMENTS
6. INCUMBENCY AND OFFICIAL NAME
7. LAND AND RIGHTS-OF-WAY
8. MEETINGS, ETC.
9. CONTRACTORS' INSURANCE, ETC.
10. LOAN AGREEMENT
11. RATES
12. PUBLIC SERVICE COMMISSION ORDER
13. SIGNATURES AND DELIVERY
14. BOND PROCEEDS
15. PUBLICATION OF NOTICE OF BORROWING
16. SPECIMEN BOND
17. CONFLICT OF INTEREST
18. OTHER FUNDS

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Lashmeet Public Service District in Mercer County, West Virginia (the "Issuer"), and the undersigned COUNSEL to the Issuer, hereby certify in connection with the \$4,070,000 Lashmeet Public Service District Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds" or the "Series 1998 A Bonds"), as follows:

1. **TERMS:** All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning set forth in the Bond Resolution of the Issuer duly adopted September 9, 1998, and a Supplemental Resolution of the Issuer duly adopted September 9, 1998 (collectively, the "Bond Legislation"), when used herein.

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the acquisition or construction of the Project, the operation of the

System, the receipt of the Net Revenues, or in any way contesting or affecting the validity of the Bonds, or any proceedings of the Issuer taken with respect to the issuance or sale of the Bonds, the pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Bonds, the acquisition and construction of the Project, the operation of the System, or the collection of the Net Revenues or pledge thereof.

3. **GOVERNMENTAL APPROVALS AND BIDDING:** All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition and construction of the Project, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended, which bids remain in full force and effect.

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer since the approval and execution and delivery by the Issuer of the Loan Agreement, and the Issuer has met all conditions prescribed in the Loan Agreement. The Issuer will provide the financial, institutional, legal and managerial capabilities necessary to complete the Project.

There are no outstanding bonds or obligations of the Issuer which will rank prior to or on a parity with the Series 1998 A Bonds as to liens, pledge and source of and security for payment.

5. **CERTIFICATION OF COPIES OF DOCUMENTS:** The copies of the below-listed documents hereto attached or delivered herewith or heretofore delivered are true, correct and complete copies of the originals of the documents of which they purport to be copies, and such original documents are in full force and effect and have not been repealed, rescinded, amended, altered, supplemented or changed in any way unless modification appears from later documents also listed below.

Bond Resolution

Supplemental Resolution

Loan Agreement

Public Service Commission Orders

Infrastructure Council Approval

County Commission Orders on Creation and Enlargement of District

County Commission Orders Appointing Current Boardmembers

Oaths of Office of Current Boardmembers

Rules of Procedure

Affidavit of Publication on Borrowing

Minutes of Current Year Organizational Meeting

Minutes on Adoption of Bond Resolution and Supplemental Resolution

Operation and Maintenance Agreement

Receipt of Payment of Prior Bonds

6. **INCUMBENCY AND OFFICIAL NAME:** The proper corporate title of the Issuer is "Lashmeet Public Service District." The Issuer is a public service district and public corporation duly created by The County Commission of Mercer County and presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its Public Service Board consisting of 3 duly appointed, qualified and acting members whose names and dates of commencement and termination of current terms of office are as follows:

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Dillard Shrewsbury	July 1, 1998	June 30, 2004
Shirley Humphrey	July 1, 1996	June 30, 2002
Judy Goad	June 1, 1994	May 31, 2000

The names of the duly elected and/or appointed, qualified and acting officers of the Public Service Board of the Issuer for the calendar year 1998 are as follows:

Chairman	-	Dillard Shrewsbury
Secretary	-	Shirley Humphrey
Treasurer	-	Judy Goad

The duly appointed and acting counsel to Issuer is William S. Winfrey, II, of Princeton, West Virginia.

7. **LAND AND RIGHTS-OF-WAY:** All land in fee simple and all rights-of-way and easements necessary for the acquisition and construction of the Project and operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

8. **MEETINGS, ETC.:** All actions, resolutions, orders and agreements taken by and entered into by or on behalf of the Issuer in any way connected with the issuance of the Bonds, the acquisition, construction, operation and financing of the Project and the System were authorized or adopted at regular or special meetings of the Governing Body of the Issuer duly and regularly called and held pursuant to the Rules of Procedure of the Governing Body and all applicable statutes, including, without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly appointed, qualified and acting members of the Governing Body was present and acting at all times during all such meetings. All notices required to be posted and/or published were so posted and/or published.

9. **CONTRACTORS' INSURANCE, ETC.:** All contractors have been required to maintain Worker's Compensation, public liability and property damage insurance, and builder's risk insurance where applicable, in accordance with the Bond Legislation. All insurance for the System required by the Bond Legislation is in full force and effect.

10. **LOAN AGREEMENT:** As of the date hereof, (i) the representations of the Issuer contained in the Loan Agreement are true and correct in all material respects as if made on the date hereof; (ii) the Loan Agreement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; (iii) to the best knowledge of the undersigned, no event affecting the Issuer has occurred since the date of the Loan Agreement which should be disclosed for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information in the Loan Agreement not misleading; and (iv) the Issuer is in compliance with the Loan Agreement.

11. **RATES:** The Issuer has received the Final Order of the Public Service Commission of West Virginia entered on April 16, 1998, in Case No. 96-1490-PWD-CN, approving the rates and charges for the services of the System and has adopted a resolution prescribing such rates and charges. The time for appeal of such Final Order has expired prior to the date hereof without any appeal.

12. **PUBLIC SERVICE COMMISSION ORDER:** The Issuer has received the Final Orders of the Public Service Commission of West Virginia entered on April 16, 1998, July 22, 1998, and September 1, 1998, in Case No. 96-1490-PWD-CN, among other things, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the latest Final Order has not expired prior to the date hereof. However, the parties to such Final Order have stated that they do not intend to appeal such Final Order. Such Final Order is not subject to any appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application. The Issuer hereby certifies that it will not appeal such Final Order.

The Issuer has also received the Final Orders of the Public Service Commission of West Virginia entered on September 19, 1997, March 25, 1998, and June 30, 1998, in Case No. 97-0688-PWD-PC, among other things, approving the operation and maintenance agreement between the Issuer and West Virginia - American Water Company and related transactions. The time for appeal of such Final Orders has expired prior to the date hereof without any appeal.

Pursuant to Chapter 16, Article 13A, Section 2 of the West Virginia Code of 1931, as amended, the boundaries of the Issuer have been properly enlarged by The County Commission of Mercer County. The Issuer has received the Final Orders of the Public Service Commission of West Virginia entered on August 31, 1998, and September 1, 1998, in Case No. 98-0906-PSD-PC, approving the enlargement of the boundaries of the Issuer. The time for appeal of such Final Orders has not expired prior to the date hereof. However, the parties to such Final Orders have stated that they do not intend to appeal such Final Orders. Such Final Orders are not subject to any appeal, further hearing, reopening or rehearing by any customer, protestant, intervenor or other person not a party to the original application.

13. **SIGNATURES AND DELIVERY:** On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond, dated the date hereof, by his or her manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon the Bonds and to be attested by his or her manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

14. **BOND PROCEEDS:** On the date hereof, the Issuer received \$357,575 from the Council and the Authority, being a portion of the principal amount of the Bonds and more than a de minimis amount of the proceeds of the Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

15. **PUBLICATION OF NOTICE OF BORROWING:** The Issuer has published any required notice with respect to, among other things, the amount of the Bonds, the interest rate and terms of the Bonds, the acquisition and construction of the Project, the anticipated user rates and charges, and the date of filing of a formal application for a certificate of public convenience and necessity with the Public Service Commission of West Virginia, in accordance with Chapter 16, Article 13A, Section 25 of the West Virginia Code of 1931, as amended.

16. **SPECIMEN BOND:** Delivered concurrently herewith is a true and accurate specimen of the Bond.

17. **CONFLICT OF INTEREST:** No member, officer or employee of the Issuer has a substantial financial interest, direct, indirect or by reason of ownership of stock in any corporation, in any contract with the Issuer or in the sale of any land, materials, supplies or services to the Issuer or to any contractor supplying the Issuer, relating to the Bonds, the Bond Legislation and/or the Project, including, without limitation, with respect to the Depository Bank. For purposes of this paragraph, a "substantial financial interest" shall include, without limitation, an interest amounting to more than 5% of the particular business enterprise or contract.

18. **OTHER FUNDS:** West Virginia-American Water Company has committed \$1,705,258 for this Project.

WITNESS our signatures and the official seal of LASHMEET PUBLIC SERVICE DISTRICT on this 10th day of September, 1998.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Richard Shrewsbury

Chairman

Shirley Humphrey

Secretary

Will Swift

Counsel to Issuer

08/31/98
508160/94001

LASHMEET PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF ENGINEER

I, Robert D. Hazelwood, Registered Professional Engineer, West Virginia License No. 8452, of Pentree, Incorporated, Princeton, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain improvements and extensions to the existing public waterworks facilities (the "Project") of Lashmeet Public Service District (the "Issuer") to be constructed primarily in Mercer County, West Virginia, which acquisition and construction are being financed in part by the proceeds of the above-captioned bonds (the "Bonds") of the Issuer. All capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution and the Supplemental Resolution, both adopted by the Issuer on September 9, 1998, and the Loan Agreement dated September 10, 1998, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council").

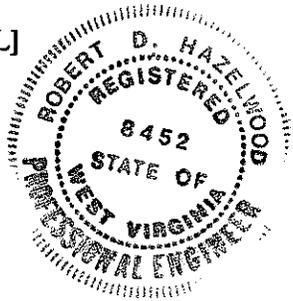
2. The Bonds are being issued for the purposes of (i) paying a portion of the costs of acquisition and construction of the Project, and (ii) paying costs of issuance and related costs.

3. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority and the Council, requesting the Authority to purchase the Bonds (the "Application") and any change orders approved by the Issuer, the Council and all necessary governmental bodies; (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least 40 years; (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy; (iv) the chosen bidder received any and all addenda to the original bid documents; (v) the bid documents reflect the Project as approved by the West Virginia Bureau for Public Health; (vi) the chosen bid includes every construction item necessary to complete the Project, or explains any deviation thereof; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits

required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and the operation of the System; (ix) the rates and charges for the System as adopted by the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project as set forth in the Application; (xi) attached hereto as Exhibit A is the final amended "Schedule B - Total Cost of Project and Sources of Funds" for the Project; and (xii) the contract for West Virginia-American Water Company's portion of the Project is the sole financial responsibility of the Company.

WITNESS my signature and seal on this 10th day of September, 1998.

[SEAL]



PENTREE, INCORPORATED

A handwritten signature in cursive script that reads "Robert D. Hazelwood".

Robert D. Hazelwood, P.E.
West Virginia License No. 8452

08/31/98
508160/94001

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE B

Lashmeet Public Service District
Lashmeet Water System 96W-205

Final Total Cost of Project, Sources of Funds and Costs of Financing

A. Cost of Project	Total	IJDC Loan	WVAWC
1. Construction Based on Actual Bids	4,120,088	3,220,088	900,000
2. Technical Services	510,000	510,000	
3. Legal & Fiscal	35,000	35,000	
4. Administrative	15,000	15,000	
5. Sites and Other Lands	10,000	10,000	
6. Step I or II or Other Loan Repayments	705,258		705,258
7. Interim Financing Costs			
8. Contingency - For Tank	182,927	182,927	
9. Contingency - Overall	178,985	78,985	100,000
10. Total of Lines 1 through 9	5,757,258	4,052,000	1,705,258
B. Sources of Funds			
11. Federal Grants:			
a.			
b.			
12. State Grants:			
a.			
b.			
13. Other Grants:			
14. Any Other Source: (1)			
a. West Virginia Water Company	1,705,258	0	1,705,258
b.			
15. Infrastructure Fund Grant			
16. Total of Lines 11 through 15	1,705,258	0	1,705,258
17. Net Proceeds Required from Bond Issue (Line 10 minus Line 16)	4,052,000	4,052,000	0
C. Cost of Financing			
18. Funded Reserve Account (2)			
19. Other Costs (3)			
a. Bond Counsel	18,000	18,000	
b. Loan Program Fee			
20. Total Cost of Financing (Line 18 plus 19)	18,000	18,000	
21. Size of Bond Issue (Line 17 plus Line 20)	4,070,000	4,070,000	0

Richard Shrawburg
GOVERNMENTAL AGENCY

9-10-98
DATE

Robert D. Hazilwood
CONSULTING ENGINEER

September 10, 1998
DATE

- (1) Include the proceeds of any parity or subordinate bond issue to be used for such purpose and attach supporting documentation.
- (2) Consult with bond counsel and the Council before assuming a funded reserve.
- (3) For example, fees of accountants, bond counsel and local counsel for the Governmental Agency

Jeffrey S. Feamster, CPA



P.O. Box 121
Lewisburg, West Virginia 24901
304-647-5980
Fax: 304-647-5980

September 10, 1998

Lashmeet Public Service District
Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and Jobs
Development Council
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges as set forth in the Final Order of the Public Service Commission of West Virginia in Case No. 96-1490-PWD-CN, entered April 16, 1998, and projected operation and maintenance expenses and anticipated customer usage as furnished to me by Pentree, Incorporated, Consulting Engineers, it is my opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of Lashmeet Public Service District, will pay all repair, operation and maintenance expenses and leave a balance each year equal to at least 100% of the maximum amount required in any year for debt service on the Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), to be issued to the West Virginia Water Development Authority on the date hereof in the principal amount of \$4,070,000.

Very truly yours,

Jeffrey S. Feamster

WEST VIRGINIA:

At a regular session of the County Court, held for the County of Mercer, at the Courthouse thereof, on Monday, June 13, 1966.

Present:	Fred Thomason,	President.
Present:	Frank H. Gibson,	Commissioner.
Present:	O. D. Compton,	Commissioner.

A RESOLUTION AND ORDER FIXING A DATE OF HEARING ON THE CREATION OF A PROPOSED PUBLIC SERVICE DISTRICT WITHIN MERCER COUNTY, WEST VIRGINIA: AND PROVIDING FOR THE PUBLICATION OF A NOTICE OF SUCH HEARING.

WHEREAS, there has heretofore been filed in the office of the Clerk of the County Court of Mercer County, West Virginia, a petition to this County Court, for the creation of a Public Service District within Mercer County, West Virginia; and

WHEREAS, said County Court Clerk has presented such petition to this County Court at this meeting; and

WHEREAS, pursuant to the provisions of Article 13A of Chapter 10 of the West Virginia Code, this County Court upon presentation of such petition is required to fix a date of hearing on the creation of the proposed public service district;

NOW, THEREFORE, Be It and It Is Hereby Resolved and Ordered by the County Court of Mercer County, West Virginia, as follows:

SECTION 1. That the County Court of Mercer County, West Virginia, hereby finds and declares that there has been filed in the Office of the County Court Clerk and presented by said County Court Clerk to this County Court a petition for the creation of a Public Service District within Mercer County, West Virginia, which petition contains a description sufficient to identify the territory to be embraced within the proposed Public Service District and the name of the proposed Public Service District and which petition has been signed by at least one hundred legal voters resident within and owning real property within the limits of the proposed Public Service District, and said County Court further finds and declares that said petition in all respects meets the requirements of Article 13A of Chapter 10 of the West Virginia Code.

SECTION 2. That said petition, among other things, states as follows:

(a) The name and corporate title of said Public Service District shall be the "LASHMEET PUBLIC SERVICE DISTRICT".

(b) The territory to be embraced in said public service district shall be as follows:

"BEGINNING at the intersection of West Virginia Secondary Routes 6 and 6/3 and running thence East for a distance of 0.30 mile; thence S. 36° 50' E. 1.53 miles; thence E. 1.75 miles to latitude N. 37° 25' 00" and longitude W. 81° 08' 49"; thence S. 1.15 miles to latitude N. 37° 24' 01" and longitude W. 81° 08' 49"; thence W. 2.00 miles; thence N. 23° 45' W. 1.25 miles; thence W. 1.00 mile to latitude N. 37° 25' 00" and longitude W. 81° 13' 10"; thence N. 1.95 miles to latitude N. 37° 20' 40" and longitude W. 81° 13' 10"; thence E. 0.45 mile; thence S. 41° 00' E. 0.95 mile to the BEGINNING, containing 0.75 square miles in Rock Magisterial District in Mercer County, West Virginia, as shown upon a map prepared by J. H. Milam, Inc., 1214 Myers Avenue, Dunbar, West Virginia, dated May 9, 1960", which map is filed with and made a part of said petition.

(c) The purpose of said Public Service District shall be to construct, or acquire by purchase or otherwise, and maintain, operate, improve and extend properties supplying water and sewerage services within such territory and also outside such territory to the extent permitted by law.

(d) The territory described above does not include within its limits the territory of any other public service district organized under Article 13A of Chapter 10 of the West Virginia Code, nor does such territory include within its limits any city, incorporated town or other municipal corporation.

SECTION 3. That on JULY 11, 1966, at the hour of 10:00 A. M., this County Court shall meet in the County Court House at Princeton, West Virginia, for the purpose of conducting a public hearing on the creation of the proposed public service district at which time and place all persons residing in or owning or having any interest in property in the proposed public service district may appear before this County Court and shall have an opportunity to be heard for and against the creation of said district, and at such hearing, this County Court shall consider and determine the feasibility of the creation of the proposed public service district.

SECTION 4. That the County Court Clerk is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out to be published on JUNE 30, 1966, in the SUNSET NEWS-OBSERVER, a newspaper of general circulation published in Mercer County:

NOTICE OF PUBLIC HEARING ON CREATION OF LASHMEET PUBLIC SERVICE DISTRICT.

NOTICE IS HEREBY GIVEN that a legally sufficient petition has been filed with the Clerk of the County Court of Mercer County, West Virginia, and has been presented to the County Court of Mercer County, for the creation of a public service district within Mercer County, West Virginia, for the purpose of constructing or acquiring by purchase or otherwise, and the maintenance, operation, improvement and extension of public service properties supplying water and sewerage services within said district and also outside said district to the extent permitted by law; to be named "LASHMEET PUBLIC SERVICE DISTRICT" and having the following described boundaries:

"BEGINNING at the intersection of West Virginia Secondary Routes 6 and 6/3 and running thence East for a distance of 0.30 mile; thence S. 30° 50' E. 1.00 miles; thence E. 1.75 miles to latitude N. 37° 25' 00" and longitude W. 81° 00' 34"; thence S. 1.15 miles to latitude N. 37° 24' 01" and longitude W. 81° 08' 49"; thence S. 2.00 miles; thence N. 23° 45' W. 1.25 miles; thence W. 1.00 mile to latitude N. 37° 25' 00" and longitude W. 81° 13' 16"; thence N. 1.95 miles to latitude N. 37° 20' 40" and longitude W. 81° 13' 16"; thence E. 0.45 miles; thence S. 81° 00' E. 0.95 mile to the BEGINNING, containing 6.75 square miles in Rock Magisterial District in Mercer County, West Virginia, as shown upon a map prepared by J. H. Milam, Inc., 1214 Myers Avenue, Dunbar, West Virginia, dated May 9, 1966", which map is filed with and made a part of said petition.

All persons residing in or owning or having any interest in property in said proposed public service district are hereby notified that the County Court of Mercer County, will conduct a public hearing on JULY 11, 1966, at 10: 00 A. M., in the County Court House at Princeton, West Virginia, at which time and place all interested persons may appear before the County Court and shall have an opportunity to be heard for and against the creation of the proposed public service district.

BY ORDER OF THE COUNTY COURT, this 13th day of June, 1966.

/s/ Harold C. Farley, COUNTY COURT CLERK.

ADOPTED BY THE COUNTY COURT June 13, 1966.

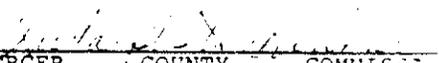
ATTEST:
/s/ Harold C. Farley, CLERK.

/s/ Fred Thomason PRESIDENT.

STATE OF WEST VIRGINIA,
COUNTY OF MERCER, TO WIT:

I, RUDOLPH D. JENNINGS, Clerk of the County Commission of the County and State aforesaid, do hereby certify that the foregoing writing is a true and correct copy of an Order, as taken from the records in my said office.

Given under my hand and Seal of said Commission, this the 17th day of September, 1990.


MERCER COUNTY COMMISSION

WEST VIRGINIA:

At an adjourned session of the County Court, continued
and held for the County of Mercer, at the Courthouse thereof, on Monday,
July 11th, 1966.

Present: Frank Gibson, Commissioner.

Present: O. D. Compton, Commissioner.

RESOLUTION AND ORDER CREATING LASHMEET PUBLIC SERVICE DISTRICT AND APPOINTING MEMBERS TO THE PUBLIC SERVICE BOARD OF SAID DISTRICT.

WHEREAS, the County Court of Mercer County, West Virginia, did heretofore by resolution and order adopted on the 13th day of June, 1966, fix this day for a public hearing on the creation of a Public Service District to be known as Lashmeet Public Service District, and by said resolution and order provided that all persons residing in or owning or having any interest in property within the boundaries of said Public Service District and all other interested parties might appear before this Court at this time and have the opportunity to be heard for or against the creation of said District; and,

WHEREAS, notice of this hearing was duly given in the manner provided and required by said resolution and order and in the manner required by Article 13A of Chapter 16 of the West Virginia Code, as amended, and all persons interested having been afforded the opportunity to be heard for or against the creation of said District, and no written protest having been filed by the requisite number of qualified voters registered and residing within said proposed Public Service District, and no protest of any kind having been presented at said hearing, and said Court having given due consideration to all matters for which such hearing was offered; and,

WHEREAS, it is now deemed desirable by said Court to adopt a resolution and order creating said District;

NOW, THEREFORE, Be It and It Is Hereby Resolved and Ordered by the County Court of Mercer County, West Virginia, as follows:

SECTION I. That a Public Service District within Mercer County, West Virginia, is hereby created, and said District shall have the following boundaries:

BEGINNING at the intersection of West Virginia Secondary Routes 6 and 6/3 and running thence East for a distance of 0.30 mile; thence S. $36^{\circ} 50'$ E. 1.53 miles; thence E. 1.75 miles to latitude N. $37^{\circ} 25' 00''$ and longitude W. $81^{\circ} 08' 49''$; thence S. 1.15 miles to latitude N. $37^{\circ} 24' 0''$; and longitude W. $81^{\circ} 08' 49''$; thence W. 2.60 miles; thence N. $23^{\circ} 45'$ W. 1.25 miles; thence W. 1.00 mile to latitude N. $37^{\circ} 25' 00''$ and longitude W. $81^{\circ} 13' 16''$; thence N. 1.95 miles to latitude N. $37^{\circ} 26' 40''$ and longitude W. $81^{\circ} 13' 16''$; thence E. 0.45 miles; thence S. $41^{\circ} 00'$ E. 0.95 mile to the BEGINNING, containing 6.75 square miles in Rock Magisterial District in Mercer County, West Virginia, as shown upon a map prepared by J. H. Milam, Inc., 1214 Myers Avenue, Dunbar, West Virginia, dated May 9, 1966, which map is filed with and made a part of the Petition heretofore filed with this Court on June 13, 1966, to which Map reference is hereby made for descriptive as well as other pertinent purposes.

SECTION II. Said Public Service District so created shall have the name and corporate title of Lashmeet Public Service District and shall constitute a public corporation and a political subdivision of the State of West Virginia, having all the rights and powers conferred upon public service districts by the laws of the State of West Virginia, and particularly Article 13A of Chapter 16 of the West Virginia Code, as amended.

SECTION III. The Court doth expressly find and determine that the creation of such District is feasible and that the maintenance, operation, improvement and extension of public service properties supplying water and sewage services within said District, and also outside said District to the extent permitted by law, will be conducive to the preservation of public health, comfort and convenience of such area.

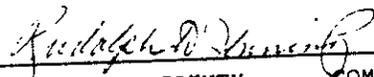
SECTION IV. That the Court finds and determines that Harold V. Graham, Luther Gates and Dillard Shrewsbury reside within said District and are fit and proper persons to be appointed to the Public Service Board of such District, the Court doth accordingly appoint the said Harold V. Graham, Luther Gates and Dillard Shrewsbury as members of the Public Service Board of Lashmeet Public Service District, and who shall constitute such Public Service Board; such persons are appointed as members of said Board for terms as indicated in the manner following: The said Harold V. Graham shall serve as such member of said Board for a term of 6 years from the 1st day of July, 1966; Luther Gates shall serve as such member of said Board for a term of 4 years from the 1st day of July, 1966; and Dillard Shrewsbury shall serve as such member of said Board for a term of 2 years from the 1st day of July, 1966.

SECTION V. The aforesaid persons shall meet as soon as practicable at the Office of the Clerk of this Court, and shall qualify by taking an oath of office, and thereafter, said members so appointed shall meet and organize in compliance with the provisions of Article 13A, Chapter 16 of the West Virginia Code as amended.

STATE OF WEST VIRGINIA,
COUNTY OF MERCER, TO WIT:

I, RUDOLPH D. JENNINGS, Clerk of the County Commission
of the County and State aforesaid, do hereby certify that the foregoing
writing is a true and correct copy of an Order, as taken from Minute
Book #21, Page #544.

Given under my hand and Seal of said Commission, this
the 27th day of June, 1990.


MERCER COUNTY COMMISSION CLERK

WEST VIRGINIA;

At an adjourned session of the County Commission, continued and held for
of County of Mercer, at the Courthouse thereof, on Monday, July 13, 1998.

Present: Joe Coburn, President.

Present: T. A. Warden, Jr., Commissioner.

Present: John P. Anderson, Commissioner.

BEFORE THE COUNTY COMMISSION OF MERCER COUNTY, WEST VIRGINIA

In re:

LASHMEET PUBLIC SERVICE DISTRICT and
OAKVALE ROAD PUBLIC SERVICE DISTRICT

ORDER TO INCREASE PUBLIC SERVICE DISTRICT BOUNDARIES

Pursuant to the provision of W. Va. Code § 16-13A-2 (1991 Replacement Vol.), on a former day came the Lashmeet Public Service District and Oakvale Road Public Service District and filed their Petition to enlarge the boundary of the Lashmeet Public Service District (Lashmeet) and to decrease the boundary of Oakvale Road Public Service District (Oakvale Road), to provide water service to additional residents of Mercer County, West Virginia, in a water project for Lashmeet.

On July 13, 1998, came the Petitioners and presented their Petition for a hearing. After hearing and review of the record, the Commission finds as follows:

1. Lashmeet and Oakvale Road are public service districts formed by the County Commission of Mercer County, West Virginia;

2. Lashmeet desires to provide water service to additional residents of Mercer County, West Virginia currently within the area of Oakvale Road;

3. The expansion of Lashmeet is in the best interests of the affected citizens in Mercer County. The expansion will provide for safe, stable water service to residents of Mercer County and will in no way adversely affect the existing customers of Oakvale Road. Oakvale Road does not currently serve the affected area.

4. The Petitioners have caused to be published as a Class I advertisement a notice of the hearing, a copy of which publication is attached to this Order.

5. The Petitioners have caused to be posted 5 notices of the hearing within the area to be encompassed by the expansion.

Accordingly, it is therefore ORDERED that the boundary of the Lashmeet Public Service District be enlarged and the boundary of Oakvale Road Public Service District will be decreased as follows:

LASHMEET PSD BOUNDARY EXPANSION

This proposed boundary expansion by Lashmeet Public Service District is needed as a result of the Lashmeet PSD's proposed water project to provide water service from the City of Princeton to Lashmeet and for future water system extensions to the Spanishburg area of Mercer County. The proposed Lashmeet PSD boundary is described as follows:

Beginning at the northwest corner of the current Lashmeet P.S.D. boundary, which is located at the intersection of latitude N 37° 27' 58" and longitude W 81° 12' 55"; thence, N 00° 00' 00" E 11,565 feet to latitude N 37° 29' 53" and longitude W 81° 12' 55"; thence N 90° 00' 00" E 31,497 feet to latitude N 37° 29' 53" and longitude W 81° 06' 23", said point being located on the centerline of Interstate 77 and a common corner to Oakvale Road PSD boundary; thence with proposed boundary line between Lashmeet PSD and Oakvale Road PSD southeast following the centerline of Interstate 77 to latitude N 37° 29' 27" and longitude W 81° 05' 16"; thence S 00° 00' 00" E 34,634 feet to latitude N 37° 23' 41" and longitude W 81° 05' 16", said point being located on the current Oakvale Road P.S.D.; thence with current Oakvale Road PSD boundary to be retracted the following four (4) calls: in a westerly direction approximately 10,609 feet to a point on U.S. Route 19 (Beckley Road) being approximately 1,085 feet south of the intersection of U.S. Route 19 and Blacklick Creek; thence along U.S. Route 19 approximately 750 feet to a point; thence paralleling the centerline of Mercer County Route 19/17 with a separation distance of 2,000 feet in the southerly direction for a distance of approximately 13,900 feet to the top of Turkey Knob Mountain; thence in a northwesterly direction approximately 9,150 feet to the centerline of the waters of Bluestone River, said point being at the intersection of latitude N 37° 23' 11" and longitude W 81° 10' 13"; thence N 21° 34' 17" W 4,411 feet to latitude N 37° 23' 52" and longitude W 81° 10' 34"; thence S 61° 20' 03" W 13,048 feet to latitude N 37° 22' 50" and longitude W 81° 12' 59"; thence N 27° 20' 47" W 11,796 feet to latitude N 37° 24' 34" and longitude W 81° 14' 07"; thence N 17° 42' 27" E 5,567 feet to latitude N 37° 25' 27" and longitude W 81° 13' 46"; thence N 00° 00' 00" E 8,400 feet to latitude N 37° 26' 51" and longitude W 81° 13' 46"; thence N 30° 27' 56" E 7,889 feet to the point of beginning and containing 59.17 square miles, more or less, in Mercer County, West Virginia as shown on a map prepared by Pentree, Inc., Princeton, West Virginia dated October 16, 1997.

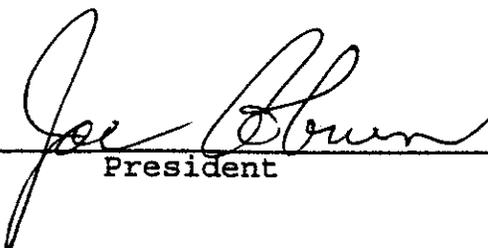
OAKVALE ROAD PSD BOUNDARY ADJUSTMENT

This proposed boundary adjustment by Oakvale Road Public Service District is needed as a result of the Lashmeet PSD's proposed water project to provide water service from the City of Princeton to Lashmeet and for future water system extensions to the Spanishburg area of Mercer County. The current western boundary of Oakvale Road PSD would be retracted to the proposed eastern boundary of Lashmeet PSD as follows:

Beginning at the northwest corner at latitude $N 37^{\circ} 29' 53''$ and longitude $W 81^{\circ} 06' 23''$, said point being located on the centerline of Interstate 77 and a common point to proposed Lashmeet PSD and Oakvale Road PSD boundaries; thence with proposed boundary between Lashmeet PSD and Oakvale Road PSD southeast following the centerline of Interstate 77 to latitude $N 37^{\circ} 29' 27''$ and longitude $W 81^{\circ} 05' 16''$; thence with said boundary $S 00^{\circ} 00' 00'' E$ 34,634 feet to latitude $N 37^{\circ} 23' 41''$ and longitude $W 81^{\circ} 05' 16''$, said point being located on the current Oakvale Road P.S.D boundary, with the Oakvale Road PSD boundary retraction being 20.22 square miles, more or less, in Mercer County, West Virginia as shown on a map prepared by Pentree, Inc., Princeton, West Virginia dated October 16, 1997.

The Clerk shall certify a copy of this order to Counsel for filing with the Public Service Commission of West Virginia.

Enter:



President

NOTICE OF HEARING
LASHMEET PUBLIC SERVICE DISTRICT
OAKVALE ROAD PUBLIC SERVICE DISTRICT

REQUEST FOR BOUNDARY CHANGE

Please take notice that Lashmeet Public Service District and Oakvale Road Public Service District shall bring on before the County Commission of Mercer County, West Virginia, at the Courthouse in Princeton, on July 13, 1998, at 10:00 AM a petition to enlarge the boundaries of the Lashmeet Public Service District, which enlarged boundary is situate in Mercer County, West Virginia, as more particularly bounded and described as follows:

LASHMEET PSD BOUNDARY EXPANSION

This proposed boundary expansion by Lashmeet Public Service District is needed as a result of the Lashmeet PSD's proposed water project to provide water service from the City of Princeton to Lashmeet and for future, water system extensions to the Spanishburg area of Mercer County. The proposed Lashmeet PSD boundary is described as follows:

Beginning at the northwest corner of the current Lashmeet P.S.D. boundary, which is located at the intersection of latitude N 37 degrees 27' 58" and longitude W 81 degrees 12' 55"; thence, N 00 degrees 00' 00" E 11,563 feet to latitude N 37 degrees 29' 53" and longitude W 81 degrees 12' 55"; thence, N 50 degrees 00' 00" E 31,697 feet to latitude N 37 degrees 29' 53" and longitude W 81 degrees 06' 23", said point being located on the centerline of Interstate 77 and a common corner to Oakvale Road PSD boundary; thence with proposed boundary line between Lashmeet PSD and Oakvale Road PSD southeast following the centerline of Interstate 77 to latitude N 37 degrees 29' 27" and longitude W 81 degrees 05' 16"; thence S 00 degrees 00' 00" E 34,634 feet to latitude N 37 degrees 23' 41" and longitude W 81 degrees 05' 16", said point being located on the current Oakvale Road P.S.D.; thence with current Oakvale Road PSD boundary to be retraced the following four (4) calls: in a westerly direction approximately 11,000 feet to a point on U.S. Route 19 (Beckley Road) being approximately 1,185 feet south of the intersection of U.S. Route 19 and Blacklick Creek; thence along U.S. Route 19 approximately 750 feet to a point; thence paralleling the centerline of Mercer County Route 1917 with a separation distance of 2,000 feet in the southerly direction for a distance of approximately 13,900 feet to the top of Turkey Knob Mountain; thence in a northwesterly direction approximately 9,150 feet to the centerline of the waters of Bluestone River, said point being at the intersection of latitude N 37 degrees 23' 11" and longitude W 81 degrees 10' 13"; thence N 21 degrees 34' 17" W 4,411 feet to latitude N 37 degrees 23' 52" and longitude W 81 degrees 10' 34"; thence S 61 degrees 20' 03" W 13,048 feet to latitude N 37 degrees 22' 50" and longitude W 81 degrees 12' 59"; thence N 27 degrees 20' 47" W 11,796 feet to latitude N 37 degrees 24' 34" and longitude W 81 degrees 14' 07"; thence N 17 degrees 42' 27" E 8,567 feet to latitude N 37 degrees 25' 27" and longitude W 81 degrees 13' 46"; thence N 00 degrees 00' 00" E 8,400 feet to latitude N 37 degrees 20' 51" and longitude W 81 degrees 13' 46"; thence N 30 degrees 27' 56" E 7,889 feet to the point of beginning and containing 59.17 square miles, more or less, in Mercer County, West Virginia as shown on a map prepared by Pentec, Inc., Princeton, West Virginia dated October 16, 1997.

The enlargement will likewise decrease the boundaries of Oakvale Road Public Service District as follows:

OAKVALE ROAD PSD BOUNDARY ADJUSTMENT

This proposed boundary adjustment by Oakvale Road Public Service District is needed as a result of the Lashmeet PSD's proposed water project to provide water service from the City of Princeton to Lashmeet and for future water system extensions to the Spanishburg area of Mercer County. The current western boundary of Oakvale Road PSD would be retracted to the proposed western boundary of Lashmeet PSD as follows:

Beginning at the northwest corner at latitude N 37 degrees 29' 53" and longitude W 81 degrees 10' 13", said point being located on the centerline of Interstate 77 and a common point to proposed Lashmeet PSD and Oakvale Road PSD boundaries; thence with proposed boundary between Lashmeet PSD and Oakvale Road PSD southeast following the centerline of Interstate 77 to latitude N 37 degrees 29' 27" and longitude W 81 degrees 10' 16"; thence with said boundary S 00 degrees 00' 00" E 34,634 feet to latitude N 37 degrees 23' 41" and longitude W 81 degrees 05' 16", said point being located on the current Oakvale Road P.S.D. boundary, with the Oakvale Road PSD boundary retraction being 28.22 square miles, more or less, in Mercer County, West Virginia as shown on a map prepared by Pentec, Inc., Princeton, West Virginia dated October 16, 1997.

The purpose of the expansion is to allow Lashmeet Public Service District to provide water service to unserved areas of Mercer County, West Virginia, in a new water project.

Any person having comments, questions or who wishes to speak in favor of or in opposition to the boundary change should appear at that place and time. LASHMEET PUBLIC SERVICE DISTRICT OAKVALE ROAD PUBLIC SERVICE DISTRICT BY COUNSEL

William S. Winfrey, II
Attorney at Law
1048 West Main Street
P.O. Box 1459
Princeton, WV 24740
304-487-1867

CERTIFICATE OF PUBLICATION

State of West Virginia. } To-wit:--
County of Mercer. }

I, Shirley Smith of the Bluefield Daily Telegraph, a daily morning newspaper published in the City of Bluefield, Mercer County, West Virginia, do certify that the notice attached hereto under the caption:

was published in the said Bluefield Daily Telegraph
one (1) Times
on the following days, namely: July 3rd

in the year 19 98
Publication Fee \$92.98

Subscribed and sworn to before me this 6th day of

July 19 98
My Commission expires Feb 20 2005

Shirley Smith
Ruth J. Stoppa
Notary Public

STATE OF WEST VIRGINIA,

COUNTY OF MERCER, TO WIT;

I, RUDOLPH D. JENNINGS, Clerk of the County Commission of the County and State aforesaid, do hereby certify that the foregoing writing is a true and correct copy of an Order as taken from the records in my said office.

Given under my hand and Seal of said Commission, this the 14th day of July, 1998.

 CLERK

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

Entered: August 31, 1998

CASE NO. 98-0906-PSD-PC

MERCER COUNTY COMMISSION

Petition for consent and approval of
boundary adjustments for Lashmeet Public
Service District and Oakvale Road Public
Service District.

RECOMMENDED DECISION

On July 21, 1998, the Mercer County Commission filed a petition with the Public Service Commission seeking approval to expand the boundary of the Lashmeet Public Service District and to retract the boundaries of the Oakvale Public Service District to accommodate a proposed Lashmeet water project, in accordance with West Virginia Code §16-13A-2. It was noted that expedited treatment of this matter was requested.

By Order dated August 10, 1998, this matter was referred to the Division of Administrative Law Judges for a decision to be rendered on or before February 16, 1999.

On July 31, 1998, Staff Attorney Cassius H. Toon filed the Initial and Final Joint Staff Memorandum to which was attached the Initial and Final Internal Memorandum of Mr. Roy McMillion, Utilities Analyst, Water and Wastewater Division. Messrs. Toon and McMillion explained that the Mercer County Commission expanded the boundaries of the Lashmeet Public Service District and retracted the boundaries of the Oakvale Public Service District to accommodate a Lashmeet Public Service District water project which the County Commission determined to be in the best interest of the citizens of Mercer County. The Lashmeet Public Service District will now provide water service to previously unserved areas of Mercer County. The certificate of publication for the public hearing held by the Mercer County Commission was attached to the petition. Staff recommended that the Commission approve the petition and that the matter be set for public hearing.

By Order dated August 19, 1998, this matter was set for a hearing to be held in the Board Room, Holiday Inn on the Hill, Bluefield, Mercer County, West Virginia, on August 27, 1998. Said Order also provided that the Mercer County Commission give notice of the hearing to be held in this matter on August 27, 1998, by publishing a notice of hearing once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Mercer County.

The hearing was held as scheduled on August 27, 1998. The Mercer County Commission appeared by its counsel Mr. William Winfrey, Esquire. The Lashmeet Public Service District was present by its Chairman and members of the Board and by its engineer. Commission Staff was represented by Staff Attorney Cecelia Jarrell. No one appeared in protest to the petition. Counsel for the County Commission submitted the proper affidavit of publication reflecting that publication had been made in accordance with the Commission's requirements.

Since no one appeared in protest to the petition, no evidence was received and the case was submitted for decision as unprotested.

FINDINGS OF FACT

1. On July 21, 1998, the Mercer County Commission filed a petition with the Public Service Commission seeking approval to expand the boundary of the Lashmeet Public Service District and to retract the boundaries of the Oakvale Road Public Service District to accommodate a proposed Lashmeet Public Service District water project, in accordance with West Virginia Code §16-13A-2. (See application).
2. On July 31, 1998, Staff Attorney Cassius H. Toon filed the Initial and Final Joint Staff Memorandum to which was attached the Initial and Final Internal Memorandum of Mr. Roy McMillion, Utilities Analyst, Water and Wastewater Division. Staff recommended Commission approval of the petition. (See, Initial and Final Joint Staff Memorandum filed July 31, 1998).
3. By Order dated August 19, 1998, this matter was set for a hearing to be held in the Board Room, Holiday Inn on the Hill, Bluefield, West Virginia, on August 27, 1998. Said Order also provided that the Mercer County Commission publish a notice of hearing once in a newspaper, duly qualified by the Secretary of State, published and of general circulation in Mercer County. (See Order dated August 19, 1998).
4. The hearing was held as scheduled on August 27, 1998. At the hearing, the Mercer County Commission submitted a proper affidavit of publication reflecting that publication had been made in accordance with the Commission's requirements. (See affidavit of publication, case file).
5. No one appeared at the hearing held on August 27, 1998, in protest to the Mercer County Commission petition. (See Tr., p. 4).

CONCLUSION OF LAW

Since the Mercer County Commission gave proper notice of the hearing to be held in this matter on August 27, 1998, and no one appeared in protest to the petition, the petition of the Mercer County Commission seeking consent and approval to expand the boundary of the Lashmeet Public Service District and retract the boundaries of the Oakvale Road Public Service District to accommodate the Lashmeet Public Service District in a water project, filed on July 21, 1998, should be approved as unprotested.

ORDER

IT IS, THEREFORE, ORDERED that the petition of the Mercer County Commission filed on July 21, 1998, seeking consent and approval to expand the boundary of the Lashmeet Public Service District and retract the boundaries of the Oakvale Road Public Service District to accommodate the Lashmeet Public Service District in a water project be, and the same hereby is, approved.

The Executive Secretary is hereby ordered to serve a copy of this order upon the Commission by hand delivery, and upon all parties of record by United States Certified Mail, return receipt requested. Additionally, the Executive Secretary shall serve a copy of this order upon counsel for the Mercer County Commission by facsimile transmission.

Leave is hereby granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this order is mailed. If exceptions are filed, the parties filing exceptions shall certify to the Executive Secretary that all parties of record have been served said exceptions.

If no exceptions are so filed this order shall become the order of the Commission, without further action or order, five (5) days following the expiration of the aforesaid fifteen (15) day time period, unless it is ordered stayed or postponed by the Commission.

Any party may request waiver of the right to file exceptions to an Administrative Law Judge's Order by filing an appropriate petition in writing with the Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's Order or Decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Robert W. Glass
Administrative Law Judge

RWG:mal

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 1st day of September, 1998.

CASE NO. 98-0906-PSD-PC
LASHMEET PUBLIC SERVICE DISTRICT and OAKVALE
ROAD PUBLIC SERVICE DISTRICT

Petition for consent and approval of boundary adjustments for Lashmeet Public Service District and Oakvale Road Public Service District.

COMMISSION ORDER

On July 21, 1998, the Mercer County Commission filed a petition for consent and approval to adjust the boundaries of Lashmeet Public Service District and Oakvale Road Public Service District.

On August 10, 1998, the Commission referred the proceeding to the Division of Administrative Law Judges for a decision to be rendered on or before February 16, 1999.

On August 19, 1998, Administrative Law Judge Robert Glass entered a Procedural Order establishing a procedural schedule, including a hearing to be held on August 27, 1998 in Bluefield.

On August 31, 1998, Judge Glass entered a Recommended Decision approving the petition.

On August 31, 1998, William Winfrey, counsel of record for the Mercer County Commission filed a motion to waive the fifteen day exception period to the Recommended Decision.

On August 31, 1998, Richard E. Hitt, Chief Counsel, indicated via telecommunications that the motion filed by the County Commission could be waived; and,

West Virginia Code §24-1-9 provides a time period of at least twenty (20) days from the date of a recommended order until it becomes effective. According to West Virginia Code §24-1-9(c), at least fifteen (15) days must be afforded the parties within which to file exceptions. In addition, §24-1-9(e) provides that when no exceptions are filed within the specified time period, the Commission shall have an additional five (5) days within which to stay or postpone the order.

The Commission is therefore of the opinion and belief that said motion of waiver received by the Commission on August 31, 1998, should be granted.

IT IS, THEREFORE, ORDERED that the requested waiver be, and the same hereby is, granted.

IT IS FURTHER ORDERED that the Administrative Law Judge's Recommended Decision in this matter becomes final (5) days after the date of this order.

A True Copy, Teste:



Sandra Squire
Executive Secretary

SS/pjh

WEST VIRGINIA:

At an adjourned session of the County Commission, continued and held for the County of Mercer, at the Courthouse thereof, on Tuesday, October 11, 1994.

Present:	John K. Rapp,	President.
Present:	Charles E. Lohr,	Commissioner.
Present:	T. A. Warden, Jr.,	Commissioner.

RE: APPOINTMENT – MEMBER LASHMEET PUBLIC SERVICE DISTRICT.

This day the Commission unanimously re-appointed Judy Goad, as a Member of the Lashmeet Public Service District for a six (6) year term retroactive from June 1, 1994 and ending June 1, 2000.

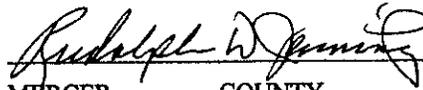
STATE OF WEST VIRGINIA,

COUNTY OF MERCER, TO WIT:

I, RUDOLPH D. JENNINGS, Clerk of the County Commission of the County and State aforesaid, do hereby certify that the foregoing writing is a true and correct copy of an Order, as taken from the records in my said office.

Given under my hand and Seal of said Commission, this the 2nd day of June, 1998.




_____ CLERK
MERCER COUNTY COMMISSION

WEST VIRGINIA:

At a regular session of the County Commission, held for the County of Mercer, at the Courthouse thereof, on Monday, June 10, 1996.

Present:	John K. Rapp,	President.
Present:	T. A. Warden, Jr.,	Commissioner.
Present:	John P. Anderson,	Commissioner.

RE: APPOINTMENT – MEMBER LASHMEET PUBLIC SERVICE DISTRICT.

This day on motion of John P. Anderson, Commissioner, seconded by T. A. Warden, Jr., Commissioner, the Commission unanimously re-appointed Shirley Humphrey, as a Member of the Lashmeet Public Service District, term to begin July 1, 1996 and end July 1, 2002.

STATE OF WEST VIRGINIA,

COUNTY OF MERCER, TO WIT:

I, RUDOLPH D. JENNINGS, Clerk of the County Commission of the County and State aforesaid, do hereby certify that the foregoing writing is a true and correct copy of an Order, as taken from the records in my said office.

Given under my hand and Seal of said Commission, this the 2nd day of June, 1998.



Rudolph D. Jennings CLERK
MERCER COUNTY COMMISSION

WEST VIRGINIA:

At a regular session of the County Commission, held for the County of Mercer, at the Courthouse thereof, on Wednesday, June 10, 1998.

Present:	Joe Coburn,	President.
Present:	T. A. Warden, Jr.,	Commissioner.
Present:	John P. Anderson,	Commissioner.

RE: APPOINTMENT – LASHMEET PUBLIC SERVICE DISTRICT.

This day on motion of John P. Anderson, Commissioner, seconded by T. A. Warden, Jr., Commissioner, the Commission unanimously re-appointed Dillard Shrewsbury as a Member of the Lashmeet Public Service District for a six (6) year term to begin July 1, 1998 and end June 30, 2004.

STATE OF WEST VIRGINIA,

COUNTY OF MERCER, TO WIT:

I, RUDOLPH D. JENNINGS, Clerk of the County Commission of the County and State aforesaid, do hereby certify that the foregoing writing is a true and correct copy of an Order, as taken from the records in my said office.

Given under my hand and Seal of said Commission, this the 15th day of June, 1998.



MERCER COUNTY COMMISSION CLERK

STATE OF WEST VIRGINIA,
COUNTY OF MERCER, TO WIT:

I, RUDOLPH D. JENNINGS, Clerk of the County Commission of the County and State
aforesaid, do hereby certify that the foregoing writing is a true and correct copy of an Order, as
taken from the records in my said office.

Given under my hand and Seal of said Commission, this the 15th day of June, 1998.


MERCER COUNTY COMMISSION CLERK

OATH OF OFFICE AND CERTIFICATE

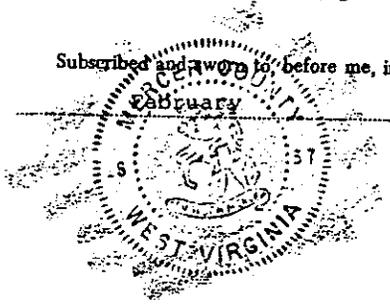
STATE OF WEST VIRGINIA
COUNTY OF MERCER, TO-WIT:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of
Member - Lashmeet Public Service District

to the best of my skill and judgment, so help me God.

(Signature of affiant) Judy Goad
Judy Goad

Subscribed and sworn to before me, in said County and State, this 16th day of February, 19 95



Rudolph D. Jennings
RUDOLPH D. JENNINGS, CLERK
MERCER COUNTY COMMISSION

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA
COUNTY OF MERCER, TO-WIT:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of
Member - Lashmeet Public Service District

to the best of my skill and judgment, so help me God.

(Signature of affiant) Shirley Humphrey
Shirley Humphrey

Subscribed and sworn to, before me, in said County and State, this 16th day of

July 16, 1996.



Rudolph D. Jennings
RUDDOLPH D. JENNINGS, CLERK
MERCER COUNTY COMMISSION

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

COUNTY OF MERCER, TO-WIT:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of Member - Lashmeet Public Service District.

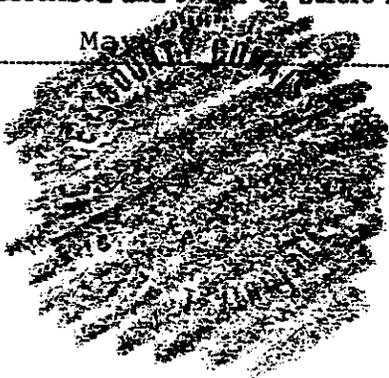
to the best of my skill and judgment, so help me God.

(Signature of affiant)

Dillard Shresbury

Subscribed and sworn to, before me, in said County and State, this 29th day of

May, 19 98



Rudolph D. Jennings, CLERK

MERCER COUNTY COMMISSION

RULES OF PROCEDURE

LASHMEET PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: LASHMEET PUBLIC SERVICE DISTRICT

Section 2. The principal office of this Public Service District will be located at Lashmeet, West Virginia.

Section 3. The Common Seal of the District shall consist of 2 concentric circles between which circles shall be inscribed Lashmeet Public Service District, and in the center "seal" as follows:

Section 4. The fiscal year of the District shall begin the 1st day of July in each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended (the "Act").

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by The County Commission of Mercer County, West Virginia, or otherwise appointed pursuant to the Act, who shall serve for such terms as may be specified in the order of the County Commission or otherwise.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission or other entity provided under the Act and request the appointment of a qualified person to fill such vacancy.

Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission or other entity provided under the Act of the pending termination and request the County Commission or other entity provided under the Act to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the _____ of each month at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, 2 members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those present may adjourn the meeting to a later date.

Section 3. Unless otherwise waived, notice to members by letter or telephone shall be required for regular meetings. Unless otherwise waived, notice in writing of each special meeting of the membership shall be given to all members by the Secretary by mailing the same to the last known post office addresses of the members at least 3 days before the date fixed for such meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended, notice of the time and place of all regularly scheduled sessions of such Public Service Board, and the time, place and purpose of all special sessions of such Public Service Board, shall be made available, in advance, to the public and news media as follows:

A. A notice shall be posted by the Secretary of the Public Service Board of the Public Service District at the front door of the Mercer County Courthouse and at the front door of the place fixed for the regular meetings of the Public Service Board of the time and place fixed and entered of record by the Public Service Board for the holding of regularly scheduled sessions. If a particular regularly scheduled session is cancelled or postponed, a notice of such cancellation or postponement shall be posted at the front doors of the Courthouse and the meeting place as soon as feasible after such cancellation or postponement has been determined upon.

B. A notice shall be posted by the Secretary of the Public Service Board at the front door to the Mercer County Courthouse and at the front door of the place fixed for the regular meetings of the Public Service Board at least 48 hours before a special session is to be held, stating the time, place and purpose for which such special session shall be held. If the special session is cancelled, a notice of such cancellation shall be posted at the front doors of the Courthouse and the meeting place as soon as feasible after such cancellation has been determined upon.

C. The form of notice for posting as to a special session may be generally as follows:

LASHMEET PUBLIC SERVICE DISTRICT

NOTICE OF SPECIAL SESSION

The Public Service Board of Lashmeet Public Service District will meet in special session on _____, at _____ .m., prevailing time, at _____, West Virginia, for the following purposes:

1. To consider and act upon a proposed Bond Authorizing Resolution providing for the issuance of a _____ Bond, Series _____, of the District, in the principal amount of \$ _____, to provide funds for construction of _____ facilities of the District.

2.

Secretary

Date: _____

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, Secretary and Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in the month of January of such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. He shall, together with the Secretary, sign the minutes of all meetings at which he shall preside. He shall attend generally to the executive business of the Board and exercise such powers as may be conferred upon him by the Board, by these Rules of Procedure, or prescribed by law. He shall execute, and if necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to be executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. If the Chairman is absent from any meeting, the remaining members of the Board shall select a temporary chairman.

Section 3. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. He shall, together with the Chairman, sign the minutes of the meetings at which he is present. The Secretary shall have charge of the minute book, be the custodian of deeds and other writings and papers of the Board. He shall also perform such other duties as he may have under law by virtue of his office or as may be conferred upon him from time to time by the members of the Board.

Section 4. The Treasurer shall be the lawful custodian of all funds of the District and shall pay same out on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

07/24/90
LPSDB.N1
50816/90001

46-1490-40001

CERTIFICATE OF PUBLICATION

State of West Virginia. } To-wit:--
County of Mercer. }

I, Shirley Smith of the Bluefield Daily Telegraph, a daily morning newspaper published in the City of Bluefield, Mercer County, West Virginia, do certify that the notice attached hereto under the caption:

RECEIVED

DEC 06 1996

WATER/WASTEWATER DIVISION
PUBLIC SERVICE COMMISSION

was published in the said Bluefield Daily Telegraph

Two (2) Times
on the following days, namely: Nov. 26th, Dec. 3rd

in the year 19 96

Publication Fee \$122.86

Shirley Smith

Subscribed and sworn to before me this 3rd day of December 1996

My Commission expires July 20 2005
Ruth J. Stopper Notary Public

DEC-5 AM 9:37

Handwritten signature

NOTICE
LAKESHORE PUBLIC SERVICE DISTRICT
MERCER COUNTY, WEST VIRGINIA
NOTICE IS HEREBY GIVEN to the residents of the Lakeshore Public Service District (the "District"), Mercer County, West Virginia, that the District intends to acquire, construct, operate and maintain certain public service properties, consisting water facilities in the Lakeshore and Eagle areas of Mercer County consisting of water mains, and appurtenant water facilities (the "Project") in the District.
The District contemplates financing the Project through the issuance of its Water Revenue Bonds in the aggregate principal amount estimated not to exceed \$3,844,000 (the "Bonds"), bearing interest at a rate not to exceed 7 1/2% per annum and with maturity not to exceed 40 years. The estimated cost of the Project is \$3,844,000. The system is expected to serve the District's 900 existing customers and 366 new customers when the Project is completed. The West Virginia American Water Company is also contemplating financing a project estimated to cost \$1,000,000 in conjunction with the District's project.
At or prior to commencement of construction of the Project, the District contemplates borrowing, on a limited basis from time to time, sums not to exceed \$200,000 in the aggregate, such borrowing to be in the form of bond anticipation notes of a type of which is witnessed by such notes (the "Notes"). The Notes shall bear interest at a rate not to exceed 7 1/2% per annum and shall have maturities not to exceed 36 months. All such interest borrowings will be temporary and repayments of the Notes will be made from proceeds of the Notes or the Bonds or a combination of the foregoing.
The rates which will be charged by the District for water services will be the same rate charged by West Virginia-American Water Company which are estimated to be as follows:
RATES (Available for general residential, commercial, and industrial service)
Flow 2,000 gallons used per month of the minimum charge
Next 28,000 gallons used per month \$4.7418 per 1000 gallons
Next 670,000 gallons used per month \$2.8147 per 1000 gallons
Next 1,100,000 gallons used per month \$1.4508 per 1000 gallons
Over 9,000,000 gallons used per month \$1.6331 per 1000 gallons
MINIMUM CHARGE
No bill will be rendered for less than the following amount according to the size of meter installed, to wit: for customers having multiple meter settings, the minimum charge will be the sum of the minimum charges for each of the individual meters:
3/4 inch meter or less \$13.53 per month
1 inch meter 33.82 per month
1-1/2 inch meter 67.65 per month
2 inch meter 101.48 per month
3 inch meter 202.95 per month
4 inch meter 304.35 per month
6 inch meter 456.50 per month
8 inch meter 608.60 per month
All residential customers shall be served through a 3/8" meter, provided, however, that the Company may install a larger meter with reasonable necessity. This restriction shall not apply to residential meters currently in service.
Penalties of West Virginia American Water Company for delayed payments, penalties, disconnection for non-payment, connection charges, and deposit fees shall be applicable.
CONNECTION CHARGE
Price in construction - \$100
After the cost of construction, there shall be a charge of \$250 for installation of the meter.
On January 3, 1997, the Commission on Public Utilities, the District and the Public Service Commission of West Virginia entered into a Memorandum of Understanding for the construction and installation of the Project with the Public Service Commission of West Virginia.
Lakeshore Public Service District
Chairman, Public Service District
Lakeshore Public Service District

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA**

CHARLESTON

Entered by the Public Service Commission of West Virginia, in the City of Charleston on the 23rd day of October, 1997.

CASE NO. 96-1490-PWD-CN

LASHMEET PUBLIC SERVICE

DISTRICT, a public utility.

Application for a certificate of convenience and necessity to construct water facilities in the Lashmeet and Kegley areas consisting of linear feet of 2" water mains, three booster stations, and all necessary valves, controls, and appurtenances.

NOTICE OF FILING

WHEREAS, on September 29, 1997, Lashmeet Public Service District, filed an application for a certificate of convenience and necessity to construct water facilities in the Lashmeet and Kegley areas consisting of linear feet of 2" water mains, three booster stations, and all necessary valves, controls, and appurtenances.

WHEREAS, Lashmeet Public Service District, estimates that construction of the project will cost approximately \$3,384,000; and, WHEREAS, Lashmeet Public Service District proposes to finance the construction of the project by a loan from the West Virginia Infrastructure and Job Development Council; and,

WHEREAS, Lashmeet Public Service District anticipates charging the following rates maintaining its existing water and charges as follows:

First 2,000 gal. - \$13.53

Next 28,000 gal. - 4.7418 per 1,000 gal.

Next 870,000 gal. - 2.8147 per 1,000 gal.

Next 8,100,000 gal. - 2.4508 per 1,000 gal.

Next 9,000,000 gal. - 1.6331 per 1,000 gal.

Minimum Charge - \$13.53 per month (residential)

Pursuant to § 24-2-11, West Virginia Code, IT IS ORDERED that Lashmeet Public Service District, a public utility, give notice of the filing of said application by publishing a copy of this order once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Mercer County, making due return to this Commission of proper certification of publication immediately after publication. Anyone desiring to make objection to said application must do so in writing, within thirty (30) days after the publication of this notice, to Sandra Neal, Executive Secretary, P.O. Box 812, Charleston, West Virginia 25325.

IT IS FURTHER ORDERED that if no protests are received within said 30-day period, the Commission may waive formal hearing and grant the application of the Lashmeet Public Service District, based on the evidence submitted with said application and its review thereof.

FOR THE COMMISSION

Sandra Neal

Executive Secretary

CERTIFICATE OF PUBLICATION

State of West Virginia, }
County of Mercer. } To-wit:--

I, Shirley Smith

of the Bluefield Daily Telegraph, a daily morning newspaper published in the City of Bluefield, Mercer County, West Virginia, do certify that the notice attached hereto under the caption;

was published in the said Bluefield Daily Telegraph

One (1) Times
Oct. 30th

on the following days, namely;

in the year 19 97

Publication Fee \$49.33

Subscribed and sworn to before me this 30th day of

October 19 97

My Commission expires

Feb 20 19 2005

Ruth J. Stopper

Notary Public

APPENDIX A
PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA

CASE NO. 96-1490-PWD-CN
LASHMEET PUBLIC SERVICE
DISTRICT, a public utility.

Application for a certificate
of convenience and necessity to
construct water facilities in the
Lashmeet and Kegley areas; and
for approval of funding and rates
incidental thereto.

REVISED NOTICE OF FILING

WHEREAS, on September 29, 1997, Lashmeet Public Service District filed an application for a certificate of convenience and necessity to construct water facilities in the Lashmeet and Kegley areas consisting of linear feet of 2" water mains, three booster stations and all necessary valves, controls and appurtenances.

WHEREAS, Lashmeet Public Service District estimates that construction of the project will cost approximately \$3,384,000; and

WHEREAS, Lashmeet Public Service District proposes to finance the construction of the project by a loan from the West Virginia Infrastructure and Jobs Development Council; and

WHEREAS, Lashmeet Public Service District anticipates charging the following rates and charges:

First 2,000 gallons \$13.69
Next 28,000 gallons used per month \$4.8811 per 1,000 gallons
Next 870,000 gallons used per month \$3.0047 per 1,000 gallons
Next 8,100,000 gallons used per month \$2.6536 per 1,000 gallons

All Over 9,000,000 gallons used per month \$1.8542 per 1,000 gallons
Minimum Charge - \$13.69 per month (residential)

If no protests are received within thirty days, the Commission may waive formal hearing and grant the application of Lashmeet Public Service District, based on the evidence submitted with the application and its review thereof.

LASHMEET PUBLIC SERVICE DISTRICT



STATE OF WEST VIRGINIA
RUTH J. HOPPER
1118 COLLEGE AVE., APT. #12
BLUEFIELD, WV 24701

My Commission Expires February 20, 2005

CERTIFICATE OF PUBLICATION

State of West Virginia, }
County of Mercer, }
Shirley Smith
To-wit:--

I, Shirley Smith of the Bluefield Daily Telegraph, a daily morning newspaper published in the City of Bluefield, Mercer County, West Virginia, do certify that the notice attached hereto under the caption:

was published in the said Bluefield Daily Telegraph

Two (2) Times
on the following days, namely; Jan. 27th, Feb. 3rd

in the year 19 98
Publication Fee \$63.09

Shirley Smith
Subscribed and sworn to before me this 3rd day of February 19 98

My Commission expires Feb. 20 19 2005
Ruth J. Hopper
Notary Public

LASHMEET PUBLIC SERVICE DISTRICT
PLANNING MEETING FOR 1998
JANUARY 6, 1998
6:00 PM

IN ATTENDANCE
Dillard Shrewsbury
Judy Goad
Shirley Humphrey

Meeting was called to order by Dillard. Shirley opened with prayer.

✓ Dillard will continue as Chairman.
Judy will continue as Treasurer.
Shirley will continue as Secretary.

Pay raises for any certified up grade will be paid the following month.

All employees will be paid for their birthday; it cannot be carried over to the next year nor can the employee work this day and receive double pay. They must take the day off or loose it.

All employees will take all vacation days within the calendar year or loose them. Employees cannot work these days and receive their vacation pay as well as regular wages.

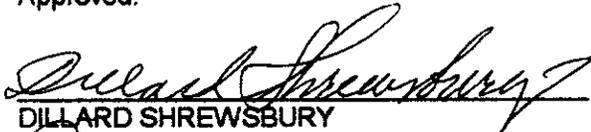
All employees will work 8 hours a day. The office will be open 8:30 am to 4:00 pm Monday thru Friday.

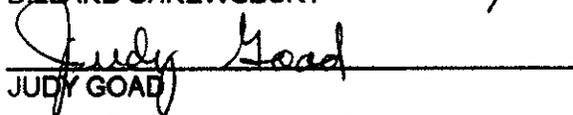
Lacy Huffman will be re-classified to equipment operator and receive a pay rate of \$7.29 per hour effective January 1, 1998.

Any employee who obtains a certification up grade will receive a pay increase of \$150.00 per month.

Meeting adjourned at 7:35 PM.

Approved:


DILLARD SHREWSBURY


JUDY GOAD


SHIRLEY HUMPHREY

LASHMEET PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)**

**MINUTES ON ADOPTION OF BOND
RESOLUTION AND SUPPLEMENTAL RESOLUTION**

The undersigned SECRETARY of the Public Service Board of Lashmeet Public Service District, hereby certify that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

The Public Service Board of Lashmeet Public Service District met in special session, pursuant to notice duly posted, on the 9th day of September, 1998, in Lashmeet, West Virginia, at the hour of 10:00 a.m.

PRESENT: Dillard Shrewsbury - Chairman and Member
 Shirley Humphrey - Secretary and Member
 Judy Goad - Treasurer and Member

ABSENT: None.

Dillard Shrewsbury, Chairman, presided, and Shirley Humphrey, acted as Secretary.

The Chairman announced that a quorum of members was present and that the meeting was open for any business properly before it. Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS AND EXTENSIONS TO THE EXISTING PUBLIC WATERWORKS FACILITIES OF LASHMEET PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF NOT MORE THAN \$4,070,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1998 A (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS

OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion duly made and seconded, it was unanimously ordered that the Bond Resolution be adopted and be in full force and effect on and from the date hereof.

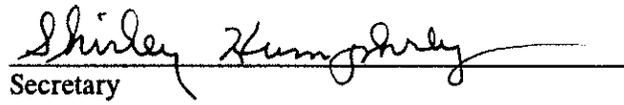
The Chairman then presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1998 A (WEST VIRGINIA INFRASTRUCTURE FUND), OF LASHMEET PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING THE LOAN AGREEMENTS RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion. Thereupon, on motion duly made and seconded, it was unanimously ordered that the Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.


Chairman


Secretary

CERTIFICATION

I hereby certify that the foregoing action of said Public Service Board remains in full force and effect and has not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 10th day of September, 1998.


Secretary

08/31/98
508160/94001

WV MUNICIPAL BOND COMMISSION

812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

NEW ISSUE REPORT FORM

Date of Report: September 10, 1998

(See Reverse for Instructions)

ISSUE: Lashmeet Public Service District Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund)

ADDRESS: Post Office Box 189, Lashmeet, WV 24733 COUNTY: Mercer

PURPOSE: New Money Refunding Refunds Issue(s) dated: _____

ISSUE DATE: September 10, 1998 CLOSING DATE: September 10, 1998

ISSUE AMOUNT: \$ 4,070,000 RATE: 2%

1st DEBT SERVICE DUE: 9/1/99 1st PRINCIPAL DUE: 9/1/99

1st DEBT SERVICE AMOUNT: \$37,477.86 PAYING AGENT: Municipal Bond Commission

ISSUERS
BOND COUNSEL: Steptoe & Johnson
Contact Person: Vincent A. Collins, Esq.
Phone: 624-8161

UNDERWRITERS
BOND COUNSEL: Jackson & Kelly
Contact Person: Sammie L. Gee, Esq.
Phone: 340-1318

CLOSING BANK: First Community Bank
Contact Person: Vicki Bush
Phone: 487-9000

ESCROW TRUSTEE:
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Karen Buck
Position: General Manager
Phone: 425-9631 FAX: _____

OTHER: WV Infrastructure and Jobs Development Council
Contact Person: Susan Riggs, Esq.
Function: Executive Director
Phone: 558-4607

DEPOSITS TO MBC AT CLOSE: _____
By Wire Accrued Interest: \$ _____
 Check Capitalized Interest: \$ _____
 Other: _____ Reserve Account: \$ _____
Other: _____ \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:
By Wire To Escrow Trustee: \$ _____
 Check To Issuer: \$ _____
 IBT To Cons. Invest. Fund: \$ _____
 To Other: _____ \$ _____

NOTES: _____

FOR MUNICIPAL BOND COMMISSION USE ONLY:

DOCUMENTS
REQUIRED: _____
TRANSFERS
REQUIRED: _____

LASHMEET PUBLIC SERVICE DISTRICT

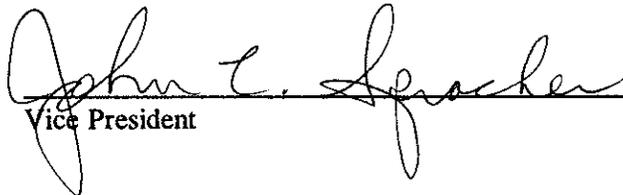
**Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)**

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

First Community Bank, Princeton, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution and a Supplemental Resolution of Lashmeet Public Service District (the "Issuer"), both adopted September 9, 1998 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), dated September 10, 1998, issued in the principal amount of \$4,070,000 (the "Bonds"), as set forth in the Bond Legislation.

WITNESS my signature on this 10th day of September, 1998.

FIRST COMMUNITY BANK


Vice President

08/31/98
508160/94001

LASHMEET PUBLIC SERVICE DISTRICT

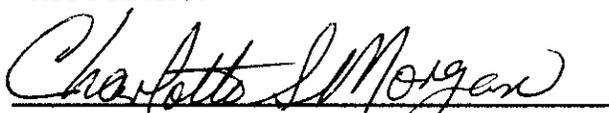
**Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)**

ACCEPTANCE OF DUTIES AS REGISTRAR

ONE VALLEY BANK, NATIONAL ASSOCIATION, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Lashmeet Public Service District Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), dated September 10, 1998, issued in the principal amount of \$4,070,000 (the "Bonds"), and agrees to perform all duties of Registrar in connection with such Bonds, as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 10th day of September, 1998.

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

08/31/98
508160/94001

LASHMEET PUBLIC SERVICE DISTRICT

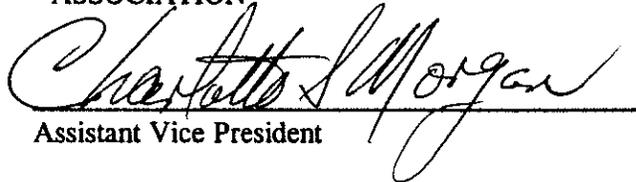
Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)

CERTIFICATE OF REGISTRATION OF BONDS

ONE VALLEY BANK, NATIONAL ASSOCIATION, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned Bonds of Lashmeet Public Service District (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Lashmeet Public Service District Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), of the Issuer, dated September 10, 1998, in the principal amount of \$4,070,000, numbered AR-1, is registered as to principal and interest in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of One Valley Bank, National Association, as Registrar.

WITNESS my signature on this 10th day of September, 1998.

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

08/31/98
508160/94001

LASHMEET PUBLIC SERVICE DISTRICT

**Water Revenue Bonds, Series 1998 A
(West Virginia Infrastructure Fund)**

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 10th day of September, 1998, by and between LASHMEET PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$4,070,000 Water Revenue Bonds, Series 1998 A (West Virginia Infrastructure Fund), in fully registered form (the "Bonds"), pursuant to a Bond Resolution adopted September 9, 1998, and a Supplemental Resolution adopted September 9, 1998 (collectively, the "Bond Legislation");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Bond Legislation, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do

so with the intention of maintaining the exclusion of interest on the Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the annexed schedule.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

ISSUER: Lashmeet Public Service District
Post Office Box 189
Lashmeet, West Virginia 24733
Attention: Chairman

REGISTRAR: One Valley Bank, National Association
Post Office Box 1793
One Valley Square
Charleston, West Virginia 25326
Attention: Corporate Trust Department

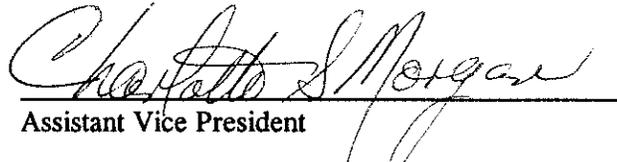
8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

IN WITNESS WHEREOF, the parties hereto have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

LÁSHMEET PUBLIC SERVICE DISTRICT


Chairman

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

08/31/98
508160/94001

EXHIBIT A

[Included in transcript as Document No. 1]

Invoice

**ONE VALLEY
BANK**

LASHMEET PUBLIC SERVICE DISTRICT
ATTN: MS KAREN BUCK
P O BOX 189
LASHMEET WV 24733

DATE SEPTEMBER 10, 1998

UNITS	ITEM DESCRIPTION	TOTAL
	<p>LASHMEET PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, SERIES 1998 A (WV INFRASTRUCTURE FUND)</p> <p>ONE TIME FEE FOR SERVICES AS REGISTRAR AND AUTHENTICATING AGENT.....</p>	<p>\$250.00</p>

SEND REMITTANCE TO: One Valley Bank
One Financial Place - 6th Floor
One Valley Square
P.O. Box 1793
Charleston, WV 25326
ATTN: CHARLOTTE S MORGAN

THIS AGREEMENT is made as of this 30th day of March 1997, by and between WEST VIRGINIA-AMERICAN WATER COMPANY, a West Virginia corporation ("Water Company"), and LASHMEET PUBLIC SERVICE ("LPSD"), a public corporation organized and existing pursuant to the provisions of West Virginia Code § 16-13A-1, et seq.

W I T N E S S E T H:

WHEREAS, the LPSD is a public service district created by the County Commission of Mercer County and formed pursuant to the provisions of W. Va. Code Section 16-13A-1, et seq.; and

WHEREAS, the LPSD currently provides water service to approximately 900 customers at Lashmeet and vicinity in Mercer County, West Virginia, pursuant to a certificate of convenience and necessity issued by the Public Service Commission of West Virginia ("Public Service Commission") in PSC Case No. 6628 by Order dated October 28, 1968; and

WHEREAS, the water treatment and distribution facilities of the LPSD consist of approximately 27.5 miles of water distribution lines, a treatment and filtration plant, two 100,000 gallon steel tanks, and a booster station, all as more fully detailed on the map of the system captioned "West Virginia-American Water Company, Lashmeet/Princeton Interconnection," Drawing No. 031997, dated March 1997 and attached to and incorporated in this Agreement as Exhibit A (such Interconnection being hereafter referred to as the "Lashmeet Project"); and

WHEREAS, LPSD has requested Water Company to provide LPSD with a supply of potable water from Water Company's Princeton and/or Bluestone Treatment Plants through the construction of the Lashmeet Project; and

WHEREAS, the Lashmeet Project will begin at the northwest terminus of the Company's Princeton distribution system and interconnect with the LPSD distribution system, all as shown on Exhibit A, in order to permit the LPSD to provide water service to the residents of the LPSD service area, it having been determined by LPSD that Water Company is the best available source of potable water for that area; and

WHEREAS, Water Company and LPSD, in order to have pipeline facilities available to provide a supply of potable water to the LPSD service area, propose to design and construct certain distribution mains and other water facilities as generally shown on Exhibit A; and

WHEREAS, Water Company, upon the in-service date of the Bluestone Treatment Plant, will have sufficient treatment capacity to supply the estimated needs of the customers of the Water Company in Mercer and Summer Counties, West Virginia, and the current and future customers of LPSD; and

WHEREAS, Water Company and LPSD, as a result of the arrangements contemplated by this Agreement and the monies available to the LPSD and to the Water Company for the construction of the LPSD Facilities, will be able to obtain the construction of the Lashmeet Project and will be able to serve an additional 457 customers that are not currently receiving potable water; and

WHEREAS, LPSD believes it is in the best interests of the LPSD and the current and future customers of the LPSD service area for Water Company to operate, maintain, repair and replace the LPSD Project and the water system of the LPSD after the completion of the Lashmeet Project.

NOW, THEREFORE, for and in consideration of the premises, which are hereby made an integral part of this Agreement and which are not to be construed as mere recitals, the covenants and agreements contained herein and other good and valuable considerations, the receipt and sufficiency of all of which are hereby acknowledged, Water Company and LPSD agree:

I. Construction of Water Facilities.

After the conditions precedent described in Section XV have been satisfied, the parties shall proceed promptly and diligently to construct the following facilities:

<u>Lashmeet Water Line Extension</u>	<u>Approximate Cost Estimate</u>
1. 26,800 feet of 12-inch water line	\$1,072,000
2. Water Booster Station	75,000
3. Pressure Reducing Station	40,000
4. 80 feet of 12-inch Creek Crossing	8,000
5. 100 feet of 12-inch River Crossing	20,000
6. 150 feet of 12-inch Road Crossing	15,000
7. 200 feet of 12-inch Road Bore	40,000
8. 80 feet of 12-inch Railroad Bore	20,000
9. 12-inch Tie	5,000
10. 12-inch Gate Valves	21,000
11. Air Release on 12-inch lines	7,500
12. Hydrants	30,000
13. Tee and Valve-off lines	37,500
14. Pavement Replacement	10,000
15. Meters and Service Lines	56,800
16. 1-inch Road Jacks	<u>36,000</u>
Construction Subtotal	<u>\$1,493,800</u>

Kegley-Shawnee Lake Extension

Approximate Cost Estimate

1.	4,500 feet of 12-inch water line	\$ 180,000
2.	32,000 feet of 8-inch water line	704,000
3.	41,400 feet of 6-inch water line	703,000
4.	12-inch/8-inch/6-inch Road Bore	68,000
5.	100 feet of 12-inch River Crossing	20,000
6.	12-inch/8-inch/6-inch Road Crossing	50,000
7.	50 feet of 8-inch Railroad Bore	24,000
8.	12-inch/8-inch/6-inch Gate Valves	47,000
9.	Fire Hydrants and Valves	92,000
10.	Meters, Service Lines and Road Jacks	351,500
11.	Hydropneumatic Station	49,600
12.	Pavement Replacement	<u>20,000</u>

Construction Subtotal \$2,296,000

Construction Costs \$3,790,000

Contingency Costs \$ 379,000

Other Project Costs (Admin, Legal, Etc.) \$ 715,000

TOTAL ESTIMATED LASHMEET PROJECT COSTS \$4,884,000

A. Company's Proposed Construction. Based on the expected long term relationship between LPSD and Water Company, and subject to the termination provisions set forth in Sections IV and XI of this Agreement, Water Company agrees to contribute \$1,000,000 toward the estimated cost of the LPSD Project of \$4,884,000 and will own a \$1,000,000 portion of the pipeline and related facilities based on the cost of constructing that pipeline and related facilities as described in the "Lashmeet Water Line Extension" above. The specific portion of the Lashmeet Water Line Extension to be owned by Water Company

will begin at the northwest terminus of the Company's Princeton system (hereinafter the "Water Company Facilities").

B. LPSD Proposed Construction.

(1) LPSD shall, at its sole cost and expense, design, purchase, install and own the remainder of the LPSD Project, consisting of the "Kegley-Shawnee Lake Extension" shown above, plus a \$493,800 portion of the "Lashmeet Water Line Extension," based on the cost of constructing that "Lashmeet Water Line Extension" (such portion of the Lashmeet Project being built and owned by LPSD being referred to as "LPSD Facilities").

II. Funding for the LPSD Project.

The proposed funding for the Lashmeet Project is detailed more fully on Exhibit B to this Agreement and consists generally of a proposed \$3,884,000 Infrastructure Loan and \$1,000,000 of Water Company funding. In order to assist the LPSD to meet its obligations for its existing debt and existing loan reserve, to provide principal and interest payments for the Infrastructure Loan, the three existing loans from the Farmers Home Administration ("RECD") (a total for such RECD loans of \$758,308 as of June 30, 1995), the Company also agrees to pay for the use of the LPSD Facilities by paying to the LPSD an annual "use" fee ("Use Fee") amounting to \$221,084. This Use Fee will be reduced over time by the amount included in the Use Fee to service the debt so retired when and as any of the loans to the RECD or to the Infrastructure Council are paid and retired.

III. Supply of Water to Customers of LPSD.

A. Upon completion of the LPSD Project, Water Company agrees to provide to LPSD customers served from LPSD Facilities, subject to the terms, conditions, undertakings, agreements and limitations provided in this Agreement, the total water requirements to the customers of LPSD, said water delivered to LPSD's customers to be of the same quality as that supplied to Water Company's customers in its Princeton and Hinton Districts. Water Company will be paid for the water supplied to LPSD customers in the manner set forth in Section VII of this Agreement at the rates of Water Company from time to time established pursuant to Chapter 24 of the West Virginia Code, as amended.

B. Water Company shall monitor the water quality and be responsible for compliance with all state and federal standards for furnishing water to the public.

C. If at any time during construction of the Lashmeet Project, Water Company agrees to provide water to a portion of the customers of LPSD, such water shall also be provided by Water Company and paid for by LPSD's customers in the manner set forth in this Agreement. Water Company agrees to use reasonable efforts to coordinate its construction with that of LPSD in order to supply water as set forth above.

D. In the event of an extended shortage of water, or if the supply of water from Water Company is otherwise diminished or impaired, the supply of water to the customers of LPSD shall be reduced or diminished in approximately the same proportion as the supply of the water to customers of Water Company's Princeton and Hinton District customers is reduced or diminished. Any notification given to Water Company's Princeton

or Hinton District customers of any anticipated shortage of water shall also be given to customers of LPSD.

IV. Term of This Agreement.

The term of this Agreement shall extend for forty (40) years from the date hereof and thereafter may continue in effect from year to year by mutual consent of the parties; provided, however, the LPSD shall have the right to terminate this Agreement on (i) sixty (60) days prior written notice and (ii) payment at the time of such termination to Water Company of the amount calculated as set forth in Section XI below.

V. Plans and Specifications for LPSD Project.

A. Pentree, Incorporated, Consulting Engineers ("Pentree"), has been retained by LPSD to provide engineering services for the LPSD in connection with the preparation of the design, the necessary plans and specifications and the estimates of the cost of construction of LPSD Project, and Water Company shall have the right to review and approve that design and plans and specifications.

B. Pentree will provide a full time, qualified inspector to the LPSD and Water Company whose obligation on behalf of Water Company and LPSD shall be to insure that construction under the Agreement of the LPSD Facilities and the Water Company Facilities is conducted in accordance with the Plans. In the event an inspection by Pentree during construction of LPSD Facilities or of the construction techniques or methods employed by, or for, LPSD or the contractor during construction reveals that construction of the LPSD Facilities is not proceeding according to the approved plans and specifications,

Pentree shall, within 15 days of any inspection by Pentree or within 15 days of being advised of such deficiencies in construction by the inspector, give written notice thereof to LPSD and Water Company, and LPSD hereby agrees that they will correct, or cause the contractor to correct, such discrepancy within 45 days of receipt of such notice.

C. In the event LPSD or the contractor refuse to correct such discrepancy, then Water Company, at its sole option, shall have the right to declare this Agreement null and void or to treat such discrepancy as provided for in Section VI hereof.

D. In the event this Agreement becomes null and void under this Section V, Water Company shall not be liable for any costs or damages as a result thereof.

VI. Operation and Maintenance of LPSD Facilities By Water Company for LPSD.

A. Except as otherwise provided in this Agreement, Water Company hereby agrees, at its expense, to operate, maintain, repair and replace (i) LPSD Facilities described in Section I of this Agreement and (ii) all water lines added thereto with the written approval of Water Company and LPSD.

B. In the event Water Company, under the terms of this Agreement, is required to install, relocate or replace any "unit of property" within the LPSD system as defined in the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners ("NARUC"), Water Company shall make such installation, relocation or replacement at its cost; provided, however, that in every instance the unit of property shall be, and remain, the property of Water Company (unless purchased by LPSD from Water

Company after termination of this Agreement as provided in Section VII hereof) and shall be properly includable in the depreciable utility plant of Water Company in calculating its cost of service and resulting rates.

C. LPSD agrees that, in those instances in which the Water Company installs, replaces or relocates any unit of property on the LPSD system pursuant to the provisions of subsection B of this Section VI, LPSD will, simultaneously therewith, convey to Water Company all related rights of way, easements, licenses or other property interests necessary for Water Company to have and own such unit of property in the location and manner in which it is installed, replaced or relocated on the LPSD system.

VII. Reading Meters, Billing of Customers and Payments to LPSD.

A. All customers served directly from the LPSD Facilities under this Agreement shall be the customers of LPSD, and all customers served from Water Company Facilities shall be the customers of Water Company. Water Company, at its expense, shall read all meters of the customers of LPSD and render bills to those customers, as agent for and on behalf of LPSD, in a manner consistent with the meter reading and billing practices of Water Company employed in billing its own customers, such bills to be rendered and collected by Water Company on behalf of LPSD and to be computed based on the usage of each LPSD customer at the rates of LPSD from time to time established pursuant to Chapter 24 of the West Virginia Code, as amended.

B. It is the intent of Water Company and LPSD under this Agreement that the bills delivered to each customer of LPSD on behalf of LPSD reflect the amount due for the water used (such amount to be determined by applying the rates of LPSD to the

consumption of water by LPSD's customers as determined by monthly or estimated meter readings). The bills delivered to the customers of LPSD will be delivered by, and be payable to, Water Company, as agent for LPSD.

C. Water Company, in consideration of the respective rights, duties, obligations, agreements and undertakings of the parties under this Agreement, shall be entitled to receive from LPSD an amount for water service rendered to LPSD's customers equal to the consumption of each individual LPSD customer at Water Company rates from time to time established pursuant to Chapter 24 of the West Virginia Code, as amended. Water Company shall prepare and deliver a monthly statement to LPSD which shall reflect the total amount collected by Water Company, as agent for LPSD, and the total amount retained by Water Company for the water service provided to customers of LPSD at the respective rates of LPSD and Water Company. A customer of LPSD shall be charged a municipal B & O surcharge on his usage only if that customer resides within a municipality which imposes such a surcharge. In addition, the monthly statement to be provided to LPSD by Water Company will also include the costs of any additions or extensions, and related refunds, made at the cost of the LPSD under Section IX, and the cost of any fire hydrants under Section XIV installed at the cost of LPSD.

D. In addition to such other obligations, duties and responsibilities as set forth in this Agreement, as amended, Water Company also agrees to pay directly to vendors the actual reasonable costs of the following five items on behalf of LPSD, up to a maximum aggregate amount for all five items of \$12,000 in each calendar year during the term hereof,

upon the receipt of an invoice for such costs from the vendor, which has been approved by LPSD for payment and forwarded by LPSD to Water Company:

1. Cost for Rental of a Location for LPSD Meetings
2. LPSD's Commissioner's Fees
3. Legal and Accounting Expenses
4. Liability Insurance and Bonds
5. Regulatory Commission Fees
6. Miscellaneous Supplies

In the event that either Water Company or LPSD believes that the maximum aggregate amount of \$12,000 is inadequate or excessive to pay the reasonable costs of the above-mentioned five items, then either party may petition the Utilities Division of the Public Service Commission of West Virginia to audit and review the costs incurred by LPSD for such items and to fix the maximum aggregate amount for said items which Water Company will pay pursuant to this Subsection D.

E. As a part of the costs and expenses described in Subsection D of this Section VII, LPSD agrees to have its accountants review, at least annually, at the expense of LPSD, the system of accounts maintained by Water Company for the LPSD and report the results of that review to LPSD and Water Company.

VIII. Payment by Water Company for the Use of the LPSD Facilities:

Water Company also agrees to pay the Use Fee to LPSD of \$221,084 per year, but only until the debt of the LPSD approved by the Infrastructure Council and the other debt for which such payment is being made as more fully described in Section II has been paid in part or in full. This \$221,084 payment shall be paid either directly to the account of LPSD

or may offset against amounts due Water Company from LPSD, at the option of Water Company, will be paid or offset on a monthly basis at the time of the other payments provided in paragraph VI hereof, and will be reduced as any of the debt is paid and retired by the amount previously required to service that debt. The \$221,084 shall be dedicated to service the principal, interest and loan reserve on any debt of LPSD approved by the Infrastructure Council and the RECD loans referred to in Section II and used to finance the construction of the LPSD Facilities.

IX. Future Additions to and Future Extension of LPSD Facilities.

Water Company and LPSD are aware that there may be written requests by LPSD for future additional use of water by customers of LPSD and that there may be future approved LPSD additions and extensions made to LPSD Facilities. In addition to the other requirements set forth in this Agreement, LPSD and Water Company hereby specifically agree that such additional use, additions and extensions will be made only if, in the opinion of Water Company, Water Company's Bluestone Treatment Plant has sufficient treatment capacity and distribution and pumping facilities, including transmission and distribution mains, adequate to serve LPSD's customers and if Water Company believes it otherwise economically feasible to meet the total then present and anticipated needs of both the customers of LPSD and the other customers of Water Company's Princeton and Hinton Districts. Further, LPSD and Water Company agree as follows:

A. Future Additions. All future additions to LPSD Facilities constructed by LPSD shall be subject to this Agreement; provided, however, that future additions to the system must be approved by both Water Company and LPSD.

B. Future Extension. Customer extensions from LPSD Facilities and within LPSD boundary lines may be installed by either LPSD or Water Company. When LPSD receives a request for a customer extension, LPSD shall notify in writing Water Company within fifteen days of its receipt of said request whether it will install the customer extension or desires Water Company to make the installation.

(1) In the event LPSD desires Water Company to install and own the customer extension, (i) Water Company shall contract on its own behalf with the customer requesting the extension and make the installation pursuant to the Rules and Regulations of the Commission, (ii) all customers attaching to the customer extension shall be considered customers of LPSD for billing purposes at the rates of LPSD in accordance with Section VII, and (iii) the customer extension shall be, without further cost or expense of any kind, the property of Water Company.

(2) In the event LPSD elects to install and own the customer extension, the construction for that customer extension by LPSD will be contracted to a contractor acceptable to Water Company, and all plans and specifications for that extension shall be submitted to and approved by Water Company before becoming a part of LPSD's system and being subject to this Agreement. When that extension is contracted to a contractor acceptable to Water Company, Water Company, on behalf of and as agent for

LPSD, will contract directly with such contractor to provide the extension. Any extension deposits taken by Water Company on behalf of and as agent for LPSD pursuant to the Rules and Regulations of the Public Service Commission of West Virginia ("Commission") will be retained by Water Company and credited against the cost of the extension, and the balance of the deposit above the cost of the extension, if any, will be returned to the contracting customer. Water Company, on behalf of and as agent for LPSD, will make refunds to the contracting customers for the extensions pursuant to the Rules and Regulations of the Commission based on the rates of Water Company, using funds advanced to Water Company by LPSD.

(3) Refunds made pursuant to the Rules and Regulations of the Commission to customers contracting directly with Water Company pursuant to subparagraph IX(B)(1) shall be the sole responsibility of Water Company, and the cost of such extensions, to the extent refunded or reimbursed to customers pursuant to the Commission's Rules and Regulations, shall be properly includable in Water Company's depreciable utility plant in calculating Water Company's cost of service and resulting rates.

X. Installation of Domestic Services.

After the proposed construction of the Water Company Facilities and LPSD Facilities, including service lines and meter settings for existing customers, provided for in this Agreement has been completed, Water Company shall install, in accordance with the Rules and Regulations of the Commission, domestic service lines, including the tap on LPSD Facilities and the service line from LPSD Facilities to the established curb line or within the

public right of way nearest the main. This installation shall include the meter setting. All such service lines from the LPSD Facilities to the LPSD customer's property line, meter settings and taps shall be constructed and installed by Water Company and shall be the property of Water Company. Water Company shall install all meters at its cost, shall own the meters, and shall assume the obligation to repair, maintain and replace the meters.

XI. Payment to Water Company Upon Termination of the Agreement.

A. Water Company and LPSD agree that the \$1,000,000 payment made by Water Company toward the cost of the LPSD Project was in anticipation of a forty-year contractual relationship under this Agreement, and if LPSD elects to exercise its right to terminate this Agreement at any time prior to the end of the forty-year term, then LPSD agrees to pay the Company at the time of such termination a portion of the \$1,000,000 as a termination fee ("termination fee") on a pro rata basis based on the remaining years in the forty-year Agreement, less any depreciation which Company may have recovered through its rates on the \$1,000,000 paid by Water Company on the LPSD Project.

B. At the time of termination of this Agreement, Water Company will be entitled to receive payment for the termination fee, all water delivered to LPSD customers through the termination date of this Agreement in accordance with the provisions of Section VII of this Agreement, and all water meters installed on LPSD's distribution system at the time of such termination will be removed by Water Company. LPSD agrees that it will either replace those meters, install nipples in place of those meters or buy the meters from

Water Company at the depreciated original cost of those meters as provided in Subsection D of this Section XI.

C. Upon termination of the Agreement, LPSD also agrees that it will purchase from Water Company at the depreciated original cost of those items all of the units of property installed, replaced or relocated by Water Company on the LPSD system under Section V of this Agreement and all service lines from the LPSD Facilities to the LPSD customers' property line, meter settings and taps installed at the cost of Water Company and reflected on the books of the Water Company at the time of the termination of the Agreement.

D. Upon termination of the Agreement, Water Company shall, within thirty (30) days of such termination, provide to LPSD (i) the total cost of all such items described in subparagraphs B and C of this section XI installed at the cost of Water Company and (ii) the total depreciation accrued on all of such items. LPSD agrees that it will pay to Water Company the total net depreciated cost (original cost less depreciation) of such items over a three year period with such payments to be made in thirty-six (36) equal monthly payments of principal, plus accrued interest at the "Prime Rate," as defined below, commencing forty-five (45) days after termination of the Agreement. The Prime Rate shall be the prime rate as shown in The Wall Street Journal being defined therein as the "base rate on corporate loans at large U.S. money center commercial banks" and reported as the "PRIME RATE" under the heading "Money Rates," as those terms shall be from time to time changed. The Prime Rate shall change not more often than the first day of each calendar quarter, and for

each calendar quarter it shall be determined on the last day of the preceding calendar quarter on which The Wall Street Journal is published with the aforesaid prime rate quotation. In the event that The Wall Street Journal ceases to publish such rates, the Prime Rate shall be the prime rate established by One Valley Bank, National Association, of Charleston, West Virginia, from time to time.

XII. Employment of LPSD Employees. Provided that such employees pass the physical examination and other screening tests routinely required of applicants for employment with Company, Company agrees to employ the 4 current full-time employees of LPSD listed on Exhibit C to this Agreement as full-time employees of Company at a salary and with benefits comparable to those of Company employees performing the same tasks. The employees listed on Exhibit C shall be deemed to have been employed by Company on the dates indicated on Exhibit C for the limited purpose of determining vacation or sick pay benefits with Company, such vacation and sick pay benefits to be earned only for full time employment with Company.

XIII. Installation of Private Fire Protection Services.

After the proposed construction provided for in this Agreement has been completed, additional fire services, approved by LPSD, may be installed by Water Company from the LPSD Facilities, but only in accordance with the Rules and Regulations of the Commission. Fire service will be installed by Water Company at the expense of the applicant and will be billed by Water Company to the applicant and paid by the applicant

directly to Water Company at a rate equal to the ten approved Water Company's private protection rate.

XIV. Installation of Fire Hydrants.

After the original construction provided for in this Agreement has been completed, public fire protection facilities approved by LPSD may be installed on LPSD Facilities covered by this Agreement at the request of an appropriate governmental unit, and installation shall be made pursuant to the Rules and Regulations of the Commission, provided that all such fire hydrants shall have a flow capability of at least 500 GPM at 20 psi residential pressure for a sustained period of time.

XV. Water Service Franchise Territories.

It is expressly understood and agreed by Water Company and LPSD that:

A. Water Company shall be permitted to install and maintain Water Company lines and facilities within the water service franchise area of LPSD as are necessary to enjoy and fulfill its rights and obligations under this Agreement, subject to the terms and conditions set forth in this Agreement.

B. Except as otherwise provided in this Agreement, all persons residing outside of LPSD's water service franchise area, as defined above, and served, either at present or in the future, by Water Company shall be considered customers of Water Company.

C. LPSD agrees that, as a part of the consideration for this Agreement, Water Company shall have the right, even after termination of this Agreement, to transfer

water through LPSD Facilities, and all future additions and future extensions thereto, and to serve customers who may be connected, directly or indirectly, to Water Company water mains, whether inside or outside LPSD's service area.

XVI. Conditions Precedent to Effectiveness of Agreement.

Water Company and LPSD understand and agree that this Agreement, and the obligations of each of them hereunder, are expressly conditioned upon the following, each of which is a condition precedent to the validity and enforceability of this Agreement:

- A. LPSD shall have received a firm commitment for the RECD grant to enable it to carry out its obligations under Section I of this Agreement.
- B. The Commission shall have granted a certificate of convenience and necessity for the construction of the LPSD Facilities.
- C. The Commission shall have approved the rates and billing arrangements requested by LPSD in the Joint Application, or any supplements thereto, filed with the Commission seeking approval of this Agreement, which Joint Application shall initially be the responsibility of Water Company and thereafter shall be the joint responsibility of Water Company and LPSD.
- D. LPSD shall have acquired all necessary permits from all applicable State and Federal agencies and shall provide evidence to Water Company, satisfactory to counsel for Water Company, that it has all of the necessary rights of way, easements, licenses or permits necessary for the installation of the LPSD Facilities; provided, however, that in the event that it is later discovered that LPSD does not or did not have a right of way or easement

for a portion of the LPSD Facilities this condition precedent shall be deemed satisfied if LPSD acquires such right of way or easement, and the related right of entry, by eminent domain at no cost to Water Company.

E. The Commission shall have approved this Agreement and all of its terms, conditions, undertakings, agreements and limitations. Specifically, and without in anyway limiting the generality of this condition, the Order approving the Agreement and the transactions contemplated thereby shall:

(1) Authorize the inclusion in depreciable utility plant of Water Company any amounts expended by Water Company for the cost of installing, replacing or relocating any water lines or facilities on LPSD Facilities which are defined as a "unit of property," in the NARUC Uniform System of Accounts and which are relocated or replaced by Water Company at its cost pursuant to Section VI under this Agreement and the cost to Water Company to install service lines, meter settings and taps on the LPSD Facilities; and

(2) Authorize Water Company to include in depreciable utility plant an amount equal to the tax expense associated with the obligations assumed by Water Company under the Agreement to the extent that the construction of the LPSD Facilities and other facilities undertaken by LPSD, or the undertaking by Water Company to operate, maintain, repair or replace the LPSD Facilities under this Agreement, causes the cost of such LPSD construction, or any part thereof, to constitute taxable income or to otherwise to generate tax expense for Water Company.

F. The Commission shall not have attached to its Order any terms, conditions or limitations which shall adversely affect this Agreement or the economic feasibility of this project between the parties insofar as take any action or refrain from taking any action which, in the opinion of their respective counsel, might require them, or either of them, to breach any of the their obligations under any Mortgage Indenture, as supplemented, or any other agreement to which either of them might be a party.

XVII. Representations and Warranties.

A. LPSD represents and warrants to Water Company as follows:

(1) The execution, delivery and performance of this Agreement by LPSD has been duly authorized, and this Agreement constitutes a valid and binding obligation of LPSD enforceable in accordance with its terms; and

(2) The execution and performance of this Agreement in accordance with its terms by LPSD will not violate any provisions of law or violate the terms or conditions of any grants or loans made to LPSD for construction of LPSD Facilities.

B. Water Company represents and warrants to LPSD as follows:

(1) The execution, delivery and performance of this Agreement by Water Company have been duly authorized, and this Agreement constitutes a valid and binding obligation of Water Company enforceable in accordance with its terms; and

(2) The execution and performance of this Agreement in accordance with its terms by Water Company will not violate any provisions of Water Company's indentures.

XVIII. Assignability.

This Agreement shall be binding upon the successors and assigns of the respective parties hereto.

XIX. Notice.

Any notice, demand or request given hereunder shall be deemed sufficient if in writing and sent by certified mail, postal charges prepaid, to West Virginia-American Water Company, Attention: President, 500 Summers Street, P. O. Box 1906, Charleston, WV 25327; and to LPSD addressed to Lashmeet Public Service District, P.O. Box 189, Lashmeet, WV 24733-0189, or to such address as the parties shall indicate by written notice to the other parties.

XX. Captions.

The captions preceding the text of the sections of this Agreement are inserted solely for convenience and reference and shall not be used to construe, interpret or affect any provision of this Agreement.

IN WITNESS WHEREOF, West Virginia-American Water Company, a corporation, and Lashmeet Public Service District have caused this Agreement to be signed, by their proper officers thereunto duly authorized, all as of the day and year first above written.

WEST VIRGINIA-AMERICAN WATER
COMPANY

By


Its President

LASHMEET PUBLIC SERVICE DISTRICT

By *William Strickland*
Commissioner

By *Shirley Humphrey*
Commissioner

By *Judy Goad*
Commissioner

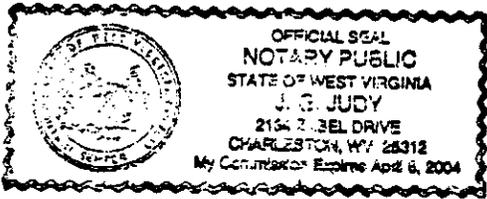
CHASFS3:14712

STATE OF WEST VIRGINIA,

COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this 12th day of May, 1997, by Chris Jarrett, President of West Virginia-American Water Company, a West Virginia corporation, on behalf of the corporation.

My commission expires April 6, 2004.



J. G. Judy
Notary Public

STATE OF WEST VIRGINIA,

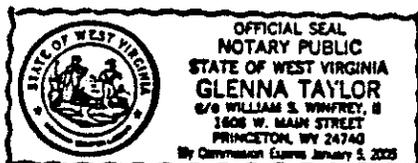
COUNTY OF MERCER, to-wit:

The foregoing instrument was acknowledged before me this 5th day of May, 1997, by Dillard Shumaker, Shelby Humphrey and Judy Good being all of the Commissioners of the Lashmeet Public Service District, on behalf of the Lashmeet Public Service District..

My commission expires Jan 5 2005.

Glenna Taylor
Notary Public

CHASFS3:14712



AMENDMENT TO AGREEMENT

This Amendment is dated as of this ^{May} 14th day of ~~April~~ 1998, between West Virginia-American Water Company, a West Virginia corporation ("Company"), and Lashmeet Public Service District, a public corporation established under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended ("LPSD").

WITNESSETH:

WHEREAS, Company and LPSD, by Agreement ("Agreement") made as of the 30th day of March 1997, agreed to an Operating and Maintenance Agreement ("O&M Agreement") for the operation and maintenance of certain facilities to be constructed and owned by LPSD; and

WHEREAS, under the O&M Agreement, Company agreed to pay a certain annual amount to the LPSD as a use fee ("Use Fee") for the use by the Company of certain facilities to be constructed and owned by the LPSD pursuant to the Agreement; and

WHEREAS, the Use Fee was calculated to provide sufficient funds (i) to service the loans to LPSD by the Rural Utilities Services ("RUS Loans") for construction of a portion of the LPSD water system and (ii) to service the loan from the Infrastructure and Jobs Development Council ("Infrastructure Loan") necessary to construct certain LPSD facilities to be constructed under the O&M Agreement; and

WHEREAS, Company and LPSD have agreed to amend the O&M Agreement in order to permit the Company to pay and retire the RUS Loans at the time of closing and to provide that LPSD will convey to Company a portion of its transmission and distribution system equal in value to the amount of the RUS Loans repaid by the Company, such amount of the transmission and distribution system to be determined based on the depreciated original cost of the System.

NOW, THEREFORE, for and in consideration of the premises, which are hereby made an integral part of this Amendment and which are not to be construed as mere recitals, the covenants and agreements contained herein and other good and valuable considerations, the receipt and sufficiency of all of which are hereby acknowledged, the Company and LPSD agree that the O&M Agreement is amended to the extent, but only to the extent indicated below:

1. Subsection A of Section I "**IA. Company's Proposed Construction**" is amended by adding the highlighted language and deleting the interlined language to that Subsection IA:

A. Company's Proposed Construction. Based on the expected long term relationship between LPSD and Water Company, and subject to the termination provisions set forth in Sections IV and XI of this Agreement, Water Company agrees to contribute \$1,000,000 toward the estimated cost of the LPSD Project of \$4,884,000 and will own a \$1,000,000 portion of the pipeline and related facilities based on the cost of constructing that pipeline and related facilities as described in the "Lashmeet Water Line Extension" above and a portion of the Lashmeet Water Line Extension equal to the payment made by Company to pay the three existing RUS Loans from the Farmers Home Administration ("RUS") (a total for such RUS Loans of \$740,196 as of June 30, 1996). The specific portion of the Lashmeet Water Line Extension or other portions of the LPSD system to be owned by Water Company (hereinafter the "Water Company Facilities") ~~will begin at the northwest terminus of the Company's Princeton system are shown on the schedule captioned "Lashmeet PSD Detail of Assets" attached to this Amendment as Exhibit 1 and upon the drawings by Pentree Incorporated, Consulting Engineers, captioned "Lashmeet P.S.D Water System" which are incorporated in this Amendment by reference as Exhibit 2.~~

2. Section "**II. Funding for the LPSD Project**" is amended by adding the highlighted language and by deleting the interlined language stricken:

II. Funding for the LPSD Project.

The proposed funding for the Lashmeet Project is detailed more fully on Exhibit B to this Agreement and consists generally of a proposed \$3,884,000 Infrastructure Loan, and the \$1,000,000 of Water Company funding for construction, ~~and the payment of the three existing RUS Loans.~~ In order to assist the LPSD to meet its obligations for its

~~existing debt and existing loan reserve, to provide principal and interest payments for the Infrastructure Loan, the three existing loans from the Farmers Home Administration ("RECD") (a total for such RECD Loans of \$758,308 as of June 30, 1995), the Company, as a part of its duties and responsibilities under this Agreement and also for the right to use the LPSD Facilities, also agrees to pay for the use of the LPSD Facilities by paying to the LPSD an annual "use" fee ("Use Fee") amounting to \$156,199 ~~221,084~~. This Use Fee will be reduced over time by the amount included in the Use Fee to service the debt so retired when and as any of the loans to the RECD or to the Infrastructure Council are Infrastructure Loan from the Infrastructure Council as and when that Infrastructure Loan is paid and retired.~~

3. Subsection A of Section "III. Supply of Water Customers" is amended by adding the highlighted language to that Subsection III.A:

III. Supply of Water to Customers of LPSD.

A. Upon completion of the LPSD Project, Water Company agrees to provide to LPSD customers served from LPSD Facilities, subject to the terms, conditions, undertakings, agreements and limitations provided in this Agreement, the total water requirements to the customers of LPSD, said water delivered to LPSD's customers to be of the same quality as that supplied to Water Company's customers in its Princeton and Hinton Districts. Water Company will be paid for the water supplied to LPSD customers and for ~~the other duties and responsibilities it has assumed under this Agreement~~, in the manner set forth in Section VII of this Agreement at the rates of Water Company from time to time established pursuant to Chapter 24 of the West Virginia Code, as amended.

4. Subsection A of Section "VI. Operation and Maintenance of LPSD Facilities by Water Company for LPSD." is amended by adding the highlighted language to that Subsection III.A:

VI. Operation and Maintenance of LPSD Facilities by Water Company for LPSD.

A. Except as otherwise provided in this Agreement, Water Company hereby agrees, at its expense, to operate, maintain, repair and replace (i) LPSD Facilities described in Section I of this Agreement and (ii) all of the other water utility facilities of the LPSD which remain in service and are used and useful in providing water service to LPSD customers and (iii) all water lines added thereto with the written approval of Water Company and LPSD.

5. Section "VIII. Payment by Water Company for the Use of the LPSD

Facilities" is amended by adding the highlighted language and by deleting the interlined language:

VIII. Payment by Water Company for the Use of the LPSD Facilities:

Water Company also agrees to pay the Use Fee to LPSD of \$156,199 ~~221,084~~ per year, but only until the ~~debt Infrastructure Loan~~ of the LPSD approved by the Infrastructure Council ~~and the other debt for which such payment is being made as more fully described in Section H~~ has been paid in part or in full. This \$156,199 ~~221,084~~ payment shall be paid either directly to the account of LPSD ~~or may offset against amounts due Water Company from LPSD, at the option of Water Company, will be paid or offset on a monthly basis at the time of the other payments provided in paragraph VI hereof, and will be reduced as any of the debt Infrastructure Loan is paid and retired and by the amount previously required to service that debt Infrastructure Loan is reduced.~~ The Use Fee of \$156,199 ~~221,084~~ shall be dedicated to service the principal, interest and loan reserve on the Infrastructure Loan of LPSD approved by the Infrastructure Council ~~and the RECD loans referred to in Section H~~ and used to finance the construction of the LPSD Facilities.

6. Subsection A of Section "XI. Payment to Water Company Upon

Termination of the Agreement" is amended by adding the highlighted language and by deleting the interlined language:

XI. Payment to Water Company Upon Termination of the Agreement.

A. Water Company and LPSD agree that the \$1,000,000 payment made by Water Company toward the cost of the LPSD Project and the payment of \$740,196 to pay and retire the three RUS Loans ~~were was~~ in anticipation of a forty-year contractual relationship under this Agreement, and if LPSD elects to exercise its right to terminate this Agreement at any time prior to the end of the forty-year term, then LPSD agrees to pay the Company at the time of such termination a portion of the \$1,740,196 ~~1,000,000~~ as a termination fee ("termination fee") on a pro rata basis based on the remaining years in the forty-year Agreement, less any depreciation which Company may have recovered through its rates on the \$1,740,196 ~~1,000,000~~ paid by Water Company on the LPSD Project.

7. Subsection C of Section "XV. Water Service Franchise Territories" is

amended by adding the highlighted language and by deleting the interlined language:

C. ~~Water Company and LPSD agrees that, as a part of the consideration for this Agreement, Water Company shall have the right, even after termination of this Agreement, to transfer water through LPSD Facilities, and all future additions and future extensions thereto, and to serve Water Company customers who may be connected, directly or indirectly, to Water Company water mains, whether inside or outside LPSD's service area. The parties agree that neither this Agreement, nor the approval of this Agreement by the Commission, constitutes a determination by the parties or the Commission that any subsequent use of the LPSD Facilities by Water Company after termination of this Agreement, or any extensions thereof, shall require the payment of a transportation rate by the Water Company, but either party shall be free to raise that issue for determination before the Public Service Commission following such termination.~~

8. Subsection A of Section "XVI. Conditions Precedent to Effectiveness of Agreement" is amended by adding the highlighted language and by deleting the interlined language:

A. LPSD shall have received a firm commitment for the Infrastructure Loan RECD grant to carry out its obligations under Section I of this Agreement.

9. In all other respects, the Agreement shall be and remain in full force and effect, subject only to the terms, conditions, limitations, and undertakings contained in the Agreement.

IN WITNESS WHEREOF, West Virginia-American Water Company, a corporation, and Lashmeet Public Service District, a public corporation, have caused this Amendment to the Agreement to be signed, by their proper officers thereunto duly authorized, all as of the day and year first above written.

WEST VIRGINIA-AMERICAN WATER
COMPANY

By Michael A. Miller
Its Vice President

LASHMEET PUBLIC SERVICE DISTRICT

By *Robert Stouffer*
Commissioner

By *Shirley Humphrey*
Commissioner

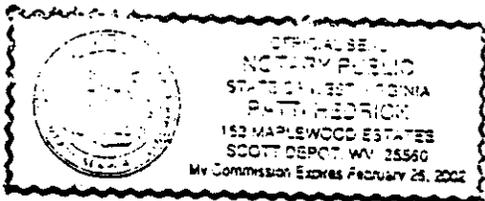
By *Carol Lee*
Commissioner

STATE OF WEST VIRGINIA,
COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this 20 day
of May, 1998, by Michael A. Miller, Vice President of West Virginia-
American Water Company, a West Virginia corporation, on behalf of the corporation.

My commission expires February 26 2002.

Patti Hedrick
Notary Public



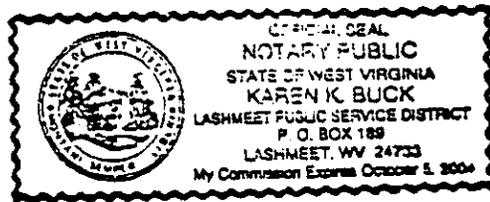
STATE OF WEST VIRGINIA,
COUNTY OF MERCER, to-wit:

The foregoing instrument was acknowledged before me this 14 day
of May, 1998, by Dillard Shrewsbury, Shirley Humphrey and Judy Good,
being all of the Commissioners of the Lashmeet Public Service District, on behalf of the
Lashmeet Public Service District.

My commission expires Oct 5 2004.

Karen Buck
Notary Public

CHASFS3:113842



LASHMEET PSD
DETAIL OF ASSETS

ACCOUNT NUMBER	DESCRIPTION	YEAR	BALANCE AT JUNE 30, 1997 PSC REPORT	ADJ	ADJUSTED UTILITY PLANT @ JUNE 1997	ACCUM RATE MAKING DEPRECIATION	NET UTILITY PLANT JUNE 1997	UTILITY PLANT EQUAL TO COST
342	Distribution Reservoirs & Standpipes							
	100,000 gallon tank	1969		\$22,027	\$22,027	(\$8,820)	\$13,207	\$13,207
	15,000 gallon tank	1969		\$11,147	\$11,147	(\$4,453)	\$6,694	\$6,694
	100,000 gallon tank	1981		\$77,346	\$77,346	(\$17,697)	\$59,649	\$59,649
	Total		\$0		\$110,520		\$79,540	\$79,540
343	Transmission and Distribution Mains							
	17,745 feet of 6 inch PVC Class 160	1969	\$74,714		\$74,714	(\$24,686)	\$50,028	\$50,028
	36 feet of 6 inch CIP Class 150	1969	\$271		\$271	(\$90)	\$181	\$181
	7,954 feet of 4 inch PVC Class 160	1969	\$27,955		\$27,955	(\$9,236)	\$18,719	\$18,719
	13,331 feet of 3 inch PVC Class 160	1969	\$42,677		\$42,677	(\$14,100)	\$28,577	\$28,577
	13,119 feet of 2 inch PVC Class 160	1969	\$38,042		\$38,042	(\$12,569)	\$25,473	\$25,473
	108 feet of 2 inch CIP Class 150	1969	\$313		\$313	(\$103)	\$210	\$210
	68 feet of 12 inch steel casing	1969	\$473		\$473	(\$156)	\$317	\$317
	82 feet of 12 inch steel casing, B&J	1969	\$1,427		\$1,427	(\$471)	\$956	\$956
	59 feet of 10 inch steel casing, B&J	1969	\$958		\$958	(\$317)	\$641	\$641
	96 feet of 8 inch steel casing	1969	\$500		\$500	(\$165)	\$335	\$335
	32 feet of 8 inch steel casing, B&J	1969	\$371		\$371	(\$123)	\$248	\$248
	197 feet of 4 inch steel casing, B&J	1969	\$1,600		\$1,600	(\$529)	\$1,071	\$1,071
	55 feet of 3 inch steel casing, B&J	1969	\$447		\$447	(\$148)	\$299	\$299
	10 - 6 inch gate valves	1969	\$1,218		\$1,218	(\$402)	\$816	\$816
	4 - 4 inch gate valves	1969	\$348		\$348	(\$115)	\$233	\$233
	8 - 3 inch gate valves	1969	\$603		\$603	(\$199)	\$404	\$404
	15 - 2 inch gate valves	1969	\$957		\$957	(\$316)	\$641	\$641
	6 - 1-1/2 inch gate valves	1969	\$313		\$313	(\$103)	\$210	\$210
	6 - 3/4 inch air valve assembly	1969	\$592		\$592	(\$196)	\$396	\$396
	4 - 2 inch blow off assembly	1969	\$418		\$418	(\$138)	\$280	\$280
	15 - 6 inch CI tees	1969	\$783		\$783	(\$259)	\$524	\$524
	4 - 4 inch CI tees	1969	\$182		\$182	(\$54)	\$128	\$128
	10 - 3 inch CI tees	1969	\$348		\$348	(\$115)	\$233	\$233
	16,015 feet of 6 inch PVC, Class 150	1979	\$180,124		\$180,124	(\$34,010)	\$126,114	\$126,114
	5,000 feet of 6 inch PVC, Class 150	1979	\$49,992		\$49,992	(\$10,618)	\$39,374	\$39,374
	14,900 feet of 4 inch PVC, Class 150	1979	\$113,923		\$113,923	(\$24,197)	\$89,726	\$89,726
	210 feet of 12 inch steel casing, B&J	1979	\$7,411		\$7,411	(\$1,574)	\$5,837	\$5,837
	143 feet of 8 inch steel casing, B&J	1979	\$3,364		\$3,364	(\$715)	\$2,649	\$2,649
	1 - 2 inch Tapping tee & valve	1979	\$506		\$506	(\$107)	\$399	\$399
	11 - air valve assembly	1979	\$2,588		\$2,588	(\$550)	\$2,038	\$2,038
	10 - drain valve assembly	1979	\$2,353		\$2,353	(\$500)	\$1,853	\$1,853
	Est. 21,387 feet of 2 inch various extensions	1974	\$3,081		\$3,081	(\$838)	\$2,243	\$2,243
		1975	\$3,394		\$3,394	(\$881)	\$2,513	\$2,513
		1976	\$2,504		\$2,504	(\$620)	\$1,884	\$1,884
		1977	\$4,257		\$4,257	(\$1,005)	\$3,252	\$3,252
		1978	\$2,708		\$2,708	(\$607)	\$2,101	\$2,101
		1984	\$18,666		\$18,666	(\$2,863)	\$15,803	\$15,803
		1985	\$30,578		\$30,578	(\$4,330)	\$26,248	\$26,248
		1986	\$10,433		\$10,433	(\$1,354)	\$9,079	\$9,079
		1987	\$12,407		\$12,407	(\$1,464)	\$10,943	\$10,943
		1995	\$31,479		\$31,479	(\$743)	\$30,736	\$30,736
		1996	\$13,559		\$13,559	(\$180)	\$13,379	\$13,379
		1997	\$13,026		\$13,026	(\$77)	\$12,949	\$12,949
	Total		\$681,841		\$681,841		\$530,040	\$530,040
345	Services							
	50 feet of 1 inch PVC, Class 160	1969		\$102	\$102	(\$48)	\$54	\$54
	9,300 feet of 3/4 inch PVC, Class 160	1969		\$13,484	\$13,484	(\$6,305)	\$7,179	\$7,179
	6,100 feet of 3/4 inch SL road x-rings	1969		\$16,981	\$16,981	(\$7,940)	\$9,041	\$9,041
	2,595 feet of 1-1/4 inch lines	1969		\$6,318	\$6,318	(\$2,954)	\$3,364	\$3,364
	996 feet of 3/4 inch PE, SDR-9	1991		\$8,280	\$8,280	(\$830)	\$7,450	\$7,450
	474 feet of 1 inch PE road x-ring	1991		\$6,192	\$6,192	(\$620)	\$5,572	\$5,572
	4,300 feet of 3/4 inch service line, Class 150	1979		\$15,174	\$15,174	(\$4,561)	\$10,613	\$10,613
	1,300 feet of 3/4 inch SL road x-rings	1979		\$7,846	\$7,846	(\$2,298)	\$5,548	\$5,548
	Total		\$0		\$74,177		\$48,621	\$48,621
346	Meters							
	1 - 1 inch meters	1987	\$1,559		\$1,559	(\$17)	\$1,542	\$1,542
	250 - 3/4 inch meters	1969		\$267	\$267	(\$166)	\$101	\$101
	75 meters	1969		\$26,098	\$26,098	(\$18,223)	\$9,875	\$9,875
	61 meters	1979		\$15,439	\$15,439	(\$6,189)	\$9,270	\$9,270
	12 meters with prv	1991		\$21,732	\$21,732	(\$2,885)	\$18,847	\$18,847
	Total		\$1,559	\$5,130	\$70,225	(\$383)	\$44,072	\$44,072
TOTALS			\$683,400	\$253,363	\$936,763	(\$117,245)	\$702,273	\$702,273

Public Service Commission
Of West Virginia

201 Brooks Street, P. O. Box 812
Charleston, West Virginia 25323



Phone: (304) 341-0300
FAX: (304) 341-0325

June 30, 1998

Michael A. Albert, Esq.
Jackson & Kelly
1600 Laidley Tower
Charleston, WV 25322

William S. Winfrey, II
1068 Main Street West
Post Office Box 1159
Princeton, WV 24740

Re: CASE NO. 97-0688-W-PWD-PC
WEST VIRGINIA-AMERICAN WATER COMPANY and
LASHMEET PUBLIC SERVICE DISTRICT

Gentlemen:

Please find enclosed a copy of an order issued today by the Commission in the above-styled proceeding.

Sincerely,

A handwritten signature in cursive script that reads "Sandra Squire".

Sandra Squire
Executive Secretary

SS:s
Encl

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 30th day of June, 1998.

CASE NO. 97-0688-W-PWD-PC (REOPENED)

WEST VIRGINIA-AMERICAN WATER COMPANY and
LASHMEET PUBLIC SERVICE DISTRICT

Petition for consent and approval of an amendment to the Joint Application and an amendment to the Operation and Maintenance Agreement filed by the joint applicants.

COMMISSION ORDER GRANTING PETITION AND APPROVING AMENDMENT

On May 21, 1998, West Virginia-American Water Company (Company) and Lashmeet Public Service District (LSPD) filed a petition for consent to amend the joint application and operation and maintenance agreement previously approved by an Administrative Law Judge's Recommended Decision.

On June 1, 1998, Commission Staff filed its "Initial and Final Joint Staff Memorandum" with an attached memorandum from Technical Staff. Technical stated that the amendment to the operation and maintenance agreement centers on the handling of a loan from Rural Utilities Service (RUS) to LSPD. Technical Staff further stated that rather than the Company making annual use fee payments of \$221,084 to LSPD to cover the debt service, the Company will retire this debt of approximately \$740,196 and will in turn reduce the use fee to \$156,199. In return for payment of the RUS loans by the Company, LPDS will transfer a portion of the distribution and transmission system equal to the amount of the loans retired, based on the depreciated original cost of those facilities. Technical Staff also noted that the parties the agreement stated that these changes will have no impact on LPSD or its customers and that in all other respects the agreement will work exactly the same. Accordingly, Staff Counsel recommended approval of the amendment.

Upon a review of the case file before us, we will retain this case for our own disposition. Further, pursuant to Staff's recommendation, we will grant the instant joint petition and approve the amendment to the operation and maintenance agreement attached hereto as "Appendix A."

FINDINGS OF FACT

1. On May 21, 1998, West Virginia-American Water Company (Company) and Lashmeet Public Service District (LSPD) filed a petition for consent to amend the joint application and operation and maintenance agreement previously approved by an Administrative Law Judge's

Recommended Decision. See, Petition filed on May 21, 1998.

2. On June 1, 1998, Commission Staff recommended approval of the amendment. See, Staff's memorandum filed on June 1, 1998.

CONCLUSION OF LAW

The Commission finds that it is reasonable to grant the Company's and the District's instant petition and approve the amendment to the operation and maintenance agreement attached hereto as "Appendix A."

ORDER

IT IS THEREFORE ORDERED that Case No. 97-0688-W-P.D.-PC is hereby reopened and that West Virginia-American Water Company's (Company) and Lashmeet Public Service District's (LSPD) petition for consent to amend the joint application and operation and maintenance agreement previously approved by an Administrative Law Judge's Recommended Decision shall be, and it hereby is, approved.

IT IS FURTHER ORDERED that the amendment to the operation and maintenance agreement attached hereto as "Appendix A" shall be, and hereby is, approved and adopted.

IT IS FURTHER ORDERED that the Commission's Executive Secretary serve a copy of this order upon all parties of record by United States First Class Mail and upon Commission Staff by hand delivery.

A True Copy, Teste:



Sandra Squire
Executive Secretary



West Virginia-American Water Company

P.O. Box 1906 • Charleston, West Virginia 25327-1906

Michael A. Miller, CPA
Vice President and Treasurer

(304) 340-2009
FAX (304) 340-2076
E-mail mmiller@wvawater.com

September 2, 1998

Lashmeet PSD
Pin Oak & Beason Road
PO Box 189
Lashmeet, WV 24733

Dear Commissioners:

Whereas, the District in agreement with West Virginia-American Water Company (Company) increased the IJDC loan from \$3.884 million to \$4.070 million to facilitate improvement of service to the District by constructing an additional storage tank and eliminating a booster station, the Company agrees to increase its use fee payment to \$164,904 from the \$156,199 outlined in Section II and Section VIII of the amendment to the O&M Agreement.

Sincerely,

Michael A. Miller

MAM/plh
Attachment

cc: ~~Francesca Tan~~
Susan Riggs
Sammi Gee
Bob Hazelwood
Bill Winfrey

27C

RECEIPT

Teresa Miller
I, ~~ROSEMARY CHRISTIAN~~, on behalf of the Rural Utilities Service of the U.S. Department of Agriculture, hereby acknowledge receipt of three checks totalling \$705,257.52, as payment on those certain bonds issued by the Lashmeet Public Service District.

Teresa A. Miller
~~ROSEMARY CHRISTIAN~~

Dated: July 15, 1997

CHASFB:126046