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North Beckley Public Service District
Sewerage System Revenue Bonds
Series 1999

Date of Closing: January 28, 1999

BOWLES RICE McDAVID GRAFF & LOVE, PLLC

NORTH BECKLEY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS,
SERIES 1999

DATE OF CLOSING: January 28, 1999

Index of Closing Documents

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 Series 1999 Bond

OPINIONS OF COUNSEL:

9. Approving Opinion on Series 1999 Bonds of Bowles Rice McDavid Graff & Love, PLLC, Bond Counsel
10. Opinion of Rist, Higgins & Associates, as Counsel to Issuer

CERTIFICATES:

11. General Certificate of Issuer and Attorney
12. Certificate of Consulting Engineer
13. Certificate Designating Authorized Signatories for Consulting Engineer

14. Certificate of Certified Public Accountant

DOCUMENTS OF THE ISSUER:

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16. County Commission Orders Appointing Current Board Members and Oaths of Office of Current Board Members

17. Affidavits of Publication of Notice of Borrowing and Filing of PSC Application

18. Minutes of 1999 Organizational Meeting of Board

19. Minutes on Adoption of Bond Resolution and Supplemental Resolution

20. Municipal Bond Commission New Issue Report

MISCELLANEOUS DOCUMENTS:

21. Acceptance by United National Bank of Duties as Depository Bank

22. Acceptance by One Valley Bank, National Association of Duties as Registrar

23. Certificate of Registration of Bonds

24. Registrar's Agreement

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NORTH BECKLEY PUBLIC SERVICE DISTRICT

BOND RESOLUTION

Adopted
January 27, 1999

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NORTH BECKLEY PUBLIC SERVICE DISTRICT

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONAL EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE SYSTEM OF THE NORTH BECKLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, TOGETHER WITH THE PAYMENT OF THE NORTH BECKLEY PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 1997, THROUGH THE ISSUANCE BY THE NORTH BECKLEY PUBLIC SERVICE DISTRICT OF NOT MORE THAN NINE MILLION DOLLARS ($9,000,000) IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF NORTH BECKLEY 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 22C, Article 2 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. North Beckley Public Service District (the "Issuer") is a public service district and political subdivision of the State of West Virginia in Raleigh County of said State.

B. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be constructed certain additional extensions, additions, betterments and improvements to the Issuer's existing sewerage system, including the extensions, additions, betterments and improvements described in Exhibit A hereto (collectively, the "Project") (the Issuer's existing sewerage system, the Project and any further additions thereto or extensions thereof are herein called the "System") in accordance with the plans and specifications prepared by Lawson Engineering & Technical Services, Inc., Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

C. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all the costs of the operation and maintenance of said System, the principal of and interest on the Issuer's Sewer Revenue Bonds, Series 1964 (the "Prior Bonds"), the Issuer's Sewerage System Revenue Bonds, Series 1999 (the "Series 1999 Bonds) authorized herein, the Series 1996 Notes, as hereinafter defined, and all sinking funds, reserve accounts and other payments provided for herein and with respect to the Prior Bonds and such Series 1996 Notes, and the proceeds of the Series 1999 Bonds, will be sufficient, together with other funds available therefor, to pay in full the Issuer's Sewerage System Bond Anticipation Notes, Series 1997 (the "Series 1997 Notes"), issued on October 27, 1997 to temporarily finance a portion of the costs of the Project pending the issuance of the Series 1999 Bonds, plus the interest accrued on such Series 1997 Notes, and to pay all costs of the Project.

D. It is further deemed necessary for the Issuer to issue its sewerage system revenue bonds in the total aggregate principal amount of not more than $9,000,000, in one series, being the Series 1999 Bonds in part to pay the Series 1997 Notes and to permanently finance the costs of acquisition and construction of the Project. Said costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest upon the Series 1999 Bonds prior to and during construction or acquisition and for a period not exceeding 6 months after completion of construction of the Project, if any; amounts which may be deposited in the Series 1999 Bonds Reserve Account; engineering and legal expenses including without limitation amounts payable to Dunn Engineers, Inc. pursuant to that certain arbitration award

in favor of Dunn Engineers, Inc. and against the Issuer relating to prior engineering services for the Project; 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 of the Authority and DEP (each as hereinafter defined), discount, fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1999 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 1999 Bonds, or the repayment of indebtedness incurred by the Issuer for such purposes, including without limitation the Series 1997 Notes, 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 21 years.

F. It is in the best interest of the Issuer that its Series 1999 Bonds be issued and sold to the West Virginia Water Development Authority (the "Authority") pursuant to the terms and provisions of a loan agreement by and among the Issuer, the Authority and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), the execution, delivery and form of which are ratified and approved herein. The Series 1999 Bonds shall be issued junior, subordinate and subject to the Issuer's Sewer Revenue Bonds, Series 1964, which were issued in the original principal amount of $930,000 (the "Prior Bonds") pursuant to a Bond Resolution adopted by the Issuer on April 1, 1964 (the "Prior Bond Resolution"), $245,000 in principal amount of which Prior Bonds remain outstanding on the date hereof. Upon the payment or defeasance of the Prior Bonds, the Series 1999 Bonds shall move to a first position with respect to liens, pledge and source of and security for payment.

G. The Issuer has complied with all requirements of West Virginia law relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 1999 Bonds, will have so complied prior to issuance thereof, including, among other things, 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 has expired or has been waived by all necessary parties prior to the issuance of the Series 1999 Bonds.

H. The Issuer has previously issued its Sewerage System Bond Anticipation Notes, Series 1996 (the "Series 1996 Notes") in the maximum amount of $400,000. The sole holder of the Series 1996 Notes is WesBanco Bank (formerly Commercial Banking and Trust Company), Parkersburg, West Virginia (the "Series 1996 Noteholder") and the Issuer has received the written consent and waiver of such Series 1996 Noteholder waiving the right of such Series 1996 Noteholder to have the Series 1996 Notes paid with the proceeds of the Series 1999 Bonds and such Series 1996 Noteholder has agreed that the Series 1996 Notes shall be paid in monthly installments as provided in such Series 1996 Notes and not with proceeds of the Series 1999 Bonds. Further, the Series 1996

Noteholder has agreed that the Series 1996 Notes shall be junior, subordinate and subject to the Prior Bonds and the Series 1999 Bonds.

I. There are outstanding obligations of the Issuer which will rank senior and prior to the Series 1999 Bonds and Series 1996 Notes as to liens and sources of and security for payment, which obligations are designated and have the lien positions, together with the Series 1999 Bonds, as follows:

Designation	Lien Position
Sewer Revenue Bonds, Series 1964 (issued on April 1, 1964 in the original principal amount of $930,000)	First Lien
Sewerage System Revenue Bonds, Series 1999	Second Lien
Sewerage System Bond Anticipation Notes, Series 1996	Third Lien

J. The estimated maximum cost of the construction and acquisition of the Project, including without limitation the payment of the Series 1997 Notes, and issuance of the Series 1999 Bonds is $8,090,898 which will be permanently financed with the proceeds of the Series 1999 Bonds.

K. The Project has been reviewed and determined to be technically and financially feasible by the Council (as hereinafter defined) as required by 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 1999 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 Bondholders, 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 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 22C, Article 2 of the West Virginia Code of 1931, as amended and in effect on the date of adoption hereof.

"Authority" means the West Virginia Water Development Authority, or any other agency of the State of West Virginia that succeeds to the functions of the Authority, which is expected to be the original purchaser of the Series 1999 Bonds, provided that, if the Authority is the original purchaser of the Series 1999 Bonds, the Issuer must satisfy the legal and other requirements of the SRF Program.

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

"Bond Construction Trust Fund" means the Bond Construction Trust Fund established by Section 5.01 hereof.

"Bondholder," "Holder of the Bonds," "Holder" 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 the Series 1999 Bonds, and, where appropriate, any bonds on a parity therewith subsequently issued hereunder or pursuant to another resolution of the Issuer.

"Capital Expenditures Fund" means the Capital Expenditures Fund created by the Prior Bond Resolution.

"Certificate of Authentication and Registration" means the certificate of authentication and registration on the Series 1999 Bonds in substantially the form set forth in the bond form contained herein.

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

"Closing Date" means the date on which there is an exchange of the Series 1999 Bonds for an advance of more than a de minimis amount of the principal of the Series 1999 Bonds.

"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.

"Completion Date" means the completion date of the Project, as defined in the SRF Regulations.

"Consulting Engineers" means Lawson Engineering & Technical Services, Inc., Beckley, West Virginia or any professional engineer or firm of professional engineers, licensed by the State who shall not be a regular, full-time employee of the State or any of its agencies, commissions or political subdivisions, that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System.

"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 successor thereto.

"DEP" means the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment, or any agency, board or department of the State that succeeds to the functions of the State.

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

"Event of Default" means any occurrence or event specified in Section 9.01.

"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, including (i) such obligations which have been stripped from their unmatured interest coupons, interest coupons stripped from such obligations and receipts or certificates evidencing payments from such obligations or interest coupons stripped from such obligations, (ii) evidences of ownership of a proportionate interest in specified direct obligations of, or specified obligations which are unconditionally and fully guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian and (iii) obligations, the sole source of the payment of the principal of and interest on which are obligations of the nature of those described in clause (i), which are irrevocably pledged for such purposes..

"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 gains from the sale or other disposition of, or from any increase in the value of, capital assets (including Qualified Investments, as hereinafter defined, purchased pursuant to Section 8.01 hereof) or any Tap Fees, as hereinafter defined.

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

"I&I Fund" means the I&I Fund created by Section 5.01 hereof pursuant to the order of the PSC.

"Independent Certified Public Accountants" shall mean any public accountant or certified public accountant or firm of public accountants or 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.

"Issuer" means North Beckley Public Service District, in Raleigh County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

"Loan Agreement" shall mean the Loan Agreement to be entered into between the Authority, DEP and the Issuer if the Authority is the original purchaser of the Series 1999 Bonds, providing for the purchase of the Series 1999 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 by Section 4.11 hereof or ratified by the Supplemental Resolution.

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

"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 and DEP, fiscal agents, the Depository Bank, Registrar and Paying Agent (all as herein 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 or Series 1996 Notes, 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 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 and (iv) for purposes of consents or other action by a specified percentage of Bondholders, 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 West Virginia Municipal Bond Commission, or such entity or authority as may be designated by the Issuer by Supplemental Resolution.

"Prior Bond Resolution" means the Bond Resolution, and all supplements thereto, adopted by the Public Service Board of the Issuer on April 1, 1964 with respect to the Issuer's Sewer Revenue Bonds, Series 1964.

"Prior Bonds" means the Sewer Revenue Bonds, Series 1964, issued by the Issuer on April 1, 1964, in the aggregate principal amount of $930,000, under the Prior Bond Resolution.

"Project" means the extensions, additions, betterments and improvements to the Issuer's existing sewerage system described in Exhibit A hereto.

"PSC" means the Public Service Commission of West Virginia.

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

(a) Government Obligations;

(b) 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;

(c) 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;

(d) 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, 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;

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

(f) 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;

(g) 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

(h) Obligations of States or political subdivisions or agencies thereof, the interest on which is exempt from federal income taxation, and which are rated at least "A" by Moody's Investors Service, Inc. or Standard & Poor's Corporation.

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

"Registrar" means the Bond Registrar.

"Renewal and Replacement Fund" means the Renewal and Replacement Fund established or continued by Section 5.01 hereof.

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

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

"Series 1964 Bonds Debt Service Fund" means the Debt Service Fund created by the Prior Bond Resolution for the payment of debt service on the Series 1964 Bonds.

"Series 1964 Bonds Mandatory Sinking Fund" means the Mandatory Sinking Fund created by the Prior Bond Resolution with respect to the Series 1964 Bonds.

"Series 1964 Bonds Reserve Fund" means the reserve account established by the Prior Bond Resolution for the Prior Bonds.

"Series 1996 Notes" means the Issuer's Sewerage System Bond Anticipation Notes, Series 1996, issued in the maximum aggregate principal amount of $400,000.

"Series 1997 Notes" means the not more than $800,000 in aggregate principal amount of Sewerage System Bond Anticipation Notes, Series 1997.

"Series 1999 Bonds" or "Bonds originally authorized hereby" or similar phrases mean, collectively, the not more than $9,000,000 in aggregate principal amount of Sewerage System Revenue Bonds, Series 1999 of the Issuer, issued for the purpose of refunding the Series 1997 Notes, paying a portion of the Costs of the Project and for such other purposes permitted and authorized by this Bond Legislation.

"Series 1999 Bonds Reserve Account" means the Series 1999 Bonds Reserve Account established in the Series 1999 Bonds Sinking Fund pursuant to Section 5.02 hereof.

"Series 1999 Bonds Reserve Requirement" means, as of any date of calculation, the maximum amount of principal and interest which will become due on the Series 1999 Bonds in the then current or any succeeding year.

"Series 1999 Bonds Sinking Fund" means the Series 1999 Bonds Sinking Fund established by Section 5.02 hereof.

"SRF Administrative Fee" means any administrative fee required to be paid under the Loan Agreement.

"SRF Program" means the State's Water Pollution Control Revolving Fund Program, under which the Authority purchases the water pollution control revenue bonds of local government entities satisfying certain legal and other requirements with the proceeds of a capitalization grant award from the Unites States Environmental Protection Agency and funds of the State.

"SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution, ordinance or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the Supplemental Resolution authorizing the sale of the Series 1999 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1999 Bonds and not so included may be included in another Supplemental Resolution.

"Surplus Fund" means the Surplus Fund created by the Prior Bond 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 Outstanding Bonds, the Prior Bonds or any other obligations of the Issuer.

"System" means the complete existing sewerage system now owned by the Issuer, consisting of a sewerage system in its entirety or any integral part thereof, for the collection, treatment, purification or disposal of liquid or solid wastes, sewage or industrial wastes, and shall include the Project and any further extensions, additions, betterments and improvements thereto hereafter acquired or constructed for said sewerage system from any sources whatsoever, both within and without the Issuer.

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

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.

Terms not otherwise defined herein shall have the meanings assigned to them in the Prior Bond Resolution unless the context expressly requires otherwise.

ARTICLE II

AUTHORIZATION OF THE ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized the acquisition and construction of the Project, at an estimated cost of $8,090,898 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 1999 Bonds hereby authorized shall be applied as provided in Article VI hereof.

The Issuer has received bids or entered into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the SRF Program. The Issuer will enter into a contract for the acquisition and construction of the Project simultaneously or within ten (10) days of the issuance of the Series 1999 Bonds.

The Cost of the Project, including without limitation the payment of the Series 1997 Notes, payment of the arbitration award to Dunn Engineers, Inc. and the costs of issuing the Series 1999 Bonds, is estimated not to exceed $8,090,898, which is to be paid with the proceeds of the Series 1999 Bonds.

ARTICLE III

[RESERVED]

ARTICLE IV

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

Section 4.01. Authorization of Bonds. For the purposes of refunding the Series 1997 Notes, capitalizing interest on the Series 1999 Bonds, if any, funding a reserve account for the Series 1999 Bonds, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 1999 Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be issued negotiable Series 1999 Bonds of the Issuer, in an aggregate principal amount of not more than $9,000,000. Said Series 1999 Bonds shall be issued in one series, to be designated "Sewerage System Revenue Bonds, Series 1999," and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1999 Bonds required to refund the Series 1997 Notes shall not be invested, but shall be used immediately to refund the Series 1997 Notes so that, upon issuance of such Series 1999 Bonds, the Issuer's obligations to the Holders of the Series 1997 Notes shall be defeased, and the Series 1997 Notes and the Series 1999 Bonds shall not be deemed as being simultaneously Outstanding at any time. The proceeds of the Series 1999 Bonds remaining after the refunding of the Series 1997 Notes, funding of the Series 1999 Bonds Reserve Account (if funded from the Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 4.02. Terms of Bonds. The Series 1999 Bonds shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, 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 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 1999 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 1999 Bonds shall be issued in the form of a single bond, fully registered to the Authority, with a record of advances and debt service schedule attached, representing the aggregate principal amount of the Series 1999 Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1999 Bonds shall be exchangeable at the option and expense of the Holder for other fully registered 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 Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from such date.

Section 4.03. Execution of Bonds. The Series 1999 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 any of the Series 1999 Bonds shall cease to be such officer of the Issuer before the Series 1999 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 1999 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Series 1999 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 4.04. Authentication and Registration. No Series 1999 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 4.09 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 1999 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 4.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1999 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 any of said Series 1999 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 said Bond shall be incontestable in the hands of a bona fide holder for value.

So long as any of the Series 1999 Bonds remain Outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain the books for the registration and transfer of the Series 1999 Bonds.

The registered Series 1999 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 1999 Bonds or transferring the registered Series 1999 Bonds are exercised, Series 1999 Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 1999 Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Series 1999 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 Series 1999 Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 1999 Bonds or, in the case of any proposed redemption of Bonds, next preceding the date of the selection of Series 1999 Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 4.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1999 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 4.07. Bonds not to be Indebtedness of the Issuer. The Series 1999 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 and amounts, if any, in the Series 1999 Bonds Reserve Account. No holder or holders of any of the Series 1999 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 1999 Bonds or the interest thereon, if any. The Issuer has no taxing power.

Section 4.08. Bonds Secured by Pledge of Net Revenues; Lien Positions With Respect to Prior Bonds and Series 1996 Notes. The payment of the debt service of all the Series 1999 Bonds shall be secured forthwith equally and ratably with each other by a lien on the Net Revenues derived from the System, junior, subordinate and subject to the lien on the Net Revenues in favor of the Holders of the Prior Bonds and senior and prior to the lien on the Net Revenues in favor of the holders of the Series 1996 Notes and such Series 1996 Notes shall be junior and subordinate to the Prior Bonds and Series 1999 Bonds. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 1999 Bonds, Prior Bonds and such Series 1996 Notes and to make the payments into the sinking funds, the reserve accounts therein, the Capital

Expenditures Fund and the Renewal and Replacement Fund, either existing or hereinafter established, are hereby irrevocably pledged to the payment of the principal of and interest on the Series 1999 Bonds, Prior Bonds and such Series 1996 Notes as the same become due. Upon the payment or defeasance of the Prior Bonds, the Series 1999 Bonds shall be secured by a first lien on the Net Revenues senior and prior to the lien thereon in favor of the holders of the Series 1996 Notes.

Section 4.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1999 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 1999 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 1999 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 1999 Bonds to the original purchasers;

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

D. A certified copy of the Loan Agreement; and

E. An approving opinion of bond counsel on the Series 1999 Bonds.

Section 4.10. Form of Series 1999 Bonds. The text of the Series 1999 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 Series 1999 Bond]

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
NORTH BECKLEY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND,
SERIES 1999

No. R-_____ **$_____**

KNOW ALL MEN BY THESE PRESENTS: That NORTH BECKLEY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 on _____, ____, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference, without interest.

The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing _____, 19__, 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").

This Bond may only be redeemed prior to its stated date of maturity in whole or in part upon the terms and conditions prescribed by, and otherwise in compliance with, the Water Pollution Control Revolving Fund Loan Agreement among the Issuer, the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP") and the Authority, dated _____, 19__.

This Bond is issued (i) to permanently finance the costs of acquisition and construction of certain additions, betterments and improvements to the existing public sewerage facilities of the Issuer (the "Project"); (ii) to refund certain Notes of the Issuer; (iii) to fund a debt service reserve fund; and (iv) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the Project and any further additions, betterments or improvements 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 22C, Article 2 of the West Virginia Code of 1931, as amended

(collectively, the "Act"), and a Resolution duly adopted by the Issuer on _____, 19___ and a Supplemental Resolution duly adopted by the Issuer on _____, 19___ (collectively called 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 securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED JUNIOR, SUBJECT AND SUBORDINATE AS TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S SEWER REVENUE BONDS, SERIES 1964, ISSUED ON APRIL 1, 1964, IN THE AGGREGATE PRINCIPAL AMOUNT OF $930,000 AND DESCRIBED IN THE BOND LEGISLATION (THE "PRIOR BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 1996, ISSUED ON APRIL 24, 1996, IN THE AGGREGATE PRINCIPAL AMOUNT OF $400,000 AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1996 NOTES").

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation), junior, subject and subordinate to the pledge of the Net Revenues in favor of the holders of the Prior Bonds and senior and prior to the lien thereon in favor of the Holders of the Series 1996 Notes, 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 1999 Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all Bonds which may be issued pursuant to the Act and which 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 or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 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 115% (130% so long as any of the Prior Bonds remain Outstanding) 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 prior to or on a parity with the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1999 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts established for any other obligations Outstanding prior to or on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110% (but shall remain at 130% so long as any of the Prior Bonds remain Outstanding). 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 _____, as registrar (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, shall be applied solely to the payment of the Costs of the Project 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 in the issuance of this Bond have existed, 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 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, NORTH BECKLEY 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 _____, 19_____.

NORTH BECKLEY PUBLIC SERVICE DISTRICT

[SEAL]

_____
Chairman

ATTEST:

_____
Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1999 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: _____,

_____,
as Registrar

By:_____
Its: Authorized Officer

EXHIBIT A

RECORD OF ADVANCES

	Amount	Date		Amount	Date
(1)	$		(7)	$	
(2)	$		(8)	$	
(3)	$		(9)	$	
(4)	$		(10)	$	
(5)	$		(11)	$	
(6)	$		(12)	$	

Total $_____

EXHIBIT B

DEBT SERVICE SCHEDULE

(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: _____, 19_____.

_____

In the presence of:

_____

Section 4.11. Sale of Series 1999 Bonds; Approval and Ratification of Execution of Loan Agreement with Authority and DEP. The Series 1999 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 B" 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 4.12. "Amended Schedule A" Filing. Within sixty (60) days following the Completion Date, the Issuer will file with the Authority a schedule in substantially the form of the "Amended Schedule A" to the Loan Agreement, setting forth the actual costs of the Project and sources of funds therefor.

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 created (or continued if established by the Prior Bond Resolution) with and shall be held by the Depository Bank separate and apart from all other funds or accounts of the Depository Bank and from each other:

1. Revenue Fund;

2. Capital Expenditures Fund;

3. Renewal and Replacement Fund;

4. Surplus Fund;

5. I & I Fund; and

6. Bond Construction Trust Fund.

Section 5.02. Establishment of Funds and Accounts with Commission. The following special funds or accounts are hereby created with the Commission (or continued if established by the Prior Bond Resolution):

1. Series 1964 Bonds Debt Service Fund;

2. Series 1964 Bonds Mandatory Sinking Fund;

3. Series 1964 Bonds Reserve Fund;

4. Series 1999 Bonds Sinking Fund;

5. Within the Series 1999 Bonds Sinking Fund, the Series 1999 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.

1. The Issuer shall first each month pay from the moneys in the Revenue Fund all current Operating Expenses.

2. The Issuer shall next on the first day of each month transfer from the Revenue Fund and pay to the Commission for deposit into the Series 1964 Bonds Debt Service Fund or the Series 1964 Bonds Mandatory Sinking Fund, as appropriate, the amounts required for the payment of principal of and interest on the Prior Bonds in accordance with the Prior Bond Resolution.

3. The Issuer shall next on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1964 Bonds Reserve Fund the amount required by the Prior Bond Resolution to be deposited therein.

4. The Issuer shall next on the first day of each month, commencing 3 months prior to the first date of payment of principal on the Series 1999 Bonds, apportion and set apart out of the Revenue Fund and remit to the Commission for deposit in the Series 1999 Bonds Sinking Fund, a sum equal to 1/3rd of the amount of principal which will mature and become due on said Series 1999 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 1999 Bonds Sinking Fund and the next annual principal payment date is less than 3 months then such monthly payments shall be increased proportionately to provide, one month prior to the next quarterly principal payment date, the required amount of principal coming due on such date. The Issuer shall complete the "Monthly Payment Form," the form of which is attached to the Loan Agreement as Exhibit F, and submit a copy of said form along with a copy of its remittance check to the Authority by the 5th day of such calendar month.

5. Commencing 3 months prior to the first date of payment of principal of the Series 1999 Bonds, the Issuer shall next (if the Series 1999 Bonds Reserve Account is not fully funded upon issuance of the Series 1999 Bonds) on the first day of each month, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1999 Bonds Reserve Account, an amount equal to 1/120 of the Series 1999 Bonds Reserve Requirement; provided, that no further payments shall be made into the Series 1999 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 1999 Bonds Reserve Requirement.

6. The Issuer shall next, from the moneys remaining in the Revenue Fund, on the first day of each month, transfer to the Capital Expenditures Fund the amounts required by the Prior Bond Resolution, if any, and simultaneously transfer to the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account, provided that such deposit to the Renewal and Replacement Fund shall be reduced by the amount, if any, transferred to the Capital Expenditures Fund and provided further that the Capital Expenditures Fund shall be terminated upon the payment of the Prior Bonds and upon the payment of the Prior Bonds, all moneys in the Capital Expenditures Fund shall be transferred to the Renewal and Replacement Fund. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and

reinvested in accordance with Article VIII hereof. Withdrawals and disbursements may be made from the Capital Expenditures Fund in accordance with the Prior Bond Resolution and from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided, that any deficiencies in the Series 1964 Bonds Reserve Fund or the Series 1999 Bonds Reserve Account [except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof] shall be promptly eliminated with moneys from the Renewal and Replacement Fund, with deficiencies in the Series 1964 Bonds Reserve Fund being eliminated prior to deficiencies in the Series 1999 Bonds Reserve Account.

7. The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and deposit into the I&I Fund, all amounts remaining in the Revenue Fund after making the transfers set forth in paragraphs 1 through 6 above, until the sum of $18,000 has been deposited therein during the then current month. All funds in the I&I Fund shall be kept separate and apart from all other funds of the Issuer and the Depository Bank.

Withdrawals and disbursements from the I&I Fund shall be made by the Issuer only for correcting problems with inflow and infiltration with respect to the System and only in accordance with the applicable orders of the PSC, provided that the I&I Fund shall only be required to be maintained and funded as long as required by the PSC.

8. The Issuer shall next, on the first day of each month, so long as any of the Prior Bonds remain outstanding, transfer any balance of moneys in the Revenue Fund to the Surplus Fund to be disbursed in accordance with the Prior Bond Resolution.

Moneys in the Series 1964 Bonds Sinking Fund and the Series 1999 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the respective series of Bonds as the same shall become due. Moneys in the Series 1964 Bonds Reserve Fund and the Series 1999 Bonds Reserve Account shall be used only for the purpose of paying principal of and interest, if any, on the respective series of Bonds, as the same shall come due, when other moneys in the attendant sinking fund are insufficient therefor, and for no other purpose.

All investment earnings on moneys in the several sinking funds 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 Bond 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 payments, if any, due on the respective series of Bonds, and then to the next ensuing principal payments due thereon.

Any withdrawals from the Series 1964 Bonds Reserve Fund which result in the reduction of the balance of the Series 1964 Bonds Reserve Fund below the amounts required by the Prior Bond Resolution to be deposited therein, and any withdrawals from the Series 1999 Bonds Reserve Account which result in the reduction of the balance of the Series 1999 Bonds Reserve Account below the Series 1999 Bonds Reserve Account Requirement shall be subsequently restored,

first to the Series 1964 Bonds Reserve Fund and then to the Series 1999 Bonds Reserve Account, from the first Net Revenues available after all required payments have been made in full to the Series 1964 Bonds Sinking Fund for payment of debt service on the Prior Bonds and to the Series 1999 Bonds Sinking Fund for payment of debt service on the Series 1999 Bonds, provided that any deficiency in the Series 1964 Bonds Reserve Fund shall be restored prior to any payments into the Series 1999 Bonds Sinking Fund or the Series 1999 Bonds Reserve Account.

As and when additional Bonds ranking on a parity with the Series 1999 Bonds are issued, provision shall be made for additional payments into the respective sinking fund 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 a amount equal to the maximum provided and required to be paid into the concomitant sinking fund in any year for account of the Bonds of such series, including such additional Bonds which by their terms are payable from such sinking fund.

The Issuer shall not be required to make any further payments into the Series 1999 Bonds Sinking Fund, or into the Series 1999 Reserve Account therein when the aggregate amount of funds in said Series 1999 Sinking Fund and Series 1999 Reserve Account are at least equal to the aggregate principal amount of the Series 1999 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 1999 Bonds Sinking Fund and the Series 1999 Bonds Reserve Account created hereunder, and all amounts required for said fund and account shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

The payments into the Series 1999 Bonds Sinking Fund and the Series 1999 Bonds Reserve Account and the payment of the SRF Administrative Fee as set forth in Schedule Y attached to the Loan Agreement shall be made on the first day of each month, except that when the first day of any month shall be a Saturday, Sunday or legal holiday then such payments shall be made on the next succeeding business day, 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. If required by the Authority in writing at any time, the Issuer shall make the necessary arrangements whereby such payments shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Moneys in the Series 1999 Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 1999 Bonds Sinking Fund, including the Series 1999 Bonds Reserve Account therein, shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1999 Bonds under the conditions and restrictions hereinafter set forth.

Notwithstanding any provision herein to the contrary, in the event that there are not sufficient funds to make all the transfers described above, all transfers with respect to the Prior Bonds required by the Prior Bond Resolution shall be made prior to transfers required to be made with respect to the Series 1999 Bonds.

Notwithstanding any provision herein to the contrary but subject to the immediately preceding paragraph, so long as the Series 1996 Notes remain unpaid, all payments required by the Series 1996 Notes shall be made, provided, however, if there are not sufficient funds to make all transfers required above, all transfers required by the Prior Bond Resolution with respect to principal of and interest on the Prior Bonds and deposits to the Series 1964 Bonds Reserve Fund shall first be made, and then, to the extent sufficient funds exist, all transfers with respect to the Series 1999 Bonds required hereby shall be made, and then, to the extent sufficient funds exists, all payments required by the Series 1996 Notes shall be made.

B. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinbefore provided, are current and there remains in said Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into the sinking funds, including the reserve accounts therein, the Capital Expenditures Fund and the Renewal and Replacement Fund during the following month or such other period as required by law, such excess shall be considered Surplus Revenues, provided that, so long as any of the Prior Bonds remain outstanding, there shall be made the transfers to the Surplus Fund required by the Prior Bond Resolution. Surplus Revenues may be used for any lawful purpose of the System, including without limitation the payment of the principal of and/or interest on the Series 1996 Notes.

C. 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 the Depository Bank's charges and the Paying Agent fees then due. In case of payments to the Commission under this paragraph, the Issuer shall, if required by the Authority at any time, make the necessary arrangements whereby such required payments shall be automatically deducted from the Revenue Fund and transferred to the Commission on the dates required.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue Fund and the Renewal and Replacement Fund 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.

E. 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.

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

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

H. All Tap Fees shall be deposited by the Issuer, as received, in the Bond 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 any or all of the Series 1999 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1999 Bonds, there shall first be deposited with the Commission in the Series 1999 Bonds Sinking Fund, the amount, if any, specified in the Supplemental Resolution as capitalized interest; provided, that such amount may not exceed the amount necessary to pay interest on the Series 1999 Bonds for the period commencing on the date of issuance of the Series 1999 Bonds and ending 6 months after the estimated date of completion of construction of the Project.

B. Next, from the proceeds of the Series 1999 Bonds, there shall be deposited with the Commission in the Series 1999 Bonds Reserve Account the sum, if any, set forth in the Supplemental Resolution for funding of the Series 1999 Bonds Reserve Account.

C. Next, from the proceeds of the Series 1999 Bonds, there shall be first credited to the Bond Construction Trust Fund and then paid the Series 1997 Notes, which payment shall be effectuated by depositing the appropriate amount into the Sewerage System Bond Anticipation Notes, Series 1997 Payment Fund for immediate application to the payment of the Series 1997 Notes.

D. Next, from the proceeds of the Series 1999 Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid any and all the borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

E. As the Issuer received advances of the remaining moneys derived from the sale of the Series 1999 Bonds, such moneys shall be deposited with the Depository Bank in the Bond Construction Trust Fund and applied solely to payment of costs of the Project in the manner set forth in Section 6.02.

F. 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 1999 Bonds shall be used to fund the Series 1999 Bonds Reserve Account, if not funded upon issuance of the Bonds, in an amount not to exceed the Series 1999 Bonds Reserve Requirement; provided that if any such proceeds remain after funding the Series 1999 Bonds Reserve Account, the same shall be expended as directed by the Authority and DEP.

G. The Depository Bank shall act as a trustee and fiduciary for the Bondholder with respect to the Bond Construction Trust Fund and shall comply with all requirements with respect to the disposition of the Bond Construction Trust Fund set forth in the Bond Legislation. Moneys in the Bond Construction Trust Fund shall be used solely to pay Costs of the Project and until so transferred or expended, are hereby pledged as additional security for the Series 1999 Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. On or before the Closing Date, the Issuer shall have delivered to the Authority a report listing the specific purposes for which the proceeds of the Series 1999 Bonds will be expended and the disbursement procedures for such proceeds, including an estimated monthly draw schedule. Payments for costs of the Project shall be made monthly.

Except as provided in Section 6.01 hereof, disbursements from the Bond Construction Trust Fund (except for costs of issuance of the Series 1999 Bonds which shall be paid upon the request of the Issuer) shall be made only after submission to, and approval from, the Authority and DEP of the following:

A. A "Payment Requisition Form," the form of which is attached to the Loan Agreement as Exhibit C; and

B. A certificate, signed by an Authorized Officer and the Consulting Engineers, stating that:

1. That none of the items for which the payment is proposed to be made has formed the basis for any disbursement theretofore made;

2. That 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;

3. That each of such costs has been otherwise properly incurred; and

4. That payment for each of the items proposed is then due and owing.

All payments made from the Bond Construction Trust Fund shall be presumed by the Depository Bank to be made for the purposes set forth in said certificate, and the Depository Bank shall not be required to monitor the application of disbursements from the Bond Construction Trust Fund. The Consulting Engineers shall from time to time file with the Depository Bank, the Authority and DEP written statements advising them of its then authorized representative.

Pending such application, moneys in the Bond Construction Trust Fund, including any accounts therein, shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

After completion of the Project, as certified by the Consulting Engineers, the Depository Bank shall transfer any moneys remaining in the Bond Construction Trust Fund to the Series 1999 Bonds Reserve Account, and when fully funded any such remaining moneys shall be expended as directed by the Authority and DEP.

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 1999 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 1999 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 said Series 1999 Bonds or the interest thereon is Outstanding and unpaid.

Until the payment in full of the principal of and interest on the Series 1996 Notes when due, the covenants, agreements and provisions contained in this Resolution shall, where applicable, inure to the benefit of the Holders of the Series 1996 Notes and constitute valid and legally binding covenants of the Issuer, enforceable in any court of competent jurisdiction by any Holder or Holders of said Series 1996 Notes.

Section 7.02. Series 1999 Bonds not to be Indebtedness of the Issuer. The Series 1999 Bonds shall not be or constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any of the Series 1999 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay said Bonds or Notes or the interest thereon, if any.

Section 7.03. Series 1999 Bonds Secured by Pledge of Net Revenues; Lien Positions with Respect to Prior Bonds and Series 1996 Note. The payment of the debt service of the Series 1999 Bonds issued hereunder shall be secured forthwith equally and ratably by a lien on the Net Revenues derived from the operation of the System, junior, subject and subordinate to the lien on such Net Revenue, in favor of the Holders of the Prior Bonds, and the Series 1996 Notes shall in all respects be junior and subordinate to the Prior Bonds and the Series 1999 Bonds. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 1999 Bonds, the Prior Bonds and the Series 1996 Notes and to make the payments into the sinking funds, including the reserve accounts therein, and all other payments provided for in the Bond Legislation and the Prior Bond Resolution are hereby irrevocably pledged, in the manner provided herein, to the payment of the principal of and interest on the Series 1999 Bonds, the Prior Bonds and the Series 1996 Notes as the same become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Schedule of Rates and Charges. The schedule of rates and charges for the services and facilities of the System, a copy of which is attached hereto as Exhibit C and incorporated herein and which rates have been approved and are described in the Commission Order

of the PSC entered January 22, 1999 in Case No. 97-0129-PSD-CN, are hereby adopted, ratified, approved and affirmed.

Section 7.05. Sale of the System. So long as any of the Prior Bonds are outstanding, the Issuer shall not sell, mortgage, lease or otherwise dispose of the System or any part thereof, except as provided in the Prior Bond Resolution. Additionally, except as otherwise required by law or with the written consent of the Authority and the DEP, 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 Prior Bonds, the Bonds and Series 1996 Notes Outstanding, or to effectively defease this Bond Legislation in accordance with Section 10.01 hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Bonds and Prior Bonds, immediately be remitted to the Commission for deposit in the appropriate sinking funds, and, with the written permission of the Authority, 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 at maturity of and interest on the Bonds and Prior Bonds. Any balance remaining after the payment of all the Bonds, Prior Bonds and Series 1996 Notes 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, and subject to the Prior Bond Resolution so long as any of the Prior Bonds remain Outstanding, 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 $50,000, the Issuer shall, by resolution, 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 Renewal and Replacement 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 $50,000 but not in excess of $200,000, 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 derived from any such sale, lease or other disposition of such property, aggregating during such Fiscal Year in excess of $50,000 and not in excess of $200,000, shall be deposited in the Renewal and Replacement Fund. Such payment of such proceeds into the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said fund 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 $200,000 and insufficient to pay all Prior Bonds, Bonds and Series 1996 Notes then Outstanding without the prior approval and consent in writing of

the Holders, or their duly authorized representatives, of over 50% in amount of the Prior Bonds, Bonds and Series 1996 Notes then outstanding and the Consulting Engineers. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Prior Bonds, Bonds and Series 1996 Notes 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 in Section 7.07, so long as any of the Series 1999 Bonds are Outstanding, the Issuer shall not issue any other 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 1999 Bonds. All obligations issued by the Issuer after the issuance of the Series 1999 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 and source of and security for payment from such revenues and in all other respects, to the Series 1999 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into the sinking funds, reserve accounts and the Renewal and Replacement Fund at the time of the issuance of such subordinate obligations have been made and are current. 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 1999 Bonds, and the interest thereon, upon any of the income and revenues of the System pledged for payment of the Series 1999 Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority and DEP 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.

So long as any of the Prior Bonds are outstanding, the limitations on the issuance of obligations on a parity with the Prior Bonds set forth in the Prior Bond Resolution shall be applicable. In addition, no Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1999 Bonds pursuant to this Bond Legislation, except 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 1999 Bonds, and must have the prior written consent of the Authority and the DEP.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the construction or acquisition of extensions, improvements or betterments to the System or refunding one or more series of the Prior Bonds, the Series 1996 Notes and/or Bonds issued pursuant hereto, or both such purposes.

No Parity Bonds shall be issued at any time, however, unless there has been procured and filed with the Secretary a written statement by the Independent Certified Public Accountants, based upon the necessary investigation and certification by the Consulting Engineers, reciting the conclusion that the Net Revenues actually derived, subject to the adjustments hereinafter provided for, from the System during any 12 consecutive months, within the 18 months immediately preceding the date of the actual issuance of such Parity Bonds, plus the estimated average increased annual Net Revenues to be received in each of the 3 succeeding years after the completion of the improvements to be financed by such Parity Bonds, shall not be less than 115% of the largest aggregate amount that will mature and become due in any succeeding Fiscal Year for principal of and interest on the following:

(1) The Prior Bonds and the Series 1999 Bonds then Outstanding;

(2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Resolution then Outstanding; and

(3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates adopted by the Issuer, the period for appeal of which has expired prior to the date of delivery of such Parity Bonds, and shall not exceed the amount to be stated in a certificate of the Consulting Engineers, which shall be filed in the office of the Secretary prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the said Independent Certified Public Accountants on account of increased rates, rentals, fees and charges for the System adopted by the Issuer, the period for appeal of which has expired prior to issuance of such Parity Bonds.

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.

All Parity Bonds shall mature on the day of the years of maturities, and the semiannual interest thereon shall be payable on the days of each year, specified in a Supplemental Resolution.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior liens of the Series 1999 Bonds on such revenues. The Issuer shall not issue any obligations whatsoever payable from the 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 1999 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 and the Prior Bond Resolution with respect to the Bonds and Prior 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 and Records. 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 DEP, or its 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 DEP such documents and information as it 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 DEP, or its 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 PSC. 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 Authority and the DEP, or any other original purchaser of the Bonds, and shall mail in each year to any Holder or Holders of 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 with respect to said Bonds and the status of all said funds and accounts.

(C) The amount of any Prior Bonds and Bonds 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 and the Single Audit Act or successor thereto, in effect at the time, to the extent 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 Bonds, and shall submit said report to the Authority and the DEP, or any other original purchaser of the Bonds, within ninety (90) days of the end of the Fiscal Year. Such audit report submitted to the Authority and the DEP shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation, and that the Issuer's revenues are adequate to meet its operation and maintenance expenses and debt service requirements.

The Issuer shall provide the DEP with all appropriate documentation to comply with any special conditions established by federal and/or state regulations as set forth in Exhibit E of the Loan Agreement or as promulgated from time to time.

The Issuer shall permit the Authority and the DEP, or their agents and representatives, access to the System site and facilities as may be reasonably necessary to accomplish all of the powers and rights of the Authority and the DEP 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 said System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created or continued 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 reasonable expenses of operation, repair and maintenance of the System and (ii) to leave a balance each year equal to at least 115% (130% so long as any of the Prior Bonds remain outstanding) of the maximum amount required in any year for payment of principal of and interest on the Series 1999 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds, including the Prior Bonds; provided that, in the event that amounts equal to or in excess of the Reserve Requirements are on deposit respectively in the Series 1999 Bonds Reserve Account and reserve accounts for obligations prior to or on a parity with the Series 1999 Bonds, including the Prior Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest on the Series 1999 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1999 Bonds, including the Prior Bonds; but shall remain at 130% so long as any of the Prior Bonds remain Outstanding. In any event, the Issuer shall not reduce the rates or charges for services set forth in the rate schedule described in Section 7.04.

Section 7.10. Operating Budget, Audit 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 DEP within 30 days of adoption thereof. The Issuer, by the unanimous consent and approval of the Governing Body, may amend the budget during the subject Fiscal Year provided that the budget remains balanced after such amendment. If the budget is so amended, a copy of the amended budget shall be submitted to the Authority and the DEP within 15 days of the adoption of such amendment. After the adoption of any such amendment, the budget, as amended, shall be the budget of the Issuer for the balance of the subject Fiscal Year. 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, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance to the Authority and the DEP and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets, any amendments thereto and resolutions be furnished him or her and shall make available such budgets, any amendments thereto and all resolutions authorizing increased expenditures for operation and maintenance of the System at all reasonable times 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 Loan Agreement as Exhibit B, and forward a copy of such report to the Authority and the DEP by the 10th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate from 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 DEP, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the DEP 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 require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the DEP in writing of such receipt. The Issuer shall submit a "Performance Certificate," a form of which is attached to the Loan Agreement as Exhibit A, to the DEP within 60 days of the end of the first year after the Project is completed.

The Issuer shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and the DEP 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 DEP 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 require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to the DEP when the Project is 90% completed.

The Issuer agrees that qualified operating personnel properly certified by the State will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System so long as the Series 1999 Bonds are Outstanding. The Issuer shall notify the DEP in writing of the certified operator employed at the 25% completion stage.

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 and any services and facilities of the water system, if so owned by the Issuer, 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 of either system 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. If the water facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the water provider, subject to any required approval of such agreement by the Public Service Commission of West Virginia and all rules, regulations and orders of the Public Service Commission of West Virginia.

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 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. The Issuer will carry such insurance and in such amounts as is customarily carried with respect to works and properties similar to the System, with a reputable insurance carrier or carriers, against loss or damage by fire, explosion, hurricane, earthquake, cyclone, occupancy or other hazards and risks. The Issuer will 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 and the DEP, so long as the Authority is the Owner of the Series 1999 Bonds. The Issuer will itself, or will require each contractor and subcontractor to, obtain and 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, to protect the interests of the Issuer, the Authority, the prime contractor and all subcontractors as their interests may appear, in accordance with the Loan Agreement, during construction of the Project in the full insurable value thereof. In time of war, the Issuer shall also carry in said amount such insurance as may be available against loss or damage by the risks and hazards of war. The proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repair and restoration of the damaged or destroyed properties or for the other purposes provided herein for said Renewal and Replacement Fund. The Issuer will also carry liability insurance for damage or injury to persons or property in amounts adequate for such purposes and customarily carried with respect to works and properties similar to the System. The Issuer shall carry such other insurance as is required by the Authority and DEP and as set forth in the Loan Agreement, including but not limited to flood insurance and business interruption insurance, to the extent available at reasonable cost to the Issuer.

The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 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.

Section 7.16. Mandatory Connections. The mandatory use of the System is essential and necessary for the protection and preservation of the public health, comfort, safety, convenience and welfare of the inhabitants and residents of, and the economy of, the Issuer and in order to assure the rendering harmless of sewage and water-borne waste matter produced or arising within the territory served by the System. Accordingly, every owner, tenant or occupant of any house, dwelling or building located near the System, where sewage will flow by gravity or be transported by such other methods approved by the State Division of Health from such house, dwelling or building into the System, to the extent permitted by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, shall connect with and use the System and shall cease the use of all other means for the collection, treatment and disposal of sewage and waste matters from such house, dwelling or building where there is such gravity flow or transportation by such other method approved by the State Division of Health and such house, dwelling or building can be adequately served by the System, and every such owner, tenant or occupant shall, after a 30-day notice of the availability of the System, pay the rates and charges established therefor.

Any such house, dwelling or building from which emanates sewage or water-borne waste matter and which is not so connected with the System is hereby declared and found to be a hazard to the health, safety, comfort and welfare of the inhabitants of the Issuer and a public nuisance which shall be abated to the extent permitted by law and as promptly as possible by proceedings in a court of competent jurisdiction.

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. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1999 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 1999 Bonds and shall be for the equal benefit of all Holders of the Series 1999 Bonds, junior, subject and subordinate to the statutory mortgage lien in favor of the Holders of the Prior Bonds; provided however, that the statutory mortgage lien shall in no event secure the repayment of the Series 1996 Notes.

Section 7.19. Compliance With Loan Agreement and Law. The Issuer agrees to comply with all terms and conditions of the Loan Agreement. Notwithstanding anything herein to the contrary, the Issuer will provide the DEP with all copies submitted to the Authority.

The Issuer also agrees to comply with the Act and all applicable laws, rules and regulations issued by the Authority, the DEP 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 7.20. 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).

ARTICLE VIII

INVESTMENT OF FUNDS; NON ARBITRAGE

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 and Notes Payment 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, except as otherwise provided with respect to the Rebate Fund. 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, the Depository Bank, or such other bank or national banking association, as the case may be, 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 or such other bank or national banking association, as the case may be, 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 if 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 or Notes are Outstanding and as long thereafter as necessary to comply with the Code and assure the exclusion of interest on the Original Bonds and Notes from gross income for federal income tax purposes.

Section 8.02. Information With Respect to Gross Proceeds. The Issuer shall furnish to the Authority such information with respect to earnings on all funds constituting "gross proceeds" (as that term is defined in the Code) of the Series 1999 Bonds from time to time as the Authority may request.

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 1999 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on the Series 1999 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 1999 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1999 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.

(4) If default occurs with respect to the Series 1996 Notes, the Prior Bonds or the Prior Bond Resolution.

Section 9.02. Remedies. Upon the happening and continuance of any Event of Default, any registered Owner of 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 Holders of the Bonds 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 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 Holders of the Bonds, and (v) by action or bill in equity enjoin any acts in violation of the Bond Legislation with respect to the Bonds or the rights of such Holders of the Bonds, provided however, that all rights and remedies of the Holders of the Bonds shall be subject to those of the Holders of the Prior Bonds.

Section 9.03. Appointment of Receiver. Any Holder of a Bond may, by proper legal action, compel the performance of the duties of the Issuer under the Bond Legislation and the Act, including, 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 Holder of 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 Bonds and interest and the deposits into the funds and accounts hereby established, and to apply such rates, rentals, fees, charges or other avenues 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 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 Holder 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 Holders of the 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 possession, operation and maintenance of the System for the sole purpose of the protection of both the Issuer and Holder 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 said 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

DEFEASANCE

Section 10.01. Defeasance of Series 1999 Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the respective Holders of all Series 1999 Bonds, the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Bond Legislation, then with respect to the Series 1999 Bonds only, 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 1999 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1999 Bonds for the payment of which either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with the moneys, if any, deposited with the Paying Agent at the same or earlier time, shall be sufficient, to pay as and when due either at maturity or at the next redemption date, the principal installments of and interest on such Series 1999 Bonds shall be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section. All Series 1999 Bonds shall, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the first paragraph of this section if there shall have been deposited with the Commission or its agent, either moneys in an amount which shall be sufficient, or securities the principal of and the interest on which, when due, will provide moneys which, together with other moneys, if any, deposited with the Commission at the same time, shall be sufficient to pay when due the principal installments of and interest due and to become due on said Series 1999 Bonds on and prior to the next redemption date or the maturity dates thereof. Neither securities nor moneys deposited with the Commission pursuant to this section nor principal or interest payments on any such securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal installments of and interest on said Series 1999 Bonds; provided, that any cash received from such principal or interest payments on such securities deposited with the Commission or its agent, if not then needed for such purpose, shall, to the extent practicable, be reinvested in securities maturing at times and in amounts sufficient to pay when due the principal installments of and interest to become due on said Bonds on and prior to the next redemption date or the maturity dates thereof, and interest earned from such reinvestments shall be paid over to the Issuer as received by the Commission or its agent, free and clear of any trust, lien or pledge. For the purpose of this section, securities shall mean and include only Government Obligations.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to the issuance of the Series 1999 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following the issuance of the Series 1999 Bonds, no material modification or amendment of this Bond Legislation, or of any resolution amendatory or supplemental hereto, that would materially and adversely affect the respective rights of Holders of the Bonds shall be made without the consent in writing of the Holders of 66-2/3% or more in principal amount of the Series 1999 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 respective Holder thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of Bonds required for consent to the above-permitted amendments or modifications.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Holders of the Series 1999 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 1999 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 and or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed, provided that, in the event of any conflict between this Resolution and the Prior Bond Resolution (so long as the Prior Bonds are Outstanding) or the resolution authorizing the Series 1996 Notes (so long as the Series 1996 Notes are Outstanding) the more restrictive provision shall control.

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 PSC for a Certificate of Convenience and Necessity with respect to the Project, the Secretary of the Governing Body shall have caused to be published in a newspaper of general circulation within the boundaries of the Issuer, a Class II legal advertisement stating:

(a) The respective maximum amounts of the Series 1999 Bonds to be issued;

(b) The respective maximum interest rates and terms of the Series 1999 Bonds originally 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 Convenience and Necessity is to be filed with the PSC.

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

Adopted this 27th day of January, 1999.

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Resolution duly adopted by the Public Service Board of NORTH BECKLEY PUBLIC SERVICE DISTRICT on the 27th day of January, 1999.

Dated: January 28, 1999.

Secretary, Public Service District

[SEAL]

EXHIBIT A

DESCRIPTION OF PROJECT

Acquisition and construction of certain upgrades to the North Beckley Public Service District's existing sewerage system, including without limitation the rehabilitation and expansion of the District's sewer treatment plant from a .5 million gallons a day capacity (MGD) to 2.5 MGD, rehabilitation of three existing pump stations, installation of approximately 3,000 feet of gravity sewer main and approximately 2,000 feet of force sewer main and related improvements and appurtenances thereto.

EXHIBIT B

LOAN AGREEMENT

[See Transcript Document #3]

EXHIBIT C

SCHEDULE OF RATES AND CHARGES

APPENDIX A

CASE NO. 97-0129-PSD-CN(Reopened)
NORTH BECKLEY PUBLIC SERVICE DISTRICT

APPROVED RATES (Revised 01/22/99)

Applicable in entire territory served.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service and for public authorities.

(C)(A)RATES (Based upon the metered amount of water supplied)

First 2,000 gallons used per month $7.26 per 1,000 gallons
Next 23,000 gallons used per month $6.24 per 1,000 gallons
Next 25,000 gallons used per month $4.17 per 1,000 gallons

(A)MINIMUM CHARGE

No bill will be rendered for less than $14.52

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

WATER DISCONNECTION -RECONNECTION FEES

Whenever water service has been disconnected for non-payment of sewer bills, a disconnection fee of $7.50 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $7.50 shall be charged.

SEWER CONNECTION CHARGE

Sewer connection fee to tap to main is $150.00.

(N)INCREMENTAL COST OF WASTEWATER TREATED

$1.69 per M. Gal. To be used when bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate is used to calculate consumption above customer's historical usage.

(A) Indicates advance
(C) Indicates change
(N) Indicates new

Public Service Commission
of West Virginia
Charleston

NORTH BECKLEY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, INTEREST RATE, DATE, MATURITY, REDEMPTION PROVISIONS, PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 OF NORTH BECKLEY PUBLIC SERVICE DISTRICT; AUTHORIZING, RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BOND REGISTRAR, DEPOSITORY BANK AND PAYING AGENT; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of North Beckley Public Service District (the "Issuer") has duly and officially adopted a Bond Resolution, effective January 27, 1999, (the "Bond Resolution") entitled:

BOND RESOLUTION

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONAL EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE SYSTEM OF THE NORTH BECKLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, TOGETHER WITH THE PAYMENT OF THE NORTH BECKLEY PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 1997, THROUGH THE ISSUANCE BY THE NORTH BECKLEY PUBLIC SERVICE DISTRICT OF NOT MORE THAN NINE MILLION DOLLARS ($9,000,000) IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH SEWERAGE

SYSTEM REVENUE BONDS, SERIES 1999; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

WHEREAS, capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Resolution when used herein.

WHEREAS, the Bond Resolution provides for the issuance of Sewerage System Revenue Bonds, Series 1999 of the Issuer (the "Series 1999 Bonds"), in an aggregate principal amount not to exceed $9,000,000, and has authorized the execution and delivery of a loan agreement relating to the Series 1999 Bonds dated October 8, 1998 (sometimes referred to herein as the "Loan Agreement"), by and among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP"), all in accordance with Chapter 16, Article 13A and Chapter 22C, Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and exact principal amount, date, maturity date, interest rate, interest and principal payment dates, redemption provisions, sale price and other terms of the Series 1999 Bonds should be established by a supplemental resolution pertaining to the Series 1999 Bonds; and that other matters relating to the Series 1999 Bonds be herein provided for;

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

WHEREAS, the Series 1999 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 and that the Loan Agreement be ratified, approved and entered into by the Issuer, that the exact principal amount, the price, the maturity date, the redemption provisions, the interest rate and the interest and principal payment dates of the Series 1999 Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Series 1999 Bonds be herein provided for;

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

Section 1. Pursuant to the Bond Resolution and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Sewerage System Revenue Bonds, Series 1999 of the Issuer, originally represented by a single bond, numbered R-1, in the principal amount of $8,090,898. The Series 1999 Bonds shall be dated the date of delivery thereof, shall finally mature on June 1, 2020, and shall bear no interest. The principal of the Series 1999 Bonds shall be payable in quarterly installments of principal on March 1, June 1, September 1 and December 1 of each year commencing September 1, 2000 and ending June 1, 2020, and in the amounts set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made part of the Series 1999 Bonds. The Series 1999 Bonds shall be subject to redemption upon the consent of the Authority and DEP, and upon payment of the redemption premium, if any, and

otherwise in compliance with the Loan Agreement, as long as the Authority shall be registered owner of the Series 1999 Bonds. The Issuer does hereby approve and shall pay the SRF Administrative Fee equal to 1% of the principal amount of the Series 1999 Bonds set forth in "Schedule Y" attached to the Loan Agreement.

Section 2. All other provisions relating to the Series 1999 Bonds and the text of the Series 1999 Bonds shall be in substantially the form provided in the Bond 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 by the Chairman of the Loan Agreement, and the performance of the obligations contained therein, on behalf of the Issuer are hereby authorized, ratified, approved and directed. The price of the Series 1999 Bonds shall be 100% of par value, there being no interest accrued thereon, provided that, the proceeds of the Series 1999 Bonds shall be advanced from time to time as requisitioned by the Issuer, and at closing there shall be requisitioned and advanced a portion of the proceeds in the amount of $1,923,789, being more than a de minimis amount. The Issuer hereby affirms all covenants and representations made in the Loan Agreement and in the application to the DEP and the Authority.

Section 4. The Issuer hereby agrees to comply with the special conditions set forth in Exhibit E to the Loan Agreement.

Section 5. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar for the Series 1999 Bonds.

Section 6. The Issuer does hereby appoint and direct the West Virginia Municipal Bond Commission, Charleston, West Virginia, to serve as Paying Agent for the Series 1999 Bonds.

Section 7. The Issuer does hereby appoint and designate United National Bank, Beckley, West Virginia, as Depository Bank under the Bond Resolution.

Section 8. The Series 1999 Bonds proceeds in the amount of $-0- shall be deposited in the Series 1999 Bonds Sinking Fund as capitalized interest.

Section 9. The Series 1999 Bonds proceeds in the amount of $404,548 shall be deposited in the Series 1999 Bonds Reserve Account.

Section 10. The remaining proceeds of the Series 1999 Bonds shall be deposited in the Series 1999 Bonds Construction Trust Fund as received from time to time for payment of costs of the Project, including repayment of any temporary bank loans or Authority advances made or incurred with respect to the Project and payment of cost of issuance of the Series 1999 Bonds and including the payment of the Series 1997 Notes in accordance with Section 6.01(c) of the Bond Resolution and including the payment of the arbitration award in favor of Dunn Engineers, Inc.

Section 11. 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 Series 1999 Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Series 1999 Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about January 28, 1999, or as soon thereafter as practicable.

Section 12. The acquisition and construction of the Project and the permanent financing of the Costs thereof with the proceeds of the Series 1999 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 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all monies in the funds and accounts established by the Bond Resolution held by the Depository Bank in time deposits of the Depository Bank meeting the requirements set forth under the definition of "Qualified Investments" in the Bond Resolution and therefore the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such time deposits, until further directed by the Issuer. Monies in the Series 1999 Bonds Sinking Fund, including the Series 1999 Bonds Reserve Account therein, shall be invested by the Municipal Bond Commission in the West Virginia Restricted Consolidated Fund.

Section 14. The Chairman, Secretary, General Manager and other officers of the Issuer are each hereby authorized and directed to take all steps necessary to: (i) pay the Series 1997 Notes in full, (ii) pay the arbitration award in favor of Dunn Engineers, Inc. in full, and (iii) pay the settlement in the amount of $330,000 to the City of Beckley in the manner and at the times described at this meeting by the Issuer's counsel.

Section 15. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 27th day of January, 1999.

NORTH BECKLEY PUBLIC SERVICE DISTRICT

Chairman, Public Service Board

Member, Public Service Board

Member, Public Service Board

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of NORTH BECKLEY PUBLIC SERVICE DISTRICT on the 27th day of January, 1999.

Dated: January 28, 1999.

[SEAL]

Secretary, Public Service Board

SRF-LP-1
(August 1998)

LOAN AGREEMENT

THIS WATER POLLUTION CONTROL REVOLVING FUND LOAN AGREEMENT (the "Loan Agreement"), made and entered into in several counterparts, by and among the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY, a governmental instrumentality and body corporate of the State of West Virginia (the "Authority"), the WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION, a division of the West Virginia Bureau of Environment (the "DEP"), and the local government designated below (the "Local Government").

NORTH BECKLEY PUBLIC SERVICE DISTRICT
(Local Government)

W I T N E S S E T H:

WHEREAS, the United States Congress under Title VI of the federal Clean Water Act, as amended (the "Clean Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining state water pollution control revolving funds for the planning, design, construction, acquisition and/or improvement of wastewater treatment facilities;

WHEREAS, pursuant to the provisions of Chapter 20, Article 5I, of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a state water pollution control revolving fund program (the "Program") to direct the distribution of loans to particular local governments pursuant to the Clean Water Act;

WHEREAS, under the Act the DEP is designated the instrumentality to enter into capitalization agreements with the United States Environmental Protection Agency ("EPA") to accept capitalization grant awards (U.S. General Services Administration; Catalog of Federal Domestic Assistance, 32nd Edition § 66.458 (1998)) and DEP has been awarded capitalization grants to partially fund the Program;

WHEREAS, under the Act and under the direction of DEP, the Authority has established a permanent perpetual fund known as the "West Virginia Water Pollution Control Revolving Fund" (hereinafter the "Fund");

WHEREAS, pursuant to the Act, the Authority and DEP are empowered to make loans from the Fund to local governments for the acquisition or construction of

wastewater treatment projects by such local governments, all subject to such provisions and limitations as are contained in the Clean Water Act and the Act;

WHEREAS, the Local Government constitutes a local government as defined by the Act;

WHEREAS, the Local Government is included on the DEP State Project Priority List and the Intended Use Plan and has met DEP's pre-application requirements for the Program;

WHEREAS, the Local Government is authorized and empowered by the statutes of the State to construct, operate and improve a wastewater treatment project and to finance the cost of constructing or acquiring the same by borrowing money to be evidenced by revenue bonds issued by the Local Government;

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

WHEREAS, the Local Government has completed and filed with the Authority and DEP an Application for a Loan with attachments and exhibits and an Amended Application for a 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 the Fund having available sufficient funds therefor, the Authority and DEP are willing to lend the Local Government the amount set forth on Schedule X attached hereto and incorporated herein by reference, through the purchase of revenue bonds of the Local Government with moneys held in the Fund, subject to the Local Government's satisfaction of certain legal and other requirements of the Program.

NOW, THEREFORE, in consideration of the premises and the mutual agreements hereinafter contained, the Local Government, DEP and the Authority hereby agree as follows:

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms "Authority," "cost," "fund," "local government," and "project" have the definitions and meanings ascribed to them in the Act or in the SRF Regulations.

1.2 "Consulting Engineers" means the professional engineer, licensed by the State, designated in the Application and any successor thereto.

1.3 "Loan" means the loan to be made by the Authority and DEP to the Local Government through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.4 "Local Act" means the official action of the Local Government required by Section 4.1 hereof, authorizing the Local Bonds.

1.5 "Local Bonds" means the revenue bonds to be issued by the Local Government pursuant to the provisions of the Local Statute, as hereinafter defined, to evidence the Loan and to be purchased by the Authority with money held in the Fund, all in accordance with the provisions of this Loan Agreement.

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

1.7 "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.

1.8 "Program" means the wastewater treatment facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Clean Water Act and administered by DEP.

1.9 "Project" means the wastewater treatment facility project hereinabove referred to, to be constructed or being constructed by the Local Government in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Government in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

1.10 "SRF Regulations" means the regulations set forth in Title 47, Series 31 of the West Virginia Code of State Regulations.

1.11 "System" means the wastewater treatment facility owned by the Local Government, 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 Local Government by the Consulting Engineers, the DEP and Authority having found, to the extent applicable, that the Project is consistent with the applicable provisions of the Program.

2.2 Subject to the terms, conditions and provisions of this Loan Agreement and of the Local Act, the Local Government 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 Local Government 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 Local Government, 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 is approved by DEP and the Authority.

2.4 The Local Government agrees that the Authority and DEP and their respective 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 Local Government further agrees that the Authority and DEP and their respective duly authorized agents 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 and DEP with respect to the System pursuant to the pertinent provisions of the Act.

2.5 The Local Government 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 Local Government shall permit the Authority and DEP, acting by and through their Directors or 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 Local Government shall submit to the Authority and DEP 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 Local Government agrees that it will permit the Authority and DEP and their respective agents to have access to the records of the Local Government 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 Local Government 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 Local Government 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 and DEP. Until the Project facilities are completed and accepted by the Local Government, the Local Government or (at the option of the Local Government) 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 Local Government, 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 Local Government on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds are outstanding. Prior to commencing operation of the Project, the Local Government must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Local Government shall provide and maintain competent and adequate resident engineering services satisfactory to the Authority and DEP 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, DEP and the Local Government 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. The Local Government shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the SRF Regulations, to it within 60 days of the completion of the Project. The Local Government shall notify DEP in writing of such receipt. The Local Government shall submit a Performance Certificate, the form of which is attached hereto as Exhibit A, and being incorporated herein by reference, to DEP within 60 days of the end of the first year after the Project is completed.

2.10 The Local Government shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the SRF Regulations, to DEP when the Project is 90% completed. The Local Government 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 Local Government agrees that qualified operating personnel properly certified by the State will be employed before the Project is 25% complete and agrees that it will retain such a certified operator(s) to operate the System during the entire term of this Loan Agreement. The Local Government shall notify DEP in writing of the certified operator employed at the 25% completion stage.

2.11 The Local Government hereby covenants and agrees to comply with all applicable laws, rules and regulations issued by the Authority, DEP 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 Local Government, 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 B and incorporated herein by reference, and forward a copy by the 10th of each month to the Authority.

2.13 The Local Government, during construction of the Project, shall complete Payment Requisition Forms, the form of which is attached hereto as Exhibit C and incorporated herein by reference, and forward the Form to DEP in compliance with the Local Government's construction schedule.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

3.1 The agreement of the Authority and DEP to make the Loan is subject to the Local Government's fulfillment, to the satisfaction of the Authority and DEP, 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 Local Government shall have delivered to the Authority a report listing the specific purposes for which the proceeds of the Loan will be expended and the procedures as to the disbursement of loan proceeds, including an estimated monthly draw schedule;

(b) The Local Government shall have performed and satisfied all of the terms and conditions to be performed and satisfied by it in this Loan Agreement;

(c) The Local Government 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;

(d) The Local Government shall either have received bids or entered into 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 Local Government 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 and DEP shall have received a certificate of the Consulting Engineers to such effect, the form of which certificate is attached hereto as Exhibit D;

(e) The Local Government 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 and DEP shall have received a certificate of the Consulting Engineers to such effect;

(f) The Local Government 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, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(g) The Local Government shall have obtained any and all approvals for the issuance of the Local Bonds required by State law, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(h) The Local Government 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, and the Authority and DEP shall have received an opinion of counsel to the Local Government, which may be local counsel to the Local Government, bond counsel or special PSC counsel but must be satisfactory to the Authority and DEP, to such effect;

(i) Such rates and charges for the System shall be sufficient to comply with the provisions of Subsection 4.1(b)(ii) hereof, and the Authority and DEP shall have received a certificate of the accountants for the Local Government, or such other person or firm experienced in the finances of local governments and satisfactory to the Authority and DEP, to such effect; and

(j) 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 and DEP shall have received a certificate of the Consulting Engineers, or such other person or firm experienced in the financing of wastewater treatment projects and satisfactory to the Authority and DEP, to such effect, such certificate to be in form and substance satisfactory to the Authority and DEP, and evidence satisfactory to the Authority and DEP 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 and DEP, including the SRF Regulations, 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 Local Government and the Local Government shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Local Government 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 Local Government 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, DEP and the Local Government. 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 set forth in Exhibit E hereto.

3.5 The Local Government understands and acknowledges that it is one of several local governments which have applied to the Authority and DEP for loans to finance wastewater treatment projects and that the obligation of the Authority to make any such loan is subject to the Local Government's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the requirements of the Program. The Local Government specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Fund to purchase all the Local Bonds and that, prior to such purchase, the Authority may purchase the bonds of other local governments set out in the State Project Priority List, as defined in the SRF Regulations. The

Local Government further specifically recognizes that all loans will be originated in conjunction with the SRF Regulations and with the approval of DEP.

3.6 The Local Government shall provide DEP with the appropriate documentation to comply with the special conditions established by federal and state regulations as set forth in Exhibit E hereto at such times as are set forth in Exhibit E.

ARTICLE IV

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

4.1 The Local Government shall, as one of the conditions of the Authority and DEP to make the Loan, authorize the issuance of and issue the Local Bonds pursuant to an official action of the Local Government in accordance with the Local Statute, which shall, as enacted, contain provisions and covenants in substantially the form as follows:

(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 (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 Local Government 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 net revenues from the System;

(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 established for the payment of debt service on the Local Bonds is funded (whether by Local Bond proceeds, monthly deposits or otherwise) 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 Local Government will complete the Project and operate and maintain the System in good condition;

(iv) That, except as otherwise required by State law or the Regulations, the System may be sold, mortgaged, leased or otherwise disposed of as a whole or substantially as a whole provided that the net proceeds to be realized from such sale, mortgage, lease or other deposition shall be sufficient to fully pay all of the local bonds outstanding and further provided that portions of the System when no longer required for the ongoing operation of such System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

(v) That the Local Government 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, 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 and with the written consent of the Authority and DEP; 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 Local Government 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 Local Government 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 Local Government 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 of 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 and all rights as set forth in Section 5 of the Act;

(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 Local Government will not grant any franchise to provide any services which would compete with the System;

(xi) That the Local Government 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 and DEP, which report shall include a statement that the Local Government is in compliance with the terms and provisions of the Local Act and this Loan Agreement and that the Local Government's revenues are adequate to meet its operation and maintenance expenses and debt service requirements;

(xii) That the Local Government shall annually adopt 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 DEP within 30 days of adoption thereof;

(xiii) That, 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, advanced from time to time, except for accrued interest and capitalized interest, if any, 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 Local Government 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 Local Government, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority and DEP, 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 Local Government may authorize redemption of the Local Bonds with 30 days written notice to the Authority;

(xvi) That the Local Government shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the West Virginia Municipal Bond Commission (the "Commission") its required interest, principal and reserve fund payment. The Local Government shall complete the Monthly Payment Form, attached hereto as Exhibit F and incorporated herein by reference, and submit a copy of said form along with a copy of the check to the Authority by the 5th day of such calendar month;

(xvii) That the Commission shall serve as paying agent for all Local Bonds;

(xviii) 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 Local Government 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;

(xix) That the Local Government shall have obtained the certificate of the Consulting Engineers 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; and

(xx) That the Local Government 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 Local Government, then the Local Government shall enter into a termination agreement with the water provider.

The Local Government 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 nationally recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit G.

4.2 The Loan shall be secured by the pledge and assignment by the Local Government, as effected by the Local Act, of the fees, charges and other revenues of the Local Government from the System.

4.3 At least five percent (5%) of the proceeds of the Local Bonds will be advanced on the Date of Loan Closing. The remaining proceeds of the Local Bonds shall be advanced by the Authority monthly as required by the Local Government to pay Costs of the Project, provided, however, if the proceeds of the Local Bonds will be used to repay an interim financing, the proceeds will be advanced on a schedule mutually agreeable to the Local Government, the DEP and the Authority. The Local Bonds shall not bear interest during the construction period but interest shall commence accruing on the completion date as defined in the SRF Regulations, provided that the annual repayment of principal and payment of interest shall begin not later than one (1) year after the completion date. The repayment of principal and interest on the Local Bonds shall be as set forth on Schedule Y 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.

4.4 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 Local Government. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series.

4.5 As provided by the SRF Regulations, the Local Government agrees to pay from time to time, if required by the Authority and DEP, the Local Government's allocable share of the reasonable administrative expenses of the Authority relating to the Program. Such administrative expenses shall be determined by the Authority and shall include without limitation Program expenses, legal fees paid by the Authority and fees paid to the trustee and paying agents for any bonds or notes to be issued by the Authority for contribution to the Fund and the fees and expenses of any corporate trustee for the Fund.

4.6 The obligation of the Authority to make any loans shall be conditioned upon the availability of moneys in the Fund in such amount and on such terms and conditions as, in the sole judgment of the Authority, will enable it to make the Loan.

ARTICLE V

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

5.1 The Local Government hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Local Government 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 Subsection 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 Local Government 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 Local Government defaults in any payment due to the Authority pursuant to Section 4.2 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 Local Government hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Local Government, the Authority may exercise any or all of the rights and powers granted under Section 5 of the Act, including without limitation the right to impose, enforce and collect directly charges upon users of the System.

ARTICLE VI

Other Agreements of the Local Government

6.1 The Local Government hereby acknowledges to the Authority and DEP its understanding of the provisions of the Act, vesting in the Authority and DEP certain powers, rights and privileges with respect to wastewater treatment projects in the event of default by local governments in the terms and covenants of loan agreements, and the Local Government hereby covenants and agrees that, if the Authority should hereafter have

recourse to said rights and powers, the Local Government shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

6.2 The Local Government hereby warrants and represents that all information provided to the Authority and DEP 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 and DEP shall have the right to cancel all or any of their obligations under this Loan Agreement if (a) any representation made to the Authority and DEP by the Local Government in connection with the Loan shall be incorrect or incomplete in any material respect or (b) the Local Government has violated any commitment made by it in its Application or in any supporting documentation or has violated any of the terms of the SRF Regulations or this Loan Agreement.

6.3 The Local Government hereby agrees to repay on or prior to the Date of Loan Closing any moneys due and owing by it to the Authority or any other lender for the planning or design of the Project, provided that such repayment shall not be made from the proceeds of the Loan.

6.4 The Local Government 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 Local Government fails to make any such rebates as required, then the Local Government 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.

6.5 Notwithstanding Section 6.4, the Authority and DEP may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the Local Government to be monitored or cause the rebate calculations for the Local Government to be prepared, in either case at the expense of the Local Government.

6.6 The Local Government hereby agrees to give the Authority and DEP 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.

6.7 The Local Government 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 Schedule Y shall be attached to this Loan Agreement by the Authority as soon as practicable after the Date of Loan Closing is established and shall be approved by an official action of the Local Government supplementing the Local Act, a certified copy of which official action shall be submitted to the Authority.

7.2 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.

7.3 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.

7.4 No waiver by any 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.

7.5 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.

7.6 By execution and delivery of this Loan Agreement, notwithstanding the date hereof, the Local Government 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.

7.7 This Loan Agreement shall terminate upon the earlier of:

(i) written notice of termination to the Local Government from either the Authority or DEP;

(ii) termination by the Authority and DEP pursuant to Section 6.2 hereof; or

(iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Local Government to the Authority or DEP; provided that the amount of the Loan made under this Loan Agreement in any succeeding fiscal year is contingent upon funds being appropriated by the legislature or otherwise being available to make the Loan. In the event funds are not appropriated or otherwise available to make all of the Loan, the responsibility of the Authority and DEP to make all the Loan is terminated; provided further that the obligation of the Local Government to repay the amount of the Loan made by the Authority and DEP as set forth in (iii) above is not terminated due to such non-funding on any balance on the Loan. The DEP agrees to use its best efforts to have the amount contemplated under this Loan Agreement included in its budget. Non-appropriation or non-funding shall not be considered an event of default under the Loan Agreement.

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.

North Beckley Public Service District
[Proper Name of Local Government]

(SEAL)

By: Howard T. Spears
Its: Chairman

Attest:

Date: 10/14/98

Sam H. Hott Jr.
Its Secretary

WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION

By: Barbara S. Taylor
Its: Chief

Date: 10/16/98

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

(SEAL)

By: Daniel B. Yankoski
Its: Director

Attest:

Date: October 8, 1998

Barbara B. Meadows
Secretary-Treasurer

EXHIBIT A

[Form of Performance Certificate]

[TO BE PROVIDED BY DEP]

EXHIBIT B

[Form of Monthly Financial Report]
[Name of Local Government]
[Name of Bond Issue]
Fiscal Year - __
Report Month: _____

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

Witnesseth my signature this __ day of ____, ____.

[Name of Local Government]

By: _____
Authorized Officer

EXHIBIT C

PAYMENT REQUISITION FORM

(All Copies to Be Provided by DEP for Each Project)

EXHIBIT D

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 among the Issuer, the West Virginia Water Development Authority (the "Authority"), and the West Virginia Division of Environmental Protection ("DEP") 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 twenty 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 Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the rates and charges for the System as adopted by the ____ of the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement, (vi) 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 (vii) attached hereto as Exhibit A is the final amended "Schedule A - 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 E

SPECIAL CONDITIONS

A. The recipient agrees to include, when issuing statements, press releases, requests for proposals, bid solicitations and other documents describing projects or programs funded in whole or in part with Federal money, (1) the percentage of the total costs of the program or project which will be financed with Federal money, (2) the dollar amount of Federal funds for the project or program, and (3) percentage and dollar amount of the total costs of the project or program that will be financed by non-governmental sources.

B. AUDIT REQUIREMENT (Supplement to Article IV 4.1 (b) (xi)) - The loan recipient that receives $300,000 or more in a fiscal year must obtain audits in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133 or any appropriate successor. Financial statement audits are required once all funds have been received by the loan recipient.

EXHIBIT F

[Monthly Payment Form]

West Virginia Water Development
Authority
180 Association Drive
Charleston WV 25311-1571

Re: [Name of bond issue]

Dear Sirs:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of [Local Government] on _____, __.

Sinking Fund:

Interest $_____

Principal $_____

Total: $_____

Reserve Fund: $_____

Witness my signature this ____ day of_____.

[Name of Local Government]

By: _____
Authorized Officer

Enclosure: copy of check(s)

EXHIBIT G

[Opinion of Bond Counsel for Local Government]

[To Be Dated as of Date of Loan Closing]

West Virginia Water Development Authority
180 Association Drive
Charleston WV 25311-1571

Gentlemen:

We are bond counsel to _____ (the "Local Government"), 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 Local Government and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Local Government, 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 payable _____ 1, ____ 1, _____ 1, and _____ 1 of each year, beginning _____ 1, 19_, at the respective rate or rates and with principal payable in installments on ____ 1 in each of the years, all as follows:

Year	Installment	Interest Rate

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 Local Government 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.

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 Local Government and is a valid and binding special obligation of the Local Government 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 Local Government without the consent of the Authority.

3. The Local Government 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 Local Government 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 Local Government, 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. 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,

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	$ 8,090,898
Purchase Price of Bonds	$ 8,090,898

Interest on the Bonds shall be zero percent from the date of delivery ~~to and including~~ _____. Principal ~~and interest~~ on the Bonds is payable quarterly, commencing September 1, 2000 at a rate of 0 % 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. As of the date of this Loan Agreement, it is the Authority's and DEP's understanding that the Local Government has [other obligations outstanding which have a lien as to the source of and security for payment equal to or superior to the lien being granted by the Bonds] or [provide list of outstanding debt]. (See attached schedule)*

The Local Government shall submit its payments monthly to the West Virginia Municipal Bond Commission with instructions that the West Virginia Municipal Bond Commission will make quarterly payments to the West Virginia Water Development Authority at such address as is given to the Bond Commission in writing by the Authority. If the Reserve Fund is not fully funded at closing, the Local Government shall commence the payment of the 1/120 of the maximum annual debt service on the first day of the month it makes its first monthly payment to the Bond Commission. The Local Government shall instruct the Bond Commission to notify the Authority of any monthly payments which are not received by the 20th day of the month in which the payment was due.

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 Local Government's system.

The Local Government may prepay the Bonds in full at any time at the price of par upon 30 days' written notice to the Authority and DEP. The Local Government shall request approval from the Authority and DEP in writing of any proposed debt which will be issued by the Local Government on a parity with the Bonds which request must be filed at least 60 days prior to the intended date of issuance.

* Sewer Revenue Bonds, Series 1964, dated April 1, 1964, issued in the original principal amount of $930,000.

SCHEDULE Y

North Beckley PSD, WV

SRF Loan No. C-544157-02

$8,090,898; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
3/01/1998	-	-	-
6/01/1998	-	-	-
9/01/1998	-	-	-
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	-	-	-
9/01/2000	101,137.00	-	101,137.00
12/01/2000	101,137.00	-	101,137.00
3/01/2001	101,137.00	-	101,137.00
6/01/2001	101,137.00	-	101,137.00
9/01/2001	101,137.00	-	101,137.00
12/01/2001	101,137.00	-	101,137.00
3/01/2002	101,137.00	-	101,137.00
6/01/2002	101,137.00	-	101,137.00
9/01/2002	101,137.00	-	101,137.00
12/01/2002	101,137.00	-	101,137.00
3/01/2003	101,137.00	-	101,137.00
6/01/2003	101,137.00	-	101,137.00
9/01/2003	101,137.00	-	101,137.00
12/01/2003	101,137.00	-	101,137.00
3/01/2004	101,137.00	-	101,137.00
6/01/2004	101,137.00	-	101,137.00
9/01/2004	101,137.00	-	101,137.00
12/01/2004	101,137.00	-	101,137.00
3/01/2005	101,136.00	-	101,136.00
6/01/2005	101,136.00	-	101,136.00
9/01/2005	101,136.00	-	101,136.00
12/01/2005	101,136.00	-	101,136.00
3/01/2006	101,136.00	-	101,136.00
6/01/2006	101,136.00	-	101,136.00
9/01/2006	101,136.00	-	101,136.00
12/01/2006	101,136.00	-	101,136.00
3/01/2007	101,136.00	-	101,136.00
6/01/2007	101,136.00	-	101,136.00
9/01/2007	101,136.00	-	101,136.00
12/01/2007	101,136.00	-	101,136.00
3/01/2008	101,136.00	-	101,136.00
6/01/2008	101,136.00	-	101,136.00
9/01/2008	101,136.00	-	101,136.00
12/01/2008	101,136.00	-	101,136.00
3/01/2009	101,136.00	-	101,136.00
6/01/2009	101,136.00	-	101,136.00
9/01/2009	101,136.00	-	101,136.00

North Beckley PSD, WV

SRF Loan No. C-544157-02

$8,090,898; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/2009	101,136.00	-	101,136.00
3/01/2010	101,136.00	-	101,136.00
6/01/2010	101,136.00	-	101,136.00
9/01/2010	101,136.00	-	101,136.00
12/01/2010	101,136.00	-	101,136.00
3/01/2011	101,136.00	-	101,136.00
6/01/2011	101,136.00	-	101,136.00
9/01/2011	101,136.00	-	101,136.00
12/01/2011	101,136.00	-	101,136.00
3/01/2012	101,136.00	-	101,136.00
6/01/2012	101,136.00	-	101,136.00
9/01/2012	101,136.00	-	101,136.00
12/01/2012	101,136.00	-	101,136.00
3/01/2013	101,136.00	-	101,136.00
6/01/2013	101,136.00	-	101,136.00
9/01/2013	101,136.00	-	101,136.00
12/01/2013	101,136.00	-	101,136.00
3/01/2014	101,136.00	-	101,136.00
6/01/2014	101,136.00	-	101,136.00
9/01/2014	101,136.00	-	101,136.00
12/01/2014	101,136.00	-	101,136.00
3/01/2015	101,136.00	-	101,136.00
6/01/2015	101,136.00	-	101,136.00
9/01/2015	101,136.00	-	101,136.00
12/01/2015	101,136.00	-	101,136.00
3/01/2016	101,136.00	-	101,136.00
6/01/2016	101,136.00	-	101,136.00
9/01/2016	101,136.00	-	101,136.00
12/01/2016	101,136.00	-	101,136.00
3/01/2017	101,136.00	-	101,136.00
6/01/2017	101,136.00	-	101,136.00
9/01/2017	101,136.00	-	101,136.00
12/01/2017	101,136.00	-	101,136.00
3/01/2018	101,136.00	-	101,136.00
6/01/2018	101,136.00	-	101,136.00
9/01/2018	101,136.00	-	101,136.00
12/01/2018	101,136.00	-	101,136.00
3/01/2019	101,136.00	-	101,136.00
6/01/2019	101,136.00	-	101,136.00
9/01/2019	101,136.00	-	101,136.00
12/01/2019	101,136.00	-	101,136.00
3/01/2020	101,136.00	-	101,136.00
6/01/2020	101,136.00	-	101,136.00
Total	8,090,898.00	-	8,090,898.00 *

* Plus one-percent administrative fee paid quarterly in the amount of $10,240. Total administrative fee paid over the life of the loan is $819,200.

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 January, 1999.

CASE NO. 97-0129-PSD-CN (Reopened)

NORTH BECKLEY PUBLIC SERVICE DISTRICT
Application for a certificate of convenience and necessity to upgrade the District's sewage treatment plant and parts of its sewage collection system.

COMMISSION ORDER

By Recommended Decision entered March 27, 1998, which became final on April 16, 1998, the Commission, among other things: (1) granted the North Beckley Public Service District's (District) a certificate of convenience and necessity to upgrade the District's sewage treatment plant and parts of its sewage collection system; (2) approved the proposed financing for the certificated project, which consisted of a $8,491,790 loan from the West Virginia Division of Environmental Protection's (WVDEP) State Revolving Fund (SRF), at a 0% interest rate plus an annual administrative fee of 1% for twenty (20) years; (3) directed the District to file a petition for approval of any modification to the scope, design or financing of the certificated project; and (4) approved rates, to be included in the District's tariff, which were attached to the order.

On November 30, 1998, the District filed a petition to reopen this proceeding for the purpose of modifying the Commission's March 27, 1998 decision, in order to permit the expenditure of funds to satisfy a judgment against the District, and requested expedited treatment of its petition. In its petition, the District noted that the bids it received for the certificated project were approximately $700,000 less than estimated. Petition, ¶8. The District requests that the Commission modify its March 27, 1998 decision in order to permit the use of SRF loan proceeds to satisfy a $209,754.55 judgment in favor of Dunn Engineers, Inc., issued on April 14, 1998 in a civil suit styled Dunn Engineers, Inc. v. North Beckley Public Service District. Id., ¶5. The Commission previously -- in Case No. 98-1278-PSD-PC -- approved the District's use of surplus loan proceeds from its Cranberry Creek Watershed Project and surplus revenues to satisfy the Dunn Engineers judgment. However, the District did not use any of these funds to satisfy the Dunn Engineers judgment; instead, the District seeks to satisfy said judgment from surplus funds resulting from bids received in this proceeding. Id., ¶6. Finally, the District notes that the WVDEP has

approved the District's liability to Dunn Engineers as an allowable cost and has accordingly increased the SRF loan from $7,780,387.00 to $7,990,492.00. Petition, ¶7 & Exh. 2.

On December 4, 1998, Commission Staff (Staff) filed an Initial and Final Joint Staff Memorandum recommending that the District's petition to reopen this proceeding to revise project costs and funding should be approved. Staff notes that the SRF loan total is decreasing by $501,298 -- from the original $8,491,790.00 to $7,990,492.00 -- even with inclusion of the Dunn Engineers judgment as an allowable cost. Staff further noted that the decrease in the SRF loan resulted in a decrease in the District's annual debt requirement, debt reserve and administrative fees which results in a $30,319.00 reduction in the District's annual costs. Such reduction reduced the previously approved rates by approximately 3.3% -- from a 54% tp 51% increase -- with a corresponding reduction in the District's rates, as calculated by Staff. Staff's revised rates were attached to its memorandum as Attachment I. In addition to its rate revisions, Staff calculated and included a $1.69/thousand gallons of wastewater treated leak adjustment rate to be included in the District's revised tariff. Staff further recommended that the Commission retain this matter for expeditious processing due to the District's bids expiring on December 8, 1998.

By Order entered December 18, 1998, the Commission reopened this proceeding and approved the District's revised project costs and funding associated with the certificated project. The Commission also adopted Staff's revised rates and leak adjustment rate, attached to the order. The Commission authorized the District's borrowing of $7,990,492.00 from the WVDEP State Revolving Fund and further provided that such loan included, as an allowable cost, the District's $209,754.55 liability to Dunn Engineers, Inc.

On December 29, 1998, the District filed yet another petition to reopen this proceeding in order to modify the Commission's December 18, 1998 order and to revise the project costs and approve the borrowing of an additional $100,406.00 from the WVDEP State Revolving Fund. In its petition, the District advised that this sum includes additional interest incurred as the result of delaying the closing on the loan until January 28, 1999, and an increase in the funded reserve resulting from the increased costs.

On January 6, 1999, Staff filed a Further Joint Staff Memorandum, recommending that the Commission should reopen this proceeding and approve the increased project costs and financing. Staff further recommended that the District's rates be revised to increase by approximately 1.7% in order to generate increased annual revenues sufficient to offset the District's increased annual costs. The total project costs, Staff noted, had increased from $7,990,492.00 to $8,090,898.00. Finally, Staff urged that the Commission dispose of this matter on an expedited basis in view of the January 28, 1999 closing date and the project contractor's January 31, 1999 bid expiration date.

UPON CONSIDERATION WHEREOF, the Commission concludes that the District's petition to reopen this proceeding in order to revise project costs and funding associated with the

Public Service Commission
of West Virginia
Charleston

certificated project should be approved. The Commission further concludes that Staff's revised rates and leak adjustment rate, attached hereto as Appendix A should be approved. The District will be directed to file with the Commission a revised tariff incorporating the rates approved herein.

IT IS, THEREFORE, ORDERED that the North Beckley Public Service District's December 29, 1998 petition to reopen this proceeding in order to revise project costs and funding associated with the certificated project should be, and hereby is, approved.

IT IS FURTHER ORDERED that the District is authorized to borrow $8,090,898.00 from the WVDEP State Revolving Fund, and that such loan includes, as an allowable cost, the District's $209,754.55 liability to Dunn Engineers, Inc.

IT IS FURTHER ORDERED that the District's rates be revised and that the District file a tariff with the Commission containing the rates attached hereto as Appendix A, to be used upon substantial completion of the certificated project. The District shall inform the Commission, in writing, when substantial completion occurs.

IT IS FURTHER ORDERED that, upon entry hereof, this proceeding shall be removed from the Commission's docket of active cases.

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

Sandra Squire
Executive Secretary

970129ca.wpd
PWP/pwp

APPENDIX A

CASE NO. 97-0129-PSD-CN(Reopened)
NORTH BECKLEY PUBLIC SERVICE DISTRICT

APPROVED RATES (Revised 01/22/99)

Applicable in entire territory served.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service and for public authorities.

(C)(A)RATES (Based upon the metered amount of water supplied)

First 2,000 gallons used per month $7.26 per 1,000 gallons
Next 23,000 gallons used per month $6.24 per 1,000 gallons
Next 25,000 gallons used per month $4.17 per 1,000 gallons

(A)MINIMUM CHARGE

No bill will be rendered for less than $14.52

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

WATER DISCONNECTION -RECONNECTION FEES

Whenever water service has been disconnected for non-payment of sewer bills, a disconnection fee of $7.50 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $7.50 shall be charged.

SEWER CONNECTION CHARGE

Sewer connection fee to tap to main is $150.00.

(N)INCREMENTAL COST OF WASTEWATER TREATED

$1.69 per M. Gal. To be used when bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate is used to calculate consumption above customer's historical usage.

(A) Indicates advance
(C) Indicates change
(N) Indicates new

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 18th day of December, 1998.

CASE NO. 97-0129-PSD-CN (Reopened)

NORTH BECKLEY PUBLIC SERVICE DISTRICT
Application for a certificate of convenience and necessity to upgrade the District's sewage treatment plant and parts of its sewage collection system.

COMMISSION ORDER

By Recommended Decision entered March 27, 1998, which became final on April 16, 1998, the Commission, among other things: (1) granted the North Beckley Public Service District's (District) a certificate of convenience and necessity to upgrade the District's sewage treatment plant and parts of its sewage collection system; (2) approved the proposed financing for the certificated project, which consisted of a $8,491,790 loan from the West Virginia Division of Environmental Protection's (WVDEP) State Revolving Fund (SRF), at a 0% interest rate plus an annual administrative fee of 1% for twenty (20) years; (3) directed the District to file a petition for approval of any modification to the scope, design or financing of the certificated project; and (4) approved rates, to be included in the District's tariff, which were attached to the order.

On November 30, 1998, the District filed a petition to reopen this proceeding for the purpose of modifying the Commission's March 27, 1998 decision, in order to permit the expenditure of funds to satisfy a judgment against the District, and requested expedited treatment of its petition. In its petition, the District noted that the bids it received for the certificated project were approximately $700,000 less than estimated. Petition, ¶8. The District requests that the Commission modify its March 27, 1998 decision in order to permit the use of SRF loan proceeds to satisfy a $209,754.55 judgment in favor of Dunn Engineers, Inc., issued on April 14, 1998 in a civil suit styled Dunn Engineers, Inc. v. North Beckley Public Service District. Id., ¶5. The Commission previously -- in Case No. 98-1278-PSD-PC -- approved the District's use of surplus loan proceeds from its Cranberry Creek Watershed Project and surplus revenues to satisfy the Dunn Engineers judgment. However, the District did not use any of these funds to satisfy the Dunn Engineers judgment; instead, the District seeks to satisfy said judgment from surplus funds resulting from bids received in this proceeding. Id., ¶6. Finally, the District notes that the WVDEP has approved the District's liability to Dunn Engineers as an allowable cost and has accordingly

increased the SRF loan from $7,780,387.00 to $7,990,492.00. Petition, ¶7 & Exh. 2.

On December 4, 1998, Commission Staff (Staff) filed an Initial and Final Joint Staff Memorandum recommending that the District's petition to reopen this proceeding to revise project costs and funding should be approved. Staff notes that the SRF loan total is decreasing by $501,298 -- from the original $8,491,790.00 to $7,990,492.00 -- even with inclusion of the Dunn Engineers judgment as an allowable cost. Staff further noted that the decrease in the SRF loan resulted in a decrease in the District's annual debt requirement, debt reserve and administrative fees which results in a $30,319.00 reduction in the District's annual costs. Such reduction reduced the previously approved rates by approximately 3.3% -- from a 54% tp 51% increase -- with a corresponding reduction in the District's rates, as calculated by Staff. Staff's revised rates were attached to its memorandum as Attachment I. In addition to its rate revisions, Staff calculated and included a $1.69/thousand gallons of wastewater treated leak adjustment rate to be included in the District's revised tariff. Staff further recommended that the Commission retain this matter for expeditious processing due to the District's bids expiring on December 8, 1998.

UPON CONSIDERATION WHEREOF, the Commission concludes that the District's petition to reopen this proceeding in order to revise project costs and funding associated with the certificated project should be approved. The Commission further concludes that Staff's revised rates and leak adjustment rate, attached hereto as Appendix A should be approved. The District will be directed to file with the Commission a revised tariff incorporating the rates approved herein.

IT IS, THEREFORE, ORDERED that the North Beckley Public Service District's November 30, 1998 petition to reopen this proceeding in order to revise project costs and funding associated with the certificated project should be, and hereby is, approved.

IT IS FURTHER ORDERED that the District is authorized to borrow $7,990,492.00 from the WVDEP State Revolving Fund, and that such loan includes, as an allowable cost, the District's $209,754.55 liability to Dunn Engineers, Inc.

IT IS FURTHER ORDERED that the District's rates be revised and that the District file a tariff with the Commission containing the rates attached hereto as Appendix A, to be used upon substantial completion of the certificated project. The District shall inform the Commission, in writing, when substantial completion occurs.

IT IS FURTHER ORDERED that, upon entry hereof, this proceeding shall be removed from the Commission's docket of active cases.

Public Service Commission
of West Virginia
Charleston

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

Sandra Squire
Executive Secretary

ARC

970129o.wpd
PWP/pwp

APPENDIX A

CASE NO. 97-0129-PSD-CN(Reopened)
NORTH BECKLEY PUBLIC SERVICE DISTRICT

APPROVED RATES (Revised 12/xx/98)

Applicable in entire territory served.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service and for public authorities.

(C)(A)RATES (Based upon the metered amount of water supplied)

First 2,000 gallons used per month $7.14 per 1,000 gallons
Next 23,000 gallons used per month $6.14 per 1,000 gallons
Next 25,000 gallons used per month $4.10 per 1,000 gallons

(A)MINIMUM CHARGE

No bill will be rendered for less than $14.28

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

WATER DISCONNECTION -RECONNECTION FEES

Whenever water service has been disconnected for non-payment of sewer bills, a disconnection fee of $7.50 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $7.50 shall be charged.

SEWER CONNECTION CHARGE

Sewer connection fee to tap to main is $150.00.

(N)INCREMENTAL COST OF WASTEWATER TREATED

$1.69 per M. Gal. To be used when bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate is used to calculate consumption above customer's historical usage.

(A) Indicates advance
(C) Indicates change
(N) Indicates new

Public Service Commission
of West Virginia
Charleston

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
4-16-98

Entered: March 27, 1998

CASE NO. 97-0129-PSD-CN

NORTH BECKLEY PUBLIC SERVICE DISTRICT
Application for a certificate of convenience and necessity to upgrade its sewer system treatment plant and parts of the District's collection system.

RECOMMENDED DECISION

On October 31, 1997, the North Beckley Public Service District (District) filed an application with the Public Service Commission, pursuant to West Virginia Code §24-2-11, for a certificate of public convenience and necessity to upgrade its sewer treatment plant and parts of the District's collection system. The project is estimated to cost $8,491,790 with proposed financing from the Division of Environmental Protection State Revolving Fund (SRF) at an interest rate not to exceed 1% for twenty years.

On November 10, 1997, the Commission entered the Commission Referral Order in this proceeding. The Commission established a decision due date of on or before May 28, 1998.

On November 20, 1997, Staff filed its Initial Joint Staff Memorandum. Staff indicated that James R. Elkins was granted intervenor status in the proceeding by the Commission when the proceeding was in its pre-filing stage. Staff also indicated that numerous protests were filed, including a petition signed by 345 individuals. Staff recommended that the status of Mr. Elkins' intervention and the protest letters and petition should be addressed in an order so that all parties and protestants realize where they stand related to the proceeding.

By Procedural Order of December 2, 1997, the matter was set for hearing on February 17, 1998, in the Raleigh County Armory, in Beckley.[1] The Procedural Order also indicated that Mr. Elkins remained an Intervenor in the proceeding and that the petitions filed in the pre-filing would be considered in the proceeding

[1]The hearing was originally set in the Raleigh County Commission Court Room but was rescheduled because of the potential for a large number of public protestants.

without having to be refiled. The District was also ordered to publish notice of the hearing.

On January 13, 1998, the Commission directed the District to publish the Notice of Filing, once, in a newspaper duly qualified by the Secretary of State, published and generally circulated in Raleigh County.[2] The Notice of Filing provided that, if no protests were filed within thirty (30) days, the Commission may waive formal hearing and grant the certificate, based upon its review of the evidence submitted with the application.

On February 9, 1998, Staff filed its Further Final Joint Staff Memorandum.

The hearing was held as scheduled. Paul W. Roop, Esquire, appeared on behalf of the District. James V. Kelsh, Esquire, appeared on behalf of Staff. James R. Elkins appeared on his own behalf. Clarence Ray Brown appeared on his own behalf.[3]

The District, Staff and Mr. Elkins all filed both initial briefs and reply briefs.

PUBLIC COMMENT

Roy Pennington resides at 110 Maxwell Hill Road in Beckley. (Tr. 8). Mr. Pennington believes that the proposed rate increase is unjustified. (Tr. 8). He believes that, if the hearing had been held at 7:00 p.m., many more people would have attended. (Tr. 9).[4] Mr. Pennington believes that if new people are added to the system they should be charged a larger fee so that existing customers will have no rate impact. (Tr. 9). He does not believe that people who have been paying rates for thirty years should have to pay higher rates in order for the system to add additional customers. (Tr. 9, 10). He also believes that the $150.00 tap fee should be raised. (Tr. 9). He paid $150.00 back in the early 1960s and believed that inflation has decreased the value of the 1998 dollar. (Tr. 9).

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[2]The notice of filing was first issued on November 5, 1997, and later corrected on November 20, 1997. The final correction was issued on January 13, 1998.

[3]Mr. Brown was granted intervenor status at the beginning of the hearing. Mr. Elkins had been granted intervenor status by the Commission while the proceeding was still in the pre-filing stage.

[4]It should be noted that no request was made for an evening hearing. If such a request had been made, it would have been considered.

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Greg Lambert lives at 168 Sullivan Road. (Tr. 11). He does not believe that the tap fee should be increased. (Tr. 11). He believes that people barely make it financially the way things are now. (Tr. 11). Poor people cannot afford a higher tap fee. (Tr. 12). Mr. Lambert believes that all wealthy people think about is that dollar. (Tr. 12).

Kathy Ballard resides at 106 Partridge. (Tr. 12). Ms. Ballard believes that, whether or not the proposed fee is justified, it is unreasonable. (Tr. 12). Ms. Ballard has a family of four with both parents working outside of the home. (Tr. 12). No one is home during the work day using water but her sewer bill is still $39.00 a month. (Tr. 12). Her water bill from Beckley Water Company runs about $40.00 a month. (Tr. 12, 14). She believes that the current rates are unreasonable before any increase. (Tr. 13). Ms. Ballard's family never washes their cars. (Tr. 13). Laundry is done for two young children and two young adults. (Tr. 13). Ms. Ballard does not care who is added to the system as long as the fees are reasonable. (Tr. 13). If bread is too high at one grocery store, one can go to a different store, but in the case of utility service customers have no choice. (Tr. 13).

Cameron Walls lives at 206 Glenn Avenue. (Tr. 15). Mr. Walls' sewer bill is higher than his water bill. (Tr. 15). Mr. Walls presented a water bill of $43.00 and a sewer bill of $44.00. (Tr. 15). He does not understand why his sewer bill would be higher than his water bill. (Tr. 15).

Kenneth Bolling lives in Stanaford. (Tr. 15). Mr. Bolling indicated that all the water he uses does not go down the sewer and he does not believe it is fair to base sewer bills on water meter readings. (Tr. 15). When Mr. Bolling washes his car in the driveway, the water runs down the driveway and does not enter into the sewer system. (Tr. 16). Mr. Bolling presented some mineral substance that he took out of his humidifier. (Tr. 16). He is served water from Beckley Water Company. (Tr. 16).

Clyde Phipps lives on Stanaford Road. (Tr. 17). Mr. Phipps believes that the proposed rate increase is unjustified. (Tr. 17). Mr. Phipps indicated that it was ratepayer money that was paying for all the Commission Staff and the Administrative Law Judge. (Tr. 17). He believes that, when Commission employees get a raise in salary, utility rates are increased. (Tr. 17). Mr. Phipps served in the U.S. Army and is not pleased with rate increases. (Tr. 18). Mr. Phipps is retired and now people "want to stick their hand[s] in your pocket." (Tr. 18). He believes that the Commission is trying "to get every penny . . . because of Charleston." (Tr. 18). Mr. Phipps believes that the City of Beckley offered to put the customers on its system in order to keep rates down, but the District refused to allow it. (Tr. 18).

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Mr. Phipps does not believe that the people in Piney View should be added to the system if it will increase rates. (Tr. 18).

Bob Coburn resides at 415 Maxwell Hill Road. (Tr. 19). He believed that there were from 75 to 150 people at the hearing. (Tr. 19).[5] He believed that all the people at the hearing were against the rate increase. (Tr. 19). Mr. Coburn is 100% against the rate increase. (Tr. 20). He does not believe that people from Stanaford and Piney View should be added to the system. (Tr. 20).

Kyle Kincaid lives at 340 Hubbard Street, North Beckley. (Tr. 21). Mr. Kincaid is against the rate increase. (Tr. 21). Mr. Kincaid indicated that the pump station at Sprague never did work properly. (Tr. 21). When it rained, the back door would open and the sewage would go down Whitestick Creek. (Tr. 21). Mr. Kincaid believed he was a customer of the City of Beckley from 1974 until the District began to bill him and the City stopped. (Tr. 21). Mr. Kincaid filed a formal complaint with the Commission but lost the case. (Tr. 22). Mr. Kincaid believes that there are many people who do not live in the City of Beckley who are being billed by the City. (Tr. 23). Mr. Kincaid's sewage is being treated by the City of Beckley. (Tr. 24). Mr. Kincaid opposes the rate increase. (Tr. 24).

Joseph M. Carter resides at 183 Mahan Avenue and owns trailer courts on Mallon and Juniper Streets. (Tr. 24, 25). He believes that a sewer increase would put him out of business. (Tr. 25). Mr. Carter pays for the water and sewer service for all of the trailers in his parks. (Tr. 25). Beckley Water will only allow him one tap for each trailer park. (Tr. 25). Mr. Carter pays $100.00 a month for sewer service for four trailers. (Tr. 25).

W. W. Jackie Withrow lives on Maxwell Hill. (Tr. 25). Ms. Withrow does not believe that the community can afford the increase. (Tr. 25). Ms. Withrow indicated that many of the people are on limited income and that everything is always increasing in costs. (Tr. 25). Ms. Withrow believes that new development costs residents extra money for electricity, cable and all utilities because the old customers have to pay for the new development. (Tr. 26). She believes that Raleigh County ratepayers may be paying to help subsidize power that Appalachian Power is selling outside of West Virginia. (Tr. 26). Ms. Withrow did not believe it was fair that the price of groceries was increasing and the price of getting rid of groceries (sewer service) was increasing. (Tr. 26).

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[5]Although no count was made, Mr. Coburn's rough estimate of the number of people at the hearing was accurate.

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Greg Damien resides at 235 Tanner Drive in Beckley. (Tr. 230). Mr. Damien believes that the proposed rate increase violates the principle of gradualism. (Tr. 230). He believes that such a large increase amounts to rate shock. (Tr. 230). Mr. Damien indicated that family budgets were tight. (Tr. 231). Every dollar that goes to the sewer bill does not go to stores, lawyers or doctors. (Tr. 231). Mr. Damien also does not believe that it is right to increase sewer rates when it is not an optional service like cable. (Tr. 231).

EVIDENCE

John Morgan is a technical analyst with the Division of Environmental Protection, Office of Water Resources, Permits (DEP). (Tr. 29). Mr. Morgan writes water pollution permits and is involved with enforcement actions on those permits. (Tr. 30). Mr. Morgan has been involved in DEP's enforcement action against the District. (Tr. 30). The DEP took enforcement action against the District in 1993 resulting in an Order for Compliance dated August 20, 1993. (Tr. 30).

The August 20, 1993 DEP Order for Compliance requires the District to comply with the terms and conditions of its State National Pollution Discharge Elimination System (NPDES) permit. (Tr. 31).[6]

The District has problems with infiltration and inflow (I&I) of extraneous water into its system. (Tr. 31). The I&I comes from cracks in manholes or pipes. (Tr. 37). It is usually caused by storms. (Tr. 37). The District's treatment plant is hydraulically overloaded. (Tr. 31). The overload comes from the large I&I problem as well as growth and development in the area. (Tr. 31). A treatment plant can only treat a certain volume of sewage and the amount of sewage coming to the District's plant is greater than it can treat. (Tr. 36). In a situation like this, sewage is discharged into the streams. (Tr. 37). The raw sewage going into streams causes public health problems, such as human diseases as well as problems for aquatic life. (Tr. 37, 38). The entire ecosystem is damaged. (Tr. 37). The District discharges into Cranberry Creek which is a tributary to the New River. (Tr. 38).

The District's compliance problems were made worse as a result of more stringent water quality standards under new State and Federal pollution control laws. (Tr. 31). Over the thirty

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[6]West Virginia operates with a combined pollution permitting system. (Tr. 44). One permit acts as both a State water pollution control permit and a Federal Environmental Protection Agency NPDES permit. (Tr. 44). The single permit incorporates both State and Federal regulations and requirements. (Tr. 44).

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years that the District has operated, the pollution control laws have established a stricter and stricter standard which the District has not been able to follow. (Tr. 32).

The DEP order placed a moratorium on the District accepting new customers. (Tr. 31). The order essentially tied the District's ability to add new customers to its ability to reduce I&I into its system. (Tr. 31).

The DEP order also required the District to upgrade its wastewater treatment facility by November 15, 1996. (Tr. 33, 44). The District has not complied with the DEP order's time schedule and assessed penalties for violation have been accruing. (Tr. 33). The District, at the time of the hearing, was accruing DEP penalties at $500 a day, amounting to $23,100 through 2/16/98. (Tr. 34). The penalties continue to accrue at $500 a day until about 3/16/98, at which point they increase to $1,000 a day (or $360,000 a year). (Tr. 35).

Mr. Morgan believes that, given the pollution discharge problems of the District, there is a tremendous need for the proposed upgrades. (Tr. 35, 36). It is not an acceptable alternative for the District to do nothing. (Tr. 36). The District will have to upgrade its treatment facility if it is to comply with Federal and State environmental laws. (Tr. 45).

The DEP order did not stipulate the size of the wastewater treatment plant, but would require a plant large enough to bring the District into compliance with its permits. (Tr. 39). A well-designed treatment facility will allow for a certain amount of I&I. (Tr. 42).

Mr. Morgan indicated that the Shady Spring Public Service District was in compliance with its discharge permits. (Tr. 39). The Bradley Public Service District has troubles, but does not have a formal enforcement action at this time. (Tr. 30). The Crab Orchard/MacArthur Public Service District is under a separate DEP enforcement order. (Tr. 39). The City of Beckley is also under a DEP enforcement order. (Tr. 39). The DEP deals with each entity on an individual basis. (Tr. 40).

Elbert Nelson Morton is an Engineer III at the DEP Construction Assistance Program. (Tr. 47). Mr. Morton was the final review engineer on the District's facility plan. (Tr. 48). The plan has been modified over time. (Tr. 48). At first, it included a major extension of sewers into unserved areas. (Tr. 48). Later, the District downsized the project to deal only with the treatment upgrades needed to bring the District into permit compliance. (Tr. 48).

Mr. Morton reviewed the plan to expand the District's treatment plant to 2.5 MGD. (Tr. 49). A 2.5 MGD plant will

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handle 7 MGD during peak flows. (Tr. 52). The existing plant is rated at .56 MGD. (Tr. 53). The existing plant has very little flexibility in handling peak flows. (Tr. 53). The way that it was designed limits its peak flow capacity. (Tr. 53). The existing plant has no digester and inadequate sludge handling facilities so it can treat virtually no more flow than its design capacity of .56 MGD. (Tr. 53). When the existing plant is hit with a large flow, it goes into noncompliance mode. (Tr. 53). The large flow washes out the clarifiers and discharges raw sewage into Cranberry Creek. (Tr. 54). Currently, the average peak flow day at the existing plant is 5 MGD. (Tr. 55).[7] The proposed plant has much more flexibility allowing it to handle large peak flows. (Tr. 53). The proposed upgrades will bring the District into compliance with its environmental permits. (Tr. 49).

The current plan is to upgrade the treatment plant at its existing location. (Tr. 49). The current site has physical limitations to future development. (Tr. 50). Indeed, even the current project cannot be developed unless extensive site preparation is done. (Tr. 63).

Only Cranberry Creek is large enough to allow a reasonable treatment plant in the area. (Tr. 63). To discharge in any of the smaller streams in the area would require an Advanced Wastewater Treatment (AWT) plant[8] which would be extremely expensive, with high O&M costs. (Tr. 63).

The projected flow for Piney View and Stanaford Acres was not removed from the capacity of the proposed treatment plant for economic reasons. (Tr. 50). The current site is only capable of one additional upgrade because of its terrain. (Tr. 51). If the larger unit is not made on the site now, it will mean that a separate plant would have to be built at a different location, if the areas are later provided sewer service. (Tr. 51). It would not be rational to build a smaller increase in capacity at the current site now and then build an additional increase on the same site later. (Tr. 52). Mr. Morton believed that the costs as submitted in this case are reasonable estimates of the costs for a plant upgrade of the size proposed. (Tr. 52).

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[7]Mr. Morton indicated that a plant designed to treat 5 MGD at peak at the current site would not be not much different than a plant designed to treat 7 MGD at peak at the current site. (Tr. 55).

[8]An AWT plant would bring BOD limits to about one milligram per liter. (Tr. 64). The current limit for a plant on Cranberry Creek is greater than ten milligrams per liter. (Tr. 64).

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The District, in the last thirty years, made some small improvements on the head works about ten years ago. (Tr. 50). There have been no major upgrades in the thirty years of operation. (Tr. 51).

Mr. Morton believed that it was reasonable for the District to plan ahead. (Tr. 55). Otherwise, the District will have to go through the same process again and again when the plant quickly runs out of design capacity. (Tr. 55). The District is currently being offered a low interest 1% loan which is very attractive. (Tr. 56). Such low cost money may not be there in the future. (Tr. 56). The District should take the opportunity and build a plant reasonably sized to meet future needs. (Tr. 56).

No particular DEP regulation requires that the District build a 2.5 MGD plant. (Tr. 57). The DEP does have a cost-effectiveness analysis which it runs on proposals. (Tr. 57). Mr. Morton does not believe that doubling the plant would be reasonable or pass the DEP's requirements. (Tr. 57, 58). The District is reasonable and prudent to design facilities with reasonable design growth factors. (Tr. 59).

Shady Spring Public Service District is currently doubling its treatment capacity. (Tr. 60, 61). Shady Spring is not currently running a system that is overloaded and is not under an enforcement order. (Tr. 60, 61). Its situation is totally different from North Beckley. (Tr. 60). North Beckley should have doubled its treatment capacity ten years ago if it had been better managed. (Tr. 60). It is too late for a mere doubling of capacity to solve the problem. (Tr. 59, 60, 61).

Mr. Morton believes that the District should provide service to customers located within its service territory. (Tr. 67). It would harm the environment for the District to just ignore needed sewer extensions within its territory. (Tr. 67). Mr. Morton believes that it would be in the public interest to construct the treatment plant that has been proposed by the District in this proceeding. (Tr. 68).

Mr. Morton believes that the District is serving in an area with a great potential for growth. (Tr. 70). He would not have approved a project that did not make a reasonable estimate for growth. (Tr. 70).

Howard Spears is the Chairman of the District and has held the position for a little over a year. (Tr. 72). He asked the County Commission to place him on the District's board after attending a public meeting about the District about a year ago. (Tr. 72). The original plan was for a $32,000,000 project, which included new systems for Piney View, Stanaford Acres and portions of Maxwell Hill. (Tr. 73).

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Mr. Spears has been a paying customer of the District for thirty years. (Tr. 74). The District is under State mandates to fix the system, which is in bad condition. (Tr. 74). The system has not been well maintained over the last thirty years. (Tr. 75). It would have been better to have had gradual rate increases over the last thirty years, but it just did not happen. (Tr. 77, 78). The system merely added on new customers without worrying if it had adequate treatment capacity for the new customers. (Tr. 78). The system needs substantial upgrades. (Tr. 75).

Mr. Spears believes that, sooner or later, the District is going to have to take care of a lot more customers. (Tr. 75). It is the District's responsibility to serve customers in the District. (Tr. 76). Mr. Spears is concerned about serving additional customers with as little money as possible. (Tr. 76).

The County Commission has funded a study to see if the Piney View area can be served as a separate entity from the District. (Tr. 77). The problem is that the water flow in Piney Creek is so low that a treatment plant discharging into Piney Creek would be very expensive. (Tr. 77).

The current management of the District has taken the I&I problem by the horns and has significantly reduced the I&I problem. (Tr. 78). Although Mr. Spears is concerned with the degree of rate increase needed to support the project, the District must follow the orders of the DEP. (Tr. 79). In the new plan, the District will be required to upgrade the rating of its wastewater treatment operator. (Tr. 82).

The District decided to pursue a 2.5 MGD plant because the engineers recommended it. (Tr. 84). The land where the treatment plant is located makes it difficult to make later additions to the plant. (Tr. 84). Mr. Spears believes that the District's treatment plant can only be economically upgraded one time. (Tr. 84).

The current project will not extend the District's lines to pick up new customers at all. (Tr. 84). The motivation for the District to construct the project is to come into compliance with its environmental permits. (Tr. 84). The District proposes an across-the-board 54.85% increase in rates to all classes of customers to support the project. (Tr. 85).

Mr. Spears supports the Staff's recommendation that the District establish a separate account for inflow and infiltration. (Tr. 86).

The District is currently under a service moratorium which has existed for more than a year. (Tr. 87). When the District removes so many gallons of I&I, it is allowed to hook up one

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additional customer. (Tr. 87). The District is required to remain in compliance with its environmental permit for a certain length of time in order to add additional customers. (Tr. 87). The District maintains a list of customers who would like service, but remain unserved because of the moratorium. (Tr. 88). The list for residential customers is down to about 25, because of the progress the District has made with the I&I problem. (Tr. 88). A year ago, the list contained about 115 residences who wanted service. (Tr. 88). There are about 120 to 130 commercial customers who would like service but are being denied because of the moratorium. (Tr. 89). If a commercial or industrial entity needed sewer service to relocate to the District's area and create jobs, currently the District would have to turn the application down. (Tr. 89).

Mr. Spears believes that the proposed $150.00 tap fee is too low, but does not believe that the Commission would approve a higher fee. (Tr. 90).

Michael Vincent Lawson is an engineer who worked on the project for the District. (Tr. 95). Mr. Lawson worked on the District's system before 1970 and is familiar with the system. (Tr. 96, 97). Mr. Lawson was hired by the District to modify the facility plan and design the first phase of the project. (Tr. 97). The District hopes to have a later phase of this project involving a major extension of collection lines all the way to Stanaford. (Tr. 98).

The District's system was constructed in 1963 and used primarily clay pipe and block manholes. (Tr. 99). Because of the type of material used in the system, it is now in poor condition. (Tr. 99). The District operated for many years without any rate increases, which made it difficult to maintain the system. (Tr. 99). The system was basically neglected for thirty years. (Tr. 99, 100).

The project involves upgrading the existing wastewater treatment plant to 2.5 MGD average daily flow and upgrading the Little Whitestick pump station. The project will transfer the flow that is currently being treated by the City of Beckley to the District's facility. (Tr. 100). Approximately 2,000 feet of force main will be constructed in the Little Whitestick area. (Tr. 100).

The 2.5 MGD size was selected by calculating current flow, I&I, the areas proposed for the second phase and reasonable growth. (Tr. 100). 2.5 MGD is the reasonable size for the District's needs. (Tr. 101). Mr. Lawson believes that the treatment plant should carry the District beyond the twenty-year design period. (Tr. 101).

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Ultimately, the ratepayers end up paying for any fines assessed for environmental problems. (Tr. 102). There is no alternative to upgrading the treatment plant to alleviate the environmental compliance problems. (Tr. 102). A system will never eliminate all of its I&I. (Tr. 102). One may reduce 25 to 40% of the I&I in the District's system. (Tr. 102).

The District's treatment plant is "benched in" on the side of a mountain. (Tr. 103). In order to expand the plant, the bench has to be extended which involves removing 16,000 cubic yards of rock on one side and creating a 30-foot high wall on the other side. (Tr. 103). The planned expansion will place the high wall at the edge of the property. (Tr. 103). Additionally at this point, every foot gained on the bench requires 30 to 40 feet of rock fill. (Tr. 103).

The current plans will utilize every existing vessel and structure on the site except for the sludge drain beds. (Tr. 104). By using the current plant, the District saves money. (Tr. 104).

Mr. Lawson testified that the City of Beckley is not capable of treating all of the District's flow at the current time. (Tr. 104). The City of Beckley would have to undertake major improvements of its system to handle the District's waste. (Tr. 104). The City of Beckley's Whitestick pumping station is one limit on the City treating the District's flow. (Tr. 120). Currently, when the flow exceeds the pumping capacity, the excess sewage is discharged into Whitestick Creek. (Tr. 120). It would cost the City about the same to upgrade its treatment plant to treat the District's sewage as it would cost the District to do a similar upgrade; the real variable comes in transporting the sewage. (Tr. 121). It would be less expensive to pump the Whitestick watershed to the District plant than to pump the rest of the District's flow into the City's plant. (Tr. 122).

Currently all of the flow that goes into the Sprague lift station, which includes Maxwell Hill's sewage, is being sent to the City of Beckley for treatment. (Tr. 124). The City cannot treat the sewage adequately, but it can do a better job than the District can currently do. (Tr. 124). The proposed project will result in no flow going to the City. (Tr. 124). The loss of the flow to the City of Beckley will not create an overcapacity at the City. (Tr. 122). The City is currently upgrading its system and it not counting on any flow from the District. (Tr. 122).

Modifications have been made to the original plans which reduced the cost by a half-million dollars. (Tr. 105). Other changes were made to a gravity sewer line that saved another half-million dollars. (Tr. 105). All of the modifications have been approved by the DEP. (Tr. 105).

The plans call for the treatment plant to be upgraded without any interruption in service. (Tr. 106). The new units will be brought on-line before the old units are dewatered. (Tr. 106). To remedy the compliance problems in the most economic way, the current plans are necessary. (Tr. 106).

The Clean Water Act is what necessitated the upgrade. (Tr. 107). The District is in noncompliance with the Clean Water Act. (Tr. 107). Mr. Lawson believes that environmental standards will become more and more stringent in future years. (Tr. 108).

In the early 1990s, Mr. Lawson worked for the District on a temporary "Band-Aid" solution which would have doubled capacity for far less money. (Tr. 115). The proposal did not include digesters, sludge processing, UV disinfection or chlorination of the system. (Tr. 116). The proposal was not a long-term plan, but merely an effort to buy the District some "breathing room" with the DEP. (Tr. 116). The District never undertook the temporary solution. (Tr. 116).

Merely doubling the size of the treatment plant today would not solve the District's compliance problem. (Tr. 117). The District would not be able to meet high flow demand levels. (Tr. 117).

Annjeanette Vealey is a Certified Public Accountant who has been employed by the District as the project accountant. (Tr. 126). Ms. Vealey used financial information for the fiscal year ending June 30, 1997. (Tr. 127). Ms. Vealey made modifications to the Rule 42 exhibit the day before the hearing. (Tr. 127). Additional modifications were made after the hearing and submitted as a post-hearing exhibit.[9]

The District plans to borrow $8,491,790 for the project, which is to be financed through the SRF at zero percent interest with a one percent administrative fee. (Tr. 132). The administrative fee is calculated just as interest on a regular conventional loan is calculated. (Tr. 132). The total fee is amortized equally on a monthly basis. (Tr. 133). The administrative fee for the entire period of time on this loan will be $920,000, which amounts to $45,855 a year. (Tr. 133). The administrative fee is treated as an operating and maintenance expense.[10]

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[9]This procedure was agreed to by all parties and was necessary to reflect the increased number of customers served by the District.

[10]Ms. Vealey explained that the fee was treated as an operating expense instead of interest in order to reduce the reserve requirement and thereby reduce rates. (Tr. 134, 135).

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The District supported a 54.85% increase in rates as needed to support the project. (Tr. 135). The rate increase suggested in the pre-filing was for an 86.75%. (Tr. 136).

The District last received a rate increase in 1996. (Tr. 136; See Case No. 95-0941-42T). The 1996 rate increase was related to the I&I rehabilitation program. (Tr. 136). The I&I rehabilitation program was designed to be a six-year program. (Tr. 137). The 1996 rate increase was a 77.64% increase. (Tr. 137). The District received a 30-B increase of .32 per thousand in 1994. (Tr. 137). From 1968 to 1994, the District received no rate increases. (Tr. 138).

Ms. Vealey testified that a typical sewer bill in West Virginia is now between $25 and $32. (Tr. 139). Ms. Vealey did not believe that the resulting rate for the District would be unreasonable. (Tr. 140). The District's rates will be roughly the same rates as those of other utilities who have undergone recent upgrades. (Tr. 140).

The District currently has a line of credit, which was recently refinanced through COMVEST bearing a 6 1/4% interest rate. (Tr. 142). The COMVEST debt will be paid off with the SRF loan. (Tr. 142).

The District will be able to serve about 51 additional residential customers who are in the service territory, but are unable to be served currently because the moratorium. (Tr. 143). The District has calculated the revenue from the 51 residential customers in its figures. (Tr. 144). There are about 118 commercial and industrial customers waiting for service as of March of 1997. (Tr. 144). The District did not include revenue from these potential customers for fear that these customers would not actually be there when the project was finished. (Tr. 144).

The DEP environmental fines, at the $1,000 a day level, amount to $.20 a day per customer. (Tr. 146).

Ms. Vealey believes that the proposed financing is very favorable to the District and that no better financing could be found. (Tr. 147).

The median household income of the customers in the District's service territory is $19,800, according to the U.S. Census. (Tr. 147). The current average bill for 4,500 gallons of use is $19.80. (Tr. 148). The average bill for 4,500 gallons under the District-proposed rates would be $30.78. (Tr. 148).

The Staff of the Commission suggested this treatment of the fee. (Tr. 134).

One-and-a-half percent of the median household income is $24.75 per month. (Tr. 148). The District did not modify the way the rates are blocked. (Tr. 149). It merely applied the 54.85% across-the-board. (Tr. 149).

The District relied on a total of 2,452 customers, which was the number as of 6/30/96. (Tr. 149). Ms. Vealey indicated that it would be best to use the most recent number of customers. (Tr. 163). The parties agreed at hearing to modify the rate recommendation to reflect the total number of customers the District had as of 6/30/97. (Tr. 164). The District indicated that it would file a post-hearing Rule 42 reflecting the modification. (Tr. 164).

In 1993, the District had more than $1,000,000 in surplus funds. (Tr. 151). The original plan would have about doubled the District's customer base. (Tr. 153). There are only 79 customers who use more than 25,000 gallons. (Tr. 154).

James R. Elkins resides at 115 Cohen Street in Beckley and is a customer of the District. (Tr. 168). He has been a customer since the District's inception in the early 1960s. (Tr. 168). Mr. Elkins has a sewer bill which is typically $39.00 a month. (Tr. 186). He regularly attends the meetings of the District. (Tr. 168). Mr. Elkins offered into evidence a petition with about 345 signatures of people who were opposed to the rate increase. (Elkins Ex. 3 & 4).

Mr. Elkins does not believe that current customers should help pay for extensions to serve new customers. (Tr. 171). Mr. Elkins believes that any new customers should pay surcharges and pay entirely for any new extensions. (Tr. 171). Mr. Elkins also believes that the proposed treatment plant is too large and that any increase in plant size should be made in increments. (Tr. 171, 175). Mr. Elkins supports modifying the District's tariff to make it a flat rate for all volumes. (Tr. 173).

Mr. Elkins believes that the District could come into compliance with environmental standards for less money than is suggested in this proceeding. (Tr. 176). Mr. Elkins is "firmly against" planning a treatment plant for a twenty-year horizon. (Tr. 177). He believes that the District should take care of its needs now and "let the future take care of itself." (Tr. 188). Mr. Elkins believes that many of the treatment plants in the County do not handle sewage at peak flow. (Tr. 177).

Mr. Elkins would not find it acceptable for the District to discharge raw sewage into Raleigh County creeks three times a month. (Tr. 180, 181). He believes that the District should be able to appropriately process all of its sewage. (Tr. 181, 183).

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Mr. Elkins testified that the District purchased an excavator for which it did not have Commission approval. (Tr. 186). Mr. Elkins also expressed concern that certain District employees were taking an hour-and-a-half for lunch. (Tr. 186).

Mr. Elkins acknowledged that inflation has resulted in the cost of all goods and services increasing in the last 30 years. (Tr. 187). When the District first put in the system, the minimum bill was $5.66. (Tr. 188).

Clarence R. Brown, Jr., resides at 522 North Highland Drive. (Tr. 193). Mr. Brown lives inside of the City of Beckley, but is served by the District. (Tr. 193). He pays a City of Beckley utility tax, but pays the District for utility service. (Tr. 193). He believes it is unfair for him to pay the City's utility tax, but not receive utility service from the City. (Tr. 193). The City processes the District's sewage collected in the area where Mr. Brown lives. (Tr. 194). Mr. Brown has four neighbors who are not on public sewer systems, but who have failing septic systems causing his community to stink. (Tr. 194, 195). Mr. Brown believes that failing septic systems pose a health hazard. (Tr. 196). He believes that every resident should take care of their sewage appropriately. (Tr. 196).

Mr. Brown understands that the County Commission is paying $31,000 to study the feasibility of providing sewer service to the Piney View area. (Tr. 197). He believes that the District is receiving the results of the County's study of Piney View. (Tr. 197). Mr. Brown indicated that the County's study indicated that the cheapest way to provide sewage for Piney View was for the District to provide the service. (Tr. 198). Mr. Brown offered a petition with 134 signatures of people opposing the rate increase. (Brown Ex. 4).

Staff indicated that the proposed project would rehabilitate and expand the District's sewer treatment plant from .5 million gallons a day capacity (MGD) to 2.5 MGD, rehabilitate three existing pump stations, install approximately 3,000 feet of gravity sewer main and approximately 2,000 feet of force sewer main with all necessary appurtenances. Staff viewed the project as necessary to allow the District to comply with its environmental permit requirements and to allow the lifting of the existing moratorium on new connections.

The project will result in the District no longer needing to purchase treatment services from the City of Beckley. The project will also result in 51 additional customers. The project is estimated to cost $8,491,790 which will be financed entirely through an SRF loan which will accrue 0% interest and an annual administrative fee of 1% for twenty years. Staff calculated the annual debt payment at $424,590 and the annual administrative fee

at $4,246.[11] Staff treated the administrative fee as an operation and maintenance expense. The loan requires a 10% debt reserve and a renewal and replacement reserve equal to 2.5% of operating revenues.

The project will result in increases and decreases in the annual operation and maintenance expenses for the District. The increases amount to approximately $139,754 and include adjustments for power for pumping, treatment labor and administrative expenses. The $334,821 decrease reflects the elimination of the District's annual treatment cost to the City of Beckley.

The District proposed a 56% increase in its rates to fund the project. Staff argued that the District proposed rates would result in excessive revenues. Staff recommended a 50% increase in rates. The Staff-recommended rates would provide a surplus of $12,341 and a debt coverage of 156.03%.[12]

Staff indicated that, in its last rate case, the District was required to establish and fund an inflow and infiltration (I&I) reserve account in the amount of $217,000 per year. I&I has been a major problem for the District. Staff indicated that the District has been maintaining separate records for the I&I work, but has not kept the I&I funds separated from its general operating funds. Staff recommends that the District maintain a separate I&I account.

The existing collection system consists of 70 miles of 4 to 18-inch gravity and force mains and 10 pump stations. The collection system is divided into two major service areas: Cranberry Creek and Little Whitestick. Wastewater from the Cranberry Creek area goes to the District's existing treatment plant. Wastewater from the Little Whitestick area goes to the City of Beckley for treatment. The City of Beckley is having capacity problems at its treatment plant since the addition of the new federal penitentiary to the system.

The District currently serves 2,401 customers composed of residential, commercial, governmental and industrial customers. The District has had trouble meeting its environmental discharge permits. It is currently under a moratorium preventing new customer taps onto the system.

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[11]Staff later offered a different calculation of the annual fee as being $45,855 which altered its final rate recommendation. (See Staff Post-Hearing Exhibit).

[12]The Staff recommendation for rates was modified as a result of the hearing as described later.

The project cost per customer is $3,537, which Staff viewed as reasonable. Staff viewed the operation and maintenance expenses estimated by the District as reasonable. Staff's review of the plans and specifications of the project indicated that they were in general conformance with the Commission's rules and regulations.

Staff viewed the project as necessary to allow the District to comply with environmental regulations and to eliminate public health threats caused by the current discharges. Staff recommended that the Commission approve the project and its proposed financing.

Audra L. Blackwell is a technical analyst-in-training at the Commission. (Tr. 207). Ms. Blackwell believes that the project is necessary in order for the District to comply with DEP and EPA regulations. (Tr. 208). Ms. Blackwell believes that the cost of the project is reasonable and that the extent of the upgrade to the treatment facility is appropriate. (Tr. 208). Staff recommended approving the District's application for a certificate. (Tr. 208).

William A. Nelson is a utility financial analyst. (Tr. 210). Mr. Nelson testified that the proposed financing of the project by using a zero percent loan from the SRF was reasonable and the next best thing to grant funding. (Tr. 211). Mr. Nelson believes that a separate account for the District's inflow and infiltration reserve fund is needed in order for the District to better account for those expenses. (Tr. 211).

The average residential customer in West Virginia consumes about 4,800 gallons of water a month. (Tr. 212). The average customer would pay about $22 a month under the District's current rates and about $30 a month under the Staff-recommended rates. (Tr. 212). The $30 rate is about average for sewer rates across the state. (Tr. 212).

Mr. Nelson testified that it was inappropriate for the District to remain under a moratorium for long. (Tr. 213). The District was created to provide sewer service within its territory. (Tr. 213). It has a legal obligation to extend service. (Tr. 213).

Staff did not conduct a class cost of service study in this case. (Tr. 213). Mr. Nelson does not believe that it costs the same to serve a large customer as it does a small customer. (Tr. 214). It costs less per a certain volume of flow to read a large customer's meter. (Tr. 220). Certain billing costs are lower for large customers. (Tr. 220). There are usually fewer uncollectibles with large customers. (Tr. 220). The customers also put different demands on the treatment facility. The Commission has specific requirements for class cost of service

studies, which are required to modify class structures. (Tr. 221, 222). No party in this case has conducted a class cost of service study. (Tr. 222, 223). Having rate blocks is not an uncommon billing structure in West Virginia. (Tr. 222).

Mr. Nelson indicated that it did not usually make sense to use separate sewage flow meters, because all customers have roughly the same amount of water not going through the sewer. (Tr. 215). Fixed costs of the system have to be recovered, so the reduction in billing volume would result in higher rates. (Tr. 215). Additionally, the system would have to recover the additional expense of all of the sewage flow meters. (Tr. 215).

Mr. Nelson acknowledged, at hearing, that he miscalculated the DEP administrative fee associated with the loan. (Tr. 216). He treated it as a one-shot fee of one percent when it was really a one percent interest rate essentially. (Tr. 216). The error results in the administrative fee being roughly ten times the annual cost calculated by Staff. (Tr. 216). Mr. Nelson indicated that he would make a final recommendation as to rates after the hearing. (Tr. 217).

The District did not request an increase in the tap fee in this case. (Tr. 227). The District would be able to request an increase in the tap fee. (Tr. 227). It is not the Commission's policy for tap fees to cover the actual cost of tapping into the system. (Tr. 228). The reason the Commission requires low tap fees is to encourage the use of sanitary sewer systems. (Tr. 228, 229).

On February 26, 1998, the District filed a revised Rule 42 Exhibit which reflected a larger number of customers. On March 16, 1998, Staff filed a Post-Hearing Memorandum which supported a 54% increase in rates.

DISCUSSION

Although there is significant public opposition[13] to the District's application, the District has no alternative but to significantly upgrade its treatment plant. The condition of the District's facilities is simply inexcusable. Due to the treatment plant being overloaded, the District discharges raw sewage into Cranberry Creek, which flows into the New River and, eventually, the Kanawha and Ohio Rivers. The discharges are a public health threat as well as a significant threat to West Virginia's aquatic life. The District is under an enforcement order by the DEP and

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[13]The public opposition was demonstrated by the large number of individuals who attended a day-time hearing, the large number of signatures on the various petitions submitted, and the significant public comment offered at hearing.

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is currently suffering environmental fines of $1,000 a day because of its continual violation of State and Federal environmental laws.

Not only is the pathetic condition of the District's facilities resulting in serious environmental degradation, but the District is also unable to serve additional customers because it is under a service moratorium. Residential customers, who are close to District lines, have to wait for long periods of time until the District is able to provide service, if they ever receive service. Commercial customers are simply turned away. The District's inability to serve, in all likelihood, has retarded economic growth in the community. If commercial or industrial customers wanted to relocate to the area and bring new jobs, the District has had to turn the potential customers away.

The record shows that, for thirty years, the District did little in the way of maintaining or improving its system. By the District's own admission, for the last thirty years, the District has continually added on new customers without considering whether it could adequately treat the flow. The District should have doubled its treatment capacity ten years ago. In large part because of the neglect of the system and the failure to plan ahead, the District had no rate increases from 1968, when the system was installed, to 1994. The time has now come to pay the piper.

The 54% increase in customer rates needed to support the project is unfortunate. However, even after the rate increase, the customer bill for the average residential customer using 4,500 gallons will only be $30.61. The rate is not unusually high by state or national standards. The rates proposed by Staff are necessary to support the project, reasonable and appropriate and should be approved for use by the District after substantial completion of the proposed project.

The proposed financing of the project is reasonable and should be approved. A loan with no interest and only a 1% administrative fee is financially very attractive for the District.[14] The District's ability to use the SRF loan to pay off its higher interest loan from COMVEST is also beneficial to its ratepayers.

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[14]Although Mr. Elkins expressed displeasure with the fact that grant money was not available for the project when other projects in Raleigh County have received some grant money, the reality of the 1990s is that not all projects will qualify for grants. There was no evidence that the District failed to aggressively pursue all available sources of grant money.

One of the most hotly debated issues at hearing was the size of the upgraded treatment plant. The District, DEP and Commission Staff supported a 2.5 MGD treatment plant. Mr. Elkins and Mr. Brown supported a much smaller treatment plant. Mr. Elkins believes that the District should take care of its current needs and "let the future take care of itself." (Tr. 188).[15] It was the failure of the District, in the past, to plan ahead that resulted in the dismal state of affairs that currently exists. It is in the public interest for the District to plan ahead as it upgrades its system. It would be irresponsible for the District to not consider future growth when calculating the appropriate plant size. There are numerous customers waiting for service because of the current moratorium. There has been substantial growth in the area in the last decade. The evidence demonstrated that there are also large areas near the District that are not currently served with public sewer service. The proposed size of the treatment plant is reasonable and appropriate.

Mr. Elkins and Mr. Brown also supported modifying the District's rate structure to remove the block structure. They argued that a flat rate per gallon would be fairer to the small customers. No party conducted a class cost of service study in this proceeding. Without a class cost of service study, it would be inappropriate to modify the District's rate structure. Indeed, attempting to modify the rate structure without an understanding of how various customer classes burden the system would be arbitrary and capricious.

The District's application for a certificate should be approved. The Staff-recommended rates, as recommended in the post-hearing exhibit, should be adopted for use by the District after substantial competition of the project.

FINDINGS OF FACT

1. On October 31, 1997, the North Beckley Public Service District filed an application with the Public Service Commission, pursuant to West Virginia Code §24-2-11, for a certificate of public convenience and necessity to upgrade its sewer treatment plant and parts of the District's collection system. (See application).

2. The proposed project will rehabilitate and expand the District's sewer treatment plant from .5 MGD to 2.5 MGD,

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[15]Mr. Elkins advocated building a 1 MGD plant. However, the evidence was clear that a plant that size would not even appropriately treat the District's current needs during peak flow. Although Mr. Elkins indicated at hearing that he believed that the District should be capable of treating all of its sewage, a 1 MGD plant would not accomplish that objective.

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rehabilitate three existing pump stations, install approximately 3,000 feet of gravity sewer main and approximately 2,000 feet of force sewer main with all necessary appurtenances. (See Staff Ex. No. 1 and application).

3. The District's current treatment plant is hydraulically overloaded, resulting in sewage being discharged into streams causing a public health hazard as well as problems for aquatic life. (Tr. 31, 36-38).

4. The District's current treatment plant, at times of peak flow, discharges raw sewage into Cranberry Creek, which is a tributary to the New River. (Tr. 37, 38, 54).

5. The District is currently under a service moratorium which severely limits the number of new customers it can serve because of the overloaded nature of its treatment plant. (Tr. 31, 87).

6. There are numerous residential and commercial customers on a waiting list for service who are currently being denied service because of the moratorium. (Tr. 88, 89).

7. The District is currently under an enforcement order from the DEP and is accruing penalties at $1,000 a day.[16] (District Ex. No. 3; Tr. 33-35, 44).

8. The project is necessary to allow the District to comply with its environmental permit requirements. (See Staff Ex. No. 1; Tr. 35, 36, 45, 49, 102, 107, 208).

9. The project is necessary to allow the District to lift the existing service moratorium on new connections. (See Staff Ex. No. 1).

10. Wastewater from the District's Little Whitestick area currently goes to the City of Beckley for treatment, but the City of Beckley is having capacity problems at its treatment plant since the addition of the new federal penitentiary to the system. (Staff Ex. No. 1, 120).

11. The project will result in the District no longer needing to purchase treatment services from the City of Beckley. (Staff Ex. No. 1; Tr. 100).

12. The loss of flow from the District will not create overcapacity for the City of Beckley because, the City of Beckley

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[16]On March 16, 1998, the DEP fines on the District increased from $500 a day to $1,000 a day. (Tr. 35).

is currently overloaded and is in the process of designing a new system which assumes no flow from the District. (Tr. 122).

13. At least 51 additional customers who reside in the District's current service territory, but have been denied service because of the service moratorium, will be added to the District's system as a result of the project. (Staff Ex. No. 1; Tr. 143).

14. The size of the proposed treatment plant is reasonable and appropriate given the current and reasonably foreseeable needs of the District. (Tr. 42, 49-53, 55-61, 68, 70, 75, 84, 100, 101, 103, 117, Staff Ex. No. 1).

15. The District has conducted very little work on its system in thirty years and has had only one significant rate increase in that time. (Tr. 50, 51, 60, 75, 78, 99, 100, 136, 137, 138).

16. The project is estimated to cost $8,491,790, which will be financed entirely through an SRF loan which will accrue 0% interest and an annual administrative fee of 1% for twenty years. (See application, Staff Ex. No. 1, Tr. 132).

17. The loan requires a 10% debt reserve and a renewal and replacement reserve equal to 2.5% of operating revenues. (Staff Ex. No. 1).

18. The project will result in an increase in the annual operation and maintenance expenses for the District of approximately $139,754 because of the increased cost of power for pumping, treatment labor and administrative expenses. (Staff Ex. No. 1).

19. The project will also result in a $334,821 decrease in the annual operation and maintenance expense due to the elimination of the District's annual treatment cost to the City of Beckley. (Staff Ex. No. 1).

20. Staff recommended a 54% increase in rates, which provides a surplus of $11,914 and a debt coverage of 156.14%. (Staff Post-Hearing Ex.).

21. Staff recommended that the District maintain a separate I&I account and the District has agreed to the recommendation. (Staff Ex. No. 1; Tr. 86).

22. The District currently serves 2,401 customers, composed of residential, commercial, governmental and industrial customers. (Staff Ex. No. 1).

23. The project cost per customer is $3,537, which is reasonable. (Staff Ex. No. 1).

24. The operation and maintenance expenses estimated by the District are reasonable. (Staff Ex. No. 1).

25. Staff's review of the plans and specifications of the project indicated that they are in general conformance with the Commission's rules and regulations. (Staff Ex. No. 1).

26. Although Mr. Elkins advocated modifying the rate structure to eliminate the District's block rate structure, no party submitted a class cost of service study in this proceeding. (Tr. 222, 223).

CONCLUSIONS OF LAW

1. Public convenience and necessity require the proposed project.

2. The proposed financing is reasonable and should be approved.

3. The District's application for a certificate of convenience and necessity should be granted.

4. The District should be required to seek Commission approval if the scope of the project or the proposed financing should change.

5. The District should be required to establish and maintain a separate account for its I&I reserve funds in order to separate the I&I reserve funds from the general operating funds.

ORDER

IT IS, THEREFORE, ORDERED that the North Beckley Public Service District's application filed on October 31, 1997, for a certificate of convenience and necessity to construct improvements and an upgrade to its existing treatment and collection systems, be, and hereby is, granted.

IT IS FURTHER ORDERED that the proposed financing, consisting of a loan of $8,491,790 from the Division of Environmental Protection State Revolving Fund at an interest rate of 0% plus an annual administrative fee of 1% for twenty years, be, and hereby is, approved.

IT IS FURTHER ORDERED that, if the scope, design or the financing of the project is modified, the District shall petition the Commission for approval of any modification before proceeding

to construction. If contingency funds are expended for purposes other than those within the scope of the project, the District shall petition the Commission for approval prior to expending those funds.

IT IS FURTHER ORDERED that the District file with the Commission a tariff containing the rates attached hereto, to be used upon substantial completion of the project. The District shall inform the Commission, in writing, when substantial completion occurs.

IT IS FURTHER ORDERED that the District establish and maintain a separate account for its I&I reserve funds. The District shall establish the account within thirty days of the date this recommended decision becomes final and deposit all monies in the account as designated by Case No. 95-0941-PSD-42T. The District shall only expend the I&I reserve funds on activities directly related to reducing the District's I&I.

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.

K. A. George

Keith A. George
Administrative Law Judge

KAG:s

APPENDIX A

NORTH BECKLEY PUBLIC SERVICE DISTRICT
CASE NO. 97-0129-PSD-CN

APPROVED RATES

Applicable in entire territory served.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service and for public authorities.

RATE (Based upon the metered amount of water supplied)

First	2,000 gals. used per month	$7.38 per 1,000/gals.
Next	23,000 gals. used per month	$6.34 per 1,000/gals.
Over	25,000 gals. used per month	$4.24 per 1,000/gals.

MINIMUM CHARGE

No bill will be rendered for less than $14.76

DELAYED PAYMENT PENALTY

The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

WATER DISCONNECTION - RECONNECTION FEES

Whenever water service has been disconnected for non-payment of sewer bills, a disconnection fee of $7.50 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $7.50 shall be charged.

SEWER CONNECTION CHARGE

Sewer connection fee to tap to main is $150.00.

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FINAL
9-17-98

Entered: ~~August 28, 1998~~

CASE NO. 95-0941-PSD-42T

NORTH BECKLEY PUBLIC SERVICE DISTRICT
Request to pay salaries of personnel hired to perform Inflow and Infiltration services from I&I account.

RECOMMENDED DECISION

On July 27, 1998, the North Beckley Public Service District (District) filed a letter/petition seeking to reopen the above-referenced case for the purpose of obtaining Commission consent and approval to utilize its inflow and infiltration (I&I) account to pay the salaries of personnel hired strictly for I&I work. Pursuant to a Recommended Decision entered herein on February 7, 1996 (Final February 27, 1996), the District has established and funded an I&I reserve account equal to approximately $217,000 per year for the purpose of paying its I&I rehabilitation program costs. The District stated that it was not possible to hire experienced I&I personnel at minimum wage and, therefore, it was unable to cover the cost of those salaries out of its general operating account.

On August 21, 1998, Staff Attorney Cecelia Gail Jarrell filed a Joint Staff Memorandum. A Final Internal Memorandum dated August 3, 1998, from William R. Nelson, Utilities Analyst, and Robert L. Skiles, P.E., Engineer IV, Water and Wastewater Division, was attached thereto. Staff stated that:

(1) The I&I account has sufficient funds available to cover the proposed I&I personnel salaries;

(2) The I&I rehabilitation program is a major concern for the District;

(3) If achieving compliance and improving the effectiveness of the rehabilitation program can be done in part by funding these I&I personnel salaries from the I&I account, it is reasonable to allow the District to do so; and

(4) If, however, these I&I employees perform any non-I&I-related work, it should be paid for with general operating revenues.

Accordingly, Staff recommended that the District's petition be approved and that the District be required to continue filing semi-annual progress reports regarding its I&I rehabilitation program as previously ordered.

By Order dated August 24, 1998, the Commission referred this matter to the Division of Administrative Law Judges for disposition and ordered that an Administrative Law Judge's decision be rendered on or before March 2, 1998.

FINDINGS OF FACT

1. On July 27, 1998, the North Beckley Public Service District filed a letter/petition seeking to reopen this proceeding for the purpose of obtaining Commission consent and approval to utilize its inflow and infiltration account to pay the salaries of personnel hired strictly for I&I work. (See, July 27, 1998 filing).

2. Commission Staff recommended that the petition filed herein be approved. (See, Joint Staff Memorandum and attachment filed August 21, 1998).

CONCLUSION OF LAW

Upon consideration of all of the above, the undersigned Administrative Law Judge is of the opinion that the petition filed herein on July 27, 1998, by the North Beckley Public Service District, for the purpose of obtaining Commission consent and approval to utilize its inflow and infiltration account to pay the salaries of personnel hired strictly for I&I work, should be granted.

ORDER

IT IS, THEREFORE, ORDERED that the petition filed herein on July 27, 1998, by the North Beckley Public Service District, for the purpose of obtaining Commission consent and approval to utilize its inflow and infiltration account to pay the salaries of personnel hired strictly for I&I work, be, and hereby is, granted, provided, however, that, if any of the I&I employees so hired perform any non-I&I-related work, it shall be paid for with general operating revenues.

IT IS FURTHER ORDERED that the District shall continue to file semi-annual reports with the Commission providing updates on both the cost and the amount of work completed on the infiltration and inflow program as required by the Order entered herein on February 7, 1996, and that, except as modified herein, said February 7, 1996 Order shall remain in full force and effect.

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

Public Service Commission
of West Virginia
Charleston

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.

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.

Melissa K. Marland

Melissa K. Marland
Chief Administrative Law Judge

MKM:JPC:jas

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

FINAL
2-27-96

Entered: February 7, 1996

CASE NO. 95-0941-PSD-42T

NORTH BECKLEY PUBLIC SERVICE DISTRICT,
a public utility, Raleigh County.
In the matter of increased
sewer rates and charges.

RECOMMENDED DECISION

PROCEDURE

On September 28, 1995, North Beckley Public Service District (District), a public utility, Beckley, Raleigh County, filed revised tariff sheets with the Commission reflecting increased rates and charges of approximately $529,423, or 92% annually, for providing public sewer service to its approximately 2,280 customers in Raleigh County, to become effective November 17, 1995.

By Order entered on October 3, 1995, the Commission made the District a Respondent to this proceeding and, pending investigation, hearing and decision, the Commission suspended the revised tariff sheets and deferred the use of the proposed rates and charges until 12:01 a.m., March 17, 1996, to enable the Commission time to examine and investigate the supporting data filed with the revised tariff sheets and to provide Commission Staff time to make reports concerning these matters. The Order granted persons or corporations interested in participating in this proceeding until November 24, 1995, to file petitions to intervene with the Executive Secretary of the Commission. The Order required the District to publish a Notice of Filing and Opportunity to Intervene. Also, the Order referred this matter to the Division of Administrative Law Judges for decision on or before February 9, 1996, effectively 35 days prior to the end of the statutory suspension period, since March 17, 1996, is a Sunday. Finally, the Order directed Commission Staff to file its report on or before December 20, 1995.

By Procedural Order issued on November 9, 1995, a procedural schedule was established for this case, which, among other things, required the District to file its prepared direct testimony and exhibits no later than November 22, 1995; required Commission Staff and all Intervenors to file prepared testimony and exhibits on or before December 20, 1995; set a hearing to be held on December 27, 1995, in Beckley, West Virginia; and permitted rebuttal testimony to be filed at the hearing. Additionally, the District was directed to provide publication of a specified Notice of

Hearing in accordance with the requirements set forth in the November 9, 1995 Procedural Order.

On November 20, 1995, North Beckley Public Service District filed a request for a continuance of the scheduled hearing or, in the alternative, for additional time in which to file its direct testimony and exhibits. The District requested that the hearing be scheduled for January 12, 1996, or as soon thereafter as practicable, and that all other dates be adjusted accordingly. Further, due to the inadequate time to prepare testimony and exhibits, counsel requested additional time, through and including November 30, 1995, in which to file the District's direct testimony and exhibits.

By Order issued November 21, 1995, the motion of North Beckley Public Service District for an extension of time in which to file its prepared direct testimony and exhibits, until November 30, 1995, was granted. The motion of North Beckley Public Service District for a continuance of the hearing scheduled for December 27, 1995, was denied.

On November 21, 1995, Commission Staff filed a motion for a continuance of the December 27, 1995 hearing.

On November 29, 1995, the District filed an affidavit of publication indicating that the Notice of Filing and Opportunity to Intervene was published in the Register Herald on November 3, and 10, 1995.

By Order issued December 8, 1995, the hearing scheduled to be held on December 27, 1995, was cancelled and rescheduled to be held on January 3, 1996. The District was directed to publish a copy of the revised Notice of Hearing instead of the original Notice of Hearing, once a week for two (2) consecutive weeks, in a newspaper of general circulation in Raleigh County.

On December 19, 1995, Staff filed its report in this matter. Staff recommended rates to provide an increase of $428,342, or 77.64% over per book revenues, instead of the District's requested rate increase of $529,423 or 92%.

The hearing convened on January 3, 1996. Appearing on behalf of the District was Paul W. Roop, II, Esq. J. Joseph Watkins, Esq., appeared on behalf of Commission Staff. Several persons appeared in the audience but no one formally intervened in the case. At the conclusion of the testimony, the parties waived their right to file findings of fact, conclusions of law, briefs, or proposed orders.

A transcript consisting of seventy (70) pages was filed with the Executive Secretary's Office on January 16, 1996. No other post-hearing documents were filed.

EVIDENCE

On November 3 and 10, 1995, the District published in The Register Herald the Notice of Filing and Opportunity to Intervene. No persons or entities filed motions to intervene. No persons protested the matter prior to the hearing. However, several persons appeared at the hearing. No one

chose to make a statement prior to the evidence being presented at the hearing. (Tr., p. 6). Prior to the testimony, the District announced that its present system is deteriorating, and that a certificate application has been filed to increase its capacity and to bring the District in compliance with the NPDES permit discharge requirements. The District is aware that its inflow and infiltration exceed the legal limits and must meet State requirements. The District reviewed Staff's recommendation and counsel for the District announced for the record that the District stipulates to and accepts Staff's recommendation. The parties agreed to allow Staff to present its testimony prior to any witnesses being called by the District. (Tr., pp. 7-8).

Staff called as its first witness Robert L. Skiles, Jr., a Utility Engineer in the Public Service District Division of the Public Service Commission. (Tr., pp. 8-9). Mr. Skiles is a registered professional engineer in the States of West Virginia and Ohio. He conducted a field inspection of the District's facilities, interviewed its manager, and reviewed the District's books and records. (Tr., pp. 8-9). Mr. Skiles sponsored Staff Exhibit No. 1, the report which was originally filed with the Commission on December 19, 1995. (Tr., p. 8-10).

The District operates and maintains a wastewater collection system consisting of 62 miles of gravity sewers and force mains ranging in size from 4 inches to 18 inches in diameter. The District has a wastewater treatment plant with a capacity of 680,000 gallons per day. The facility serves the Cranberry Creek watershed and provides treatment for about 76% of the District's customers. The customers located in the Little Whitestick watershed are provided wastewater treatment by the City of Beckley. Mr. Skiles feels that the wastewater flow information reveals two areas of significant concern. The District's wastewater treatment facility exceeds its capacity and the District experiences a severe infiltration and inflow (I&I) problem. (Staff Exhibit No. 1, p.4).

The District's greatest problem exists with the system's inflow and infiltration. Infiltration and inflow are extraneous flows which enter a system from a variety of sources including roof drains, leaky pipes, openings in manholes, cross connections, storm drains, etc. Infiltration and inflow represent approximately 46% of the total system's flow. (Staff Exhibit No 1, p. 4; Tr., p. 11). The infiltration and inflow have resulted in the District being fined several times for violations of its NPDES permit. The District anticipates proceeding with an in-house infiltration and inflow rehabilitation program. The District would hire two employees and rehabilitate portions of the system over a period of six years for an estimated cost of $217,000 a year. (Staff Exhibit No. 1, p. 4; Tr., pp. 11-12). Mr. Skiles explained that the District considered other possible methods of eradicating the inflow and infiltration problems. The proposed plan is expected to eliminate 75% of the infiltration and inflow at a total cost of $1,298,700. If the plan removes the anticipated amount of infiltration and inflow, the District should be able to save $83,478, annually. (Staff Exhibit No. 1, p.5; Tr., p. 12). Staff recommends that the District be allowed to implement the proposed multi-year program at an annual amount of $217,000 per year for six years to be embedded in rates, but not in operation and maintenance expenses as the District originally proposed. (Staff Exhibit No. 1, p. 4; Tr., p. 13).

The infiltration and inflow plan selected by the District includes the purchase of a vehicle equipped with television inspection and grouting equipment. The District's employees would perform the inspections and repair work on the system, but repairs to manholes and removal of inflow would be accomplished by contract. The District's employees would find and eliminate the infiltration. Staff feels the proposed plan for the infiltration and inflow program is reasonable and necessary. (Staff Exhibit No. 1, p. 5). The Staff recommends that the District file status reports every six months to enable the Commission to monitor the progress of the work being done and the effectiveness of the work. Staff recommended that, if improvements are not done to the system, the monies approved for the infiltration and inflow program be reevaluated by Staff. (Tr., pp. 13-14).

Staff reviewed the District's plant additions for the test year and two prior years. Staff determined that the three-year average, exclusive of non-recurring items, is $10,350 annually. Staff also reviewed the District's request for future needs. Staff recommended that the cost for those needs be spread over a period of years to prevent the items from being embedded in rates permanently. Staff recommended an additional $10,654 annually to meet future needs. Staff's recommended surplus to cover plant additions was $21,000. (Staff Exhibit No. 1, PP 5-6; Tr., p. 14). Staff reviewed the communications equipment, farm tractor, truck, camera and computer equipment upgrades. The communications expense was spread over a three-year period, with the farm tractor and truck expenses over a five-year period and the camera and computer upgrade over three years. (Tr., pp. 15-16).

The District requested that it be allowed to hire two additional employees: a Class II wastewater treatment operator and a field worker. Those two employees are also to be allowed to work on the District's I&I program. The Class II operator will remain at the plant full-time and two of the District's full-time employees would be eliminated. (Tr., p. 16). The annual cost of the two additional employees is $58,014. (Staff Exhibit No. 1, p.6). The District has experienced problems with the NPDES permit and Staff anticipates that the hiring of the additional treatment operator would help put an end to some of the District's problems regarding the permit. Staff also noted that it would like to monitor the District's permit problem to determine if the additional employees are, in fact, benefitting the District in eliminating its problem areas. Staff noted that the in-house I&I program proposed by the District is cheaper and a similar program has been successful at the Malden Public Service District. (Staff Exhibit No. 1, pp. 4-5; Tr., pp. 16-17).

On December 7, 1995, the District filed a proposed rehabilitation program regarding the I&I program. The program was marked and received into evidence as Staff Exhibit No. 2. (Tr., pp. 17-18). Mr. Skiles explained that the District's six-month reports are to include an explanation of the efforts that have been made in conjunction with the I&I program that was presented to the Commission Staff. The reports are to explain what the District has done during the six-month period including: how many manholes have been inspected; what flow monitoring activities have been done; the expenses of the specific activities; if any contracts have been awarded for specific work; details of any work performed by contractors; the success in obtaining contractors; and provide a list of any

other activities that have taken place associated with the I&I program. The semi-annual reports are to be filed for six years. (Staff Exhibit No. 1, p. 6; Tr., p. 19).

Staff feels that improvements should be made to the I&I program within two years. Staff indicated that it would review the reports and determine if the program should continue or be altered. (Tr., p. 20). Staff noted that it intended to do a field investigation regarding the system improvements in two or three years. Staff will also be filing reports on the District's progress. (Tr., p. 20).

The next person to testify for Commission Staff was Geert Bakker, a Utilities Analyst for the Public Service District Division of the Public Service Commission. (Tr., p. 21). Mr. Bakker reviews financial reports and makes recommendations regarding financial issues. Staff reviewed the District's books and records and made adjustments to its statements for the year ending June 30, 1995, to arrive at a revenue requirement. Staff noted that the District has not had a rate increase since the 1960s. (Tr., p. 23).

Mr. Bakker recommends that the District discontinue its use of the multiple occupancy clause because the clause discriminates against apartment dwellers and because the District does not have such a clause in its tariff. (Tr., p.—24). He feels the reason the clause was being utilized by the District is because the District was annexed by the City of Beckley and, at one time, Beckley's tariff included the multiple occupancy clause. Staff feels the District just continued the practice. Staff has explained the proper billing procedures to the District. (Tr. p. 25).

Staff has also recommended that the District include in its tariff a roof drain surcharge. The roof drain charge allows the District to bill residences that have roof drains connected to the sewer system. Staff feels that, since infiltration and inflow is such a major problem for the District, billing the residents for the roof drainage entering the sewer system would discourage people from hooking their drains to the system and encourage them to disconnect from the system. (Tr., pp. 25-26).

Staff noted that there is a discrepancy between the City of Beckley and the District regarding the amount being billed for treatment of sewage. The City does not read the flow meter. The District sends payments to the City based upon its meter readings or 'estimations'. The City of Beckley has been sending the District invoices for costs greater than the District's payment, without identifying the gallons that were treated. The District could not calculate a similar amount based on its flow meter readings. Staff feels that costs for the treatment should be based on meter readings and is requesting that flow meters be utilized by the City for billing the District. Staff feels that the District will be able to recover any greater costs through a Tariff Rule 30B procedure. (Staff Exhibit No 1, p. 3; Tr., pp. 26-27).

Staff's class cost of service study was based upon three classes of customers. The District previously billed its customers based on a six-block rate design, but Staff has proposed a three-block design. Mr. Bakker explained that the six block design was originally utilized by the District in the 1960s, when the District was created. Staff feels that most of the residential customers fall within the first 25,000 gallons of usage and,

therefore, it has devised the new rate design. Most of the commercial customers fall within the third block with the highest usage being 850,000 gallons. (Tr., pp. 28-29, 33, 36; Staff's Exhibit No. 1, p. 3). Under Staff's proposed rate design the first block is based upon usage of up to 2,000 gallons and also represents the minimum bill; the second block is based upon usage of up to 23 gallons; and the third block consists of all usage over 25,000 gallons. Staff's recommended total revenue is less than that previously proposed by the District. An average user, consuming approximately 4,500 gallons of water per month, will experience an increase from $12.30 per month to $19.88 per month. (Tr., pp. 29-30).

The District's average residential customer consumes approximately 4,700 gallons. The average commercial customer consumes approximately 35,000 gallons. (Tr., p. 34). Staff's recommended rate will result in the average residential customer experiencing an increase of 61%. The average commercial customers will experience an increase of 83%. (Tr., p. 34). The average residential customer using 4,700 gallons of water will receive a sewer bill for approximately $20.76. (Tr., p. 35) For the benefit of the audience, Mr. Bakker explained the billing procedure for the roof drain surcharge. (Tr., p. 32). He stated that a 1,200 square foot house would be charged approximately $20 depending on the rainfall in the area. (Tr., p. 33).

Mr. Bakker explained that, if the District is unable to satisfactorily implement an I&I program, Staff will consider reviewing and eliminating those costs from its rate. Since the District has already made a prefiling for a treatment plant, Mr. Bakker would not guarantee that, in three years, the District's rates would be lowered. The treatment plant could increase the District's rates. (Tr., p. 38). Staff feels that requiring the District to file status reports will insure that the work on the I&I program is being done and that the money is not used to extend lines to other areas or to upgrade the system in ways other than the I&I program. (Tr., p. 39).

Staff confirmed that its recommended rate for the minimum user is higher than the District's proposed rate increase of 25%. However, Staff based its recommendation on a class cost of service study while it feels the District's proposed rates were not. (Tr., p. 42).

The first person called by the District was Howard M. "Bud" Spears, the District's Chairman. (Tr., p. 44). On behalf of the District, Mr. Spears accepted Staff's recommendation dated December 14, 1995. (Tr., p. 44). The District is aware that Staff's recommended revenue requirement is less than that requested by the District, but acknowledged that the actual rates charged to some customers may be higher. (Tr., p. 45). The District is willing to file the recommended status reports every six months with the Public Service Commission. (Tr., pp. 45-46).

Dwight W. Reggi, the District's General Manager, also testified on behalf of the District. (Tr., p. 46). Mr. Reggi explained that the system presently exceeds the plant capacity and is experiencing problems with the discharge parameters. He feels the problem is caused by the infiltration and inflow of storm water. (Tr., p. 47). The District reviewed several alternatives and determined that engineering studies, smoke testing, camera work and manhole inspections are necessary to improve the system. (Tr., p. 48). The District chose the alternative which would allow the District

to do the work in-house, instead of having to bid the investigation, smoke testing and camera work to outside contractors. Even though the chosen alternative is less expensive, the total program cost is estimated to be $1.2 million. (Tr. P. 49).

The District anticipates utilizing one team to conduct smoke testing and camera work with a second team performing manhole investigation, repair work and the necessary backhoe and other equipment work. (Tr., p. 49). The Malden Public Service District has experienced similar problems. The District retained the same consulting engineers that helped the Malden Public Service District. Therefore, the consulting firm is familiar with the necessary procedures required for the reconstruction and repair work. (Tr., p. 50). The cost estimates provided by the District were based on work that had been performed on similar types of projects. (Tr., pp. 50-51).

Mr. Reggi feels that Staff's recommendation of $217,000 annually for a period of six years for the I&I program, as well as the labor costs of the two new employees, should adequately finance the program. He feels that the rates proposed by Staff will provide sufficient revenue for the necessary upgrades for the I&I program. Since the District is already required to file monthly reports with the Department of Environmental Protection, Mr. Reggi feels that the District will be able to document the progress of the project in terms of labor costs, equipment and supplies and generate the necessary reports every six months. (Tr., pp. 51-52).

The District has requested bids for engineering proposals, received some engineering proposals and is willing to review three engineering firms in order to expedite the I&I program. (Tr., pp. 52-53). He feels that many of the smoke tests and camera work will be done as soon has an engineering firm is selected. (Tr., p. 53). He acknowledged that funds may not be immediately available for the I&I project and that the District will operate within the funds available. (Tr., p. 53). He feels that the customers understand the roof drainage charge and the District is willing to provide assistance to customers to have the roof drainage disconnected from the sewer system. (Tr., p. 54). He emphasized that the District would not be able to disconnect the roof drains from the sewer system, but would be willing to provide counseling and inspections when necessary. (Tr., p. 55). The District is also willing to add a statement to the monthly bills advising the customer that inquires regarding the roof drainage disconnection can be directed to the District. (Tr., p. 56).

C. R. Brown, a District customer, advised the Commission that the customers were told about the roof drainage problem when the system was constructed. He feels that the smoke testing will give the property owner an opportunity to verify whether their roof drains are connected to the sewage system. He does not feel the customers will be surprised regarding charges for the roof drainage in the sewage system. Mr. Brown indicated that his roof drain is not connected to the sewage system and could be tested any time. (Tr., p. 61). Mr. Brown feels the District should solve its problems before offering service to other areas or expanding its service territory. (Tr., p. 67).

Tony Polaris of Maxwell Hill inquired as to whether additional customers would be allowed to connect to the sewer system in the Cranberry area. Mr. Spears, the District's Chairman, stated that the District has

been notified, by the Department of Environmental Protection, not to add any additional sewage customers to its system. (Tr., p. 62). The District was advised to file a petition with the Commission requesting a moratorium so that the Commission would be aware of the directives of the Department of Environmental Protection. (Tr., pp. 63-65).

Ms. Betty Perry opposed the new rate increase and feels that any increase would not enhance the system. (Tr., p. 66). Mr. James Elkins feels that Staff's recommendation is not exorbitant and the District must take care of its sewage problem. He recommended that the Staff-recommended rate increase be approved. (Tr., p. 66). Mr. Lee Taylor indicated that he supported the project and complemented the new board members. (Tr., p. 67).

The District provided an affidavit of publication indicating the Notice of Hearing was advertised on December 13 and 20, 1995. The document was marked and received into evidence as District Exhibit No. 1. (Tr., p. 58). All parties waived their rights to file findings of fact, conclusions of law or briefs. The hearing was submitted. (Tr., pp. 68-69).

FINDINGS OF FACT

1. On September 28, 1995, North Beckley Public Service District, a public utility, Beckley, Raleigh County, filed revised tariff sheets with the Commission reflecting increased rates and charges of approximately $529,423, or 92% annually, for providing public sewer service to its approximately 2,280 customers in Raleigh County, to become effective November 17, 1995. (See, Filing received September 28, 1996).

2. The application was reviewed by the Commission's Public Service District Division and a Staff Report was filed on December 19, 1995, recommending an increase of $428,342, or 77.64% over per books revenues, a debt service coverage of 303.36% and a remaining cash surplus of $21,388. (See, Staff Report received December 19, 1995, transmittal letter, Statement H).

3. Staff recommended that the District adopt a surcharge for roof drains connected to its sanitary sewerage system by using the formula set forth in Statement D, Schedule III, Page 2 of 2 of Staff Report; that the District discontinue using the "multiple occupancy clause" when billing multi-occupancy locations; and that the District provide semi-annual updates on both the cost and the amount of work completed on the inflow and infiltration project. (See, Staff Exhibit No 1, p. 7; Tr. p. 24).

4. By Order issued October 3, 1995, the District was directed to give its customers notice of the filing and an opportunity to intervene. By Order issued December 8, 1995, the District was directed to give its customers notice of the hearing scheduled to be held on January 3, 1996. (See, Order entered October 3, 1995, and Order issued December 8, 1995).

5. On November 29, 1995, the District filed an affidavit of Publication indicating that the Notice of Filing and Opportunity to Intervene was published in the Register-Herald on November 3, and 10, 1995. On January 3, 1995, the District provided an affidavit of publication indicating that the notice of hearing was published in the Register-Herald on December 13 and

20, 1995. (See, Affidavit of Publication received November 29, 1995; District Exh. No. 1).

6. The District accepted Commission Staff's recommendations contained in its Report received on December 19, 1995, as evidenced by the testimony of the District's Chairman, Howard M. Spears. (See, Tr. pp. 44-45).

7. One person appeared at the hearing in protest to the proposed rate increase. Several persons appeared in support of Staff's recommendations. (See, Tr. pp. 60-67).

CONCLUSIONS OF LAW

1. The North Beckley Public Service District has accepted the Staff-recommended increased rates, charges, tariff provisions and other Staff recommendations.

2. The increased rates and charges and other tariff provisions recommended by Commission Staff in its Staff Report should be approved.

3. Staff's recommendations as outlined in Finding of Fact No. 3, are reasonable and should be approved.

ORDER

IT IS, THEREFORE, ORDERED that, the rates, charges and other tariff provisions recommended by Commission Staff in its Staff Report, be, and they hereby are, approved and allowed to become effective for all sewer service rendered by North Beckley Public Service District on or after March 17, 1996. Said rates and charges are as follows:

Schedule 1

Applicable in entire territory served.

AVAILABILITY OF SERVICE

Available for general domestic, commercial and industrial service and for public authorities.

RATE (Based upon the metered amount of water supplied)

First	2,000 gallons used per month	$4.79 per 1,000 gallons
Next	23,000 gallons used per month	4.12 per 1,000 gallons
Over	25,000 gallons used per month	2.75 per 1,000 gallons

MINIMUM CHARGE
No bill will be rendered for less than $9.58

DELAYED PAYMENT PENALTY
The above tariff is net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount

unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate.

WATER DISCONNECTION - RECONNECTION FEES

Whenever water service has been disconnected for non-payment of sewer bills, a disconnection fee of $7.50 shall be charged.

Whenever water service which has been previously disconnected or otherwise withheld for non-payment of sewer bills is reconnected, a fee of $7.50 shall be charged.

SEWER CONNECTION CHARGE

Sewer connection fee to tap to main is $150.00.

Schedule No. 2

SURCHARGE FORMULA TO BE APPLIED IN CASES WHERE SURFACE DRAINAGE IS CONNECTED TO THE NORTH BECKLEY PUBLIC SERVICE DISTRICT SANITARY SEWERAGE SYSTEM

APPLICABILITY

Where the District has discovered that a customer's roof drain, downspout, storm sewer or similar facilities conducting surface water have been connected to the District's sewer system, and such customer has failed to take appropriate action, within thirty (30) days of receipt of a demand by the District in accordance with the Rules and Regulations of the Public Service Commission, to eliminate such connection, a surcharge will be imposed upon the customer calculated on the basis of the following formula:

$$S = A \times R \times .0006233 \times C$$

S - The surcharge in dollars.

A - The area under roof and/or the area of any other water collection surface connected to the sanitary sewer, in square feet.

R - The measured monthly rainfall, in inches.

.0006233 - A conversion factor to change inches of rain x square feet of surface to thousands of gallons of water.

C - The District's approved rate per thousand gallons of metered water usage.

The District shall not impose the surcharge unless and until the customer has been notified by certified mail, return receipt requested, or by hand delivery, that it has been established by smoke testing, dye testing, or on-site inspection that rain or surface water is being introduced into the sanitary sewer system at the customer's location, and that the customer has not acted within thirty (30) days from receipt of such notice to divert the water from the sanitary sewer system.

Said surcharge shall be calculated and imposed for each month that said condition continues to exist. Failure to pay the surcharge and/or correct

the situation shall give rise to the possible termination of water service in accordance with the Rules and Regulations of the Public Service Commission of West Virginia.

Note: The surcharge is not cumulative so as not to reduce the incentive of the larger users to disconnect. The minimum charge does not apply to the surcharge.

IT IS FURTHER ORDERED that the District provide reasonable assistance to its customers, whose roof drains are connected to its sanitary sewerage system, to ensure that the customers, who are responsible for the disconnection of their roof drains, have said drains disconnected.

IT IS FURTHER ORDERED that the District file semi-annual reports with the Commission providing updates on both the cost and the amount of work completed on the infiltration and inflow program for a period of at least six years or until further order of the Commission.

IT IS FURTHER ORDERED that the District cease and desist from utilizing a multiple occupancy clause when billing multi-occupancy locations.

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.

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.

Susan A. Murensky

Susan A. Murensky
Administrative Law Judge

SAM:dfs

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 18th day of December, 1998.

CASE NO. 98-1278-PSD-CN (Reopened)

NORTH BECKLEY PUBLIC SERVICE DISTRICT
Petition for consent and approval of expenditure of funds to satisfy judgment.

COMMISSION ORDER

By Order entered October 27, 1998, the Commission approved the North Beckley Public Service District's (District) expenditure of surplus loan proceeds, as well as surplus revenues, in order to satisfy a $209,754.55 judgment awarded to favor of Dunn Engineers, Inc. upon arbitration in a civil suit. The loan surplus remained after the District paid project expenses associated with its Cranberry Creek Watershed Project, which was the subject of proceedings in Case No. 95-1232-PSD-PC.

On November 30, 1998, the District filed a petition to reopen this proceeding for the purpose of modifying the Commission's October 27, 1998 decision, in order to permit the expenditure of $309,151.00, together with interest and surplus revenues in the approximate amount of $20,849.00, to satisfy the District's obligations to the Sanitary Board of the City of Beckley (Beckley), arising out of a civil action styled The Sanitary Board of the City of Beckley v. North Beckley Public Service District, Civil Action No. 98-C-695. Petition, ¶¶1, 3. The District now seeks to use the loan surplus and revenue surplus previously approved by the Commission herein to satisfy the settlement with Beckley rather than the judgment in favor of Dunn Engineers. Id., ¶4. Furthermore, the District noted that Comvest, its lender, does not object to the use of loan proceeds for such purpose. Id. Finally, the District advised the Commission that it had, contemporaneous with its petition in this proceeding, filed a petition to reopen in Case No. 97-0129-PWD-CN for the purpose of receiving consent and approval to use the State Revolving Fund loan surplus remaining in that proceeding to satisfy the judgment in favor of Dunn Engineers. Id., ¶2.

On December 7, 1998, Commission Staff (Staff) filed an Initial and Final Joint Staff Memorandum recommending that the District's petition to reopen this proceeding should be approved and further recommending that the Commission should approve the use of the loan surplus previously authorized for the purpose of satisfying the judgment in favor of Dunn Engineers instead

to satisfy the District's settlement obligations to Beckley.

UPON CONSIDERATION WHEREOF, the Commission concludes that the District's petition to reopen this proceeding should be approved. Further, the Commission concludes that the District's request to use the loan surplus previously authorized for the purpose of satisfying the judgment in favor of Dunn Engineers instead to satisfy the District's settlement obligations to Beckley should be approved.

IT IS, THEREFORE, ORDERED that the North Beckley Public Service District's November 30, 1998 petition to use the loan surplus previously authorized for the purpose of satisfying the judgment in favor of Dunn Engineers instead to satisfy the District's settlement obligations to the Sanitary Board of the City of Beckley should be, and hereby is, approved.

IT IS FURTHER ORDERED that, upon entry hereof, this proceeding shall be removed from the Commission's docket of active cases.

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

Sandra Squire
Executive Secretary

ARC
981278ac.wpd
PWP pwp

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the27th day of October, 1998.

CASE NO. 98-1278-PSD-PC

NORTH BECKLEY PUBLIC SERVICE DISTRICT
Petition for consent and approval of expenditure
of funds to satisfy judgment.

COMMISSION ORDER

On October 16, 1998, the North Beckley Public Service District filed a petition for consent and approval for its use of surplus loan proceeds and surplus revenues to satisfy a monetary judgement in favor of Dunn Engineers, Inc. The District explained that it on April 13, 1998, a monetary judgment upon arbitration against the District in the amount of $209,754.55 was issued in a civil suit styled *Dunn Engineers, Inc. v. North Beckley Public Service District.*

The District proposes to satisfy the judgment with surplus loan proceeds and surplus revenues. The District explained that it had borrowed $400,000 in connection with Case No. 95-1232-PSD-PC for its Cranberry Creek Watershed Project. The District stated that after paying project expenses, it has a surplus of $184,000. The District seeks authority to pay the surplus, together with surplus revenues in the amount of $37,219.19 to Dunn Engineers in satisfaction of the judgment amount of $221,219.19, including interest to date.

The District requested expedited treatment of this petition, explaining that if the judgment is not paid by October 31, 1998, additional interest in the amount of $1,747.95 will accrue on the judgment.

On October 23, 1998, Commission Staff filed an Initial and Final Joint Staff Memorandum recommending that the Commission approve this petition.

Public Service Commission
of West Virginia
Charleston

Based on the petition, it appears that the foregoing proposal will have no effect on the District's rates. It is appropriate to approve the District's request and permit it to apply its loan surplus in the amount of $184,000 and surplus revenues in the amount of $37,219.19 to satisfy the judgment in favor of Dunn Engineers on or before October 31, 1998.

IT IS THEREFORE ORDERED that the District's petition for consent and approval for the expenditure of funds to satisfy a monetary judgement in favor of Dunn Engineers, Inc. is hereby granted.

IT IS FURTHER ORDERED that the District may pay Dunn Engineers a total of $221,219.19, consisting of loan surplus in the amount of $184,000 and surplus revenues in the amount of $37,219.19, on or before October 31, 1998.

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

ARC.

A True Copy, Teste:

Sandra Squire

Sandra Squire
Executive Secretary

West Virginia Infrastructure & Jobs Development Council

Public Members:
Russell L. Isaacs, Chairman
Cottageville
James D. Williams, Vice-Chairman
St. Albans
Lloyd P. Adams, P.E.
Wheeling
James L. Harrison, Sr.
Princeton

1320 One Valley Square
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304)558-4609

Susan J. Riggs, Esquire
Executive Secretary

February 11, 1997

Howard L. Spears, Chairman
North Beckley Public Service District
102 McCreey Street
Beckley, WV 25801

Re: Wastewater Treatment Plant and System Improvement Project (Resubmitted) **95S-009**

Dear Mr. Spears:

The West Virginia Infrastructure and Jobs Development Council (Council) has reviewed the North Beckley Public Service District's (District) resubmitted preliminary application regarding its proposed project to construct a wastewater treatment plant and other improvements to its system (Project), and has determined that the Project is technically feasible within the guidelines of the Infrastructure and Jobs Development Act. The District should carefully review the enclosed comments of the Sewer Technical Review Committee. The District may need to address certain issues raised in said comments as it proceeds with the Project.

Pursuant to its review of the preliminary application, the Council believes that due to the length of time before the District would receive a commitment of its requested grant funds from the Appalachian Regional Commission and the United States Economic Development Authority, the District could experience a substantial delay in proceeding with its Project. Therefore, the Council recommends the District pursue a State Revolving Fund (SRF) loan administered by the West Virginia Division of Environmental Protection (DEP) to finance the total cost of the Project. Please contact DEP at 558-0641 for specific information on the steps the District needs to follow to apply for this loan. If the District believes it can afford a delay in proceeding with its Project, it may apply for its proposed funding of a $200,000 Appalachian Regional Commission grant and a $250,000 United States Economic Development Authority grant. **Please note that this letter <u>does not</u> constitute funding approval from these funding agencies.**

If you have any questions regarding this matter, please contact Susan J. Riggs, Executive Secretary of the Council, at (304) 558-4607.

Sincerely,

Russell L. Isaacs, Chairman

RLI/bjh
Enclosure
cc: J. Michael Johnson
Fred Cutlip
David Cole

NORTH BECKLEY PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS
SERIES 1999

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

The undersigned duly authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority and Howard L. Spears, Chairman of North Beckley Public Service District (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the 28th day of January, 1999, the Authority received the Issuer's Sewerage System Revenue Bonds, Series 1999, numbered R-1, in the principal amount of $8,090,898 issued as a single, fully registered Bond dated January 28, 1999 (the "Series 1999 Bonds").

2. At the time of such receipt of the Bonds upon original issuance, the Series 1999 Bonds had been executed by the Chairman of the Public Service Board of the Issuer, by his manual signature, and attested by the Secretary of the Public Service Board of the Issuer, by his manual signature, and the official seal of the Issuer had been impressed upon the Series 1999 Bonds.

3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Bonds, of $1,923,789, being a portion of the principal amount of the Series 1999 Bonds. The balance of the principal amount of the Series 1999 Bonds will be advanced by the Authority and the West Virginia Division of Environmental Protection to the Issuer as acquisition and construction of the Project progresses.

IN WITNESS WHEREOF, WEST VIRGINIA WATER DEVELOPMENT AUTHORITY and NORTH BECKLEY PUBLIC SERVICE DISTRICT have caused this receipt to be duly executed and delivered by their respective duly authorized officers, as of this 28th day of January, 1999.

WEST VIRGINIA WATER DEVELOPMENT AUTHORITY

By Barbara B. Meadows
Authorized Representative

NORTH BECKLEY PUBLIC SERVICE DISTRICT

By Howard L. Spears
Chairman

GBB.GBB.0048799

NORTH BECKLEY PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999

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. R-1, constituting the entire original issue of the North Beckley Public Service District Sewerage System Revenue Bonds, Series 1999, in the principal amount of $8,090,898 dated January 28, 1999 (the "Series 1999 Bonds"), executed by the Chairman and Secretary of North Beckley 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 Supplemental Resolution each duly adopted and made effective by the Issuer on January 27, 1999 (collectively, the "Local Act");

(2) An executed and certified copy of the Local Act authorizing the above Bond issue, duly certified by the Secretary of the Issuer;

(3) A certified copy of the Loan Agreement dated October 8, 1998 by and among the West Virginia Water Development Authority (the "Authority"), the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP") and the Issuer (the "Loan Agreement"); and

(4) Signed approving opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Series 1999 Bonds.

You are hereby requested and authorized to deliver the Series 1999 Bonds to the Authority. Prior to such delivery of the Series 1999 Bonds, you will please cause the Series 1999 Bonds to be authenticated by an authorized officer, as Bond Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated this 28th day of January, 1999.

NORTH BECKLEY PUBLIC SERVICE DISTRICT

By Howard L. Spear
Its Chairman

GBB.GBB.0048456

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
NORTH BECKLEY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BOND,
SERIES 1999

No. R-1 **$8,090,898**

KNOW ALL MEN BY THESE PRESENTS: That NORTH BECKLEY PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Raleigh 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 EIGHT MILLION NINETY-THOUSAND EIGHT HUNDRED NINETY-EIGHT DOLLARS ($8,090,898), 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 on September 1, 2000, as set forth on the "Debt Service Schedule" attached as Exhibit B hereto and incorporated herein by reference, without interest.

SPECIMEN

The SRF Administrative Fee (as defined in the hereinafter described Bond Legislation) shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing September 1, 2000, 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").

This Bond may only be redeemed prior to its stated date of maturity in whole or in part upon the terms and conditions prescribed by, and otherwise in compliance with, the Water Pollution Control Revolving Fund Loan Agreement among the Issuer, the West Virginia Division of Environmental Protection, a division of the West Virginia Bureau of Environment (the "DEP") and the Authority, dated October 8, 1998.

This Bond is issued (i) to permanently finance the costs of acquisition and construction of certain additions, betterments and improvements to the existing public sewerage facilities of the Issuer (the "Project"); (ii) to refund certain Notes of the Issuer; (iii) to fund a debt service reserve fund; and (iv) to pay certain costs of issuance hereof and related costs. The existing public sewerage facilities of the Issuer, the Project and any further additions, betterments or improvements 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 22C,

Article 2 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Resolution duly adopted by the Issuer on January 27, 1999 and a Supplemental Resolution duly adopted by the Issuer on January 27, 1999 (collectively called 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 securities provided for the Bonds of this Series (the "Bonds") under the Bond Legislation.

THIS BOND IS ISSUED JUNIOR, SUBJECT AND SUBORDINATE AS TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S SEWER REVENUE BONDS, SERIES 1964, ISSUED ON APRIL 1, 1964, IN THE AGGREGATE PRINCIPAL AMOUNT OF $930,000 AND DESCRIBED IN THE BOND LEGISLATION (THE "PRIOR BONDS").

THIS BOND IS ISSUED SENIOR AND PRIOR TO LIENS, PLEDGES AND SOURCES OF AND SECURITY FOR PAYMENT TO THE ISSUER'S SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 1996, ISSUED ON APRIL 24, 1996, IN THE AGGREGATE PRINCIPAL AMOUNT OF $400,000 AND DESCRIBED IN THE BOND LEGISLATION (THE "SERIES 1996 NOTES").

SPECIMEN

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation), junior, subject and subordinate to the pledge of the Net Revenues in favor of the holders of the Prior Bonds and senior and prior to the lien thereon in favor of the Holders of the Series 1996 Notes, 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 1999 Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Net Revenues shall be sufficient to pay the principal of and interest on all Bonds which may be issued pursuant to the Act and which 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 or the interest hereon except from said special fund provided from the Net Revenues, the moneys in the Series 1999 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 115% (130% so long as any of the Prior Bonds remain Outstanding) 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 prior to or on a parity with the Bonds, including the Prior Bonds, provided however, that so long as there exists in the Series 1999 Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or any succeeding year, and in the respective reserve accounts

established for any other obligations Outstanding prior to or on a parity with the Bonds, including the Prior Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110% (but shall remain at 130% so long as any of the Prior Bonds remain Outstanding). 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 One Valley Bank, National Association, Charleston, West Virginia, as registrar (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.

SPECIMEN

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law, shall be applied solely to the payment of the Costs of the Project 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 in the issuance of this Bond have existed, 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 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, NORTH BECKLEY 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 January 28, 1999.

NORTH BECKLEY PUBLIC SERVICE DISTRICT

COPY

Chairman

[SEAL]

ATTEST:

COPY

Secretary

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1999 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: January 28, 1999,

ONE VALLEY BANK, NATIONAL ASSOCIATION,
as Registrar

By: _____
Its: Authorized Officer

SPECIMEN

EXHIBIT A

RECORD OF ADVANCES

	Amount	Date		Amount	Date
(1)	$1,923,789	January 28, 1999	(7)	$	
(2)	$		(8)	$	
(3)	$		(9)	$	
(4)	$		(10)	$	
(5)	$		(11)	$	
(6)	$		(12)	$	

Total $ _____

SPECIMEN

EXHIBIT B

DEBT SERVICE SCHEDULE

SPECIMEN

North Beckley PSD, WV

SRF Loan No. C-544157-02

$8,090,898; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
3/01/1998	-	-	-
6/01/1998	-	-	-
9/01/1998	-	-	-
12/01/1998	-	-	-
3/01/1999	-	-	-
6/01/1999	-	-	-
9/01/1999	-	-	-
12/01/1999	-	-	-
3/01/2000	-	-	-
6/01/2000	-	-	-
9/01/2000	101,137.00	-	101,137.00
12/01/2000	101,137.00	-	101,137.00
3/01/2001	101,137.00	-	101,137.00
6/01/2001	101,137.00	-	101,137.00
9/01/2001	101,137.00	-	101,137.00
12/01/2001	101,137.00	-	101,137.00
3/01/2002	101,137.00	-	101,137.00
6/01/2002	101,137.00	-	101,137.00
9/01/2002	101,137.00	-	101,137.00
12/01/2002	101,137.00	-	101,137.00
3/01/2003	101,137.00	-	101,137.00
6/01/2003	101,137.00	-	101,137.00
9/01/2003	101,137.00	-	101,137.00
12/01/2003	101,137.00	-	101,137.00
3/01/2004	101,137.00	-	101,137.00
6/01/2004	101,137.00	-	101,137.00
9/01/2004	101,137.00	-	101,137.00
12/01/2004	101,137.00	-	101,137.00
3/01/2005	101,136.00	-	101,136.00
6/01/2005	101,136.00	-	101,136.00
9/01/2005	101,136.00	-	101,136.00
12/01/2005	101,136.00	-	101,136.00
3/01/2006	101,136.00	-	101,136.00
6/01/2006	101,136.00	-	101,136.00
9/01/2006	101,136.00	-	101,136.00
12/01/2006	101,136.00	-	101,136.00
3/01/2007	101,136.00	-	101,136.00
6/01/2007	101,136.00	-	101,136.00
9/01/2007	101,136.00	-	101,136.00
12/01/2007	101,136.00	-	101,136.00
3/01/2008	101,136.00	-	101,136.00
6/01/2008	101,136.00	-	101,136.00
9/01/2008	101,136.00	-	101,136.00
12/01/2008	101,136.00	-	101,136.00
3/01/2009	101,136.00	-	101,136.00
6/01/2009	101,136.00	-	101,136.00
9/01/2009	101,136.00	-	101,136.00

SPECIMEN

North Beckley PSD, WV

SRF Loan No. C-544157-02

$8,090,898; 20 Years; 0% Interest; 1% Administrative Fee

DEBT SERVICE SCHEDULE

Date	Principal	Coupon	Total P+I
12/01/2009	101,136.00	-	101,136.00
3/01/2010	101,136.00	-	101,136.00
6/01/2010	101,136.00	-	101,136.00
9/01/2010	101,136.00	-	101,136.00
12/01/2010	101,136.00	-	101,136.00
3/01/2011	101,136.00	-	101,136.00
6/01/2011	101,136.00	-	101,136.00
9/01/2011	101,136.00	-	101,136.00
12/01/2011	101,136.00	-	101,136.00
3/01/2012	101,136.00	-	101,136.00
6/01/2012	101,136.00	-	101,136.00
9/01/2012	101,136.00	-	101,136.00
12/01/2012	101,136.00	-	101,136.00
3/01/2013	101,136.00	-	101,136.00
6/01/2013	101,136.00	-	101,136.00
9/01/2013	101,136.00	-	101,136.00
12/01/2013	101,136.00	-	101,136.00
3/01/2014	101,136.00	-	101,136.00
6/01/2014	101,136.00	-	101,136.00
9/01/2014	101,136.00	-	101,136.00
12/01/2014	101,136.00	-	101,136.00
3/01/2015	101,136.00	-	101,136.00
6/01/2015	101,136.00	-	101,136.00
9/01/2015	101,136.00	-	101,136.00
12/01/2015	101,136.00	-	101,136.00
3/01/2016	101,136.00	-	101,136.00
6/01/2016	101,136.00	-	101,136.00
9/01/2016	101,136.00	-	101,136.00
12/01/2016	101,136.00	-	101,136.00
3/01/2017	101,136.00	-	101,136.00
6/01/2017	101,136.00	-	101,136.00
9/01/2017	101,136.00	-	101,136.00
12/01/2017	101,136.00	-	101,136.00
3/01/2018	101,136.00	-	101,136.00
6/01/2018	101,136.00	-	101,136.00
9/01/2018	101,136.00	-	101,136.00
12/01/2018	101,136.00	-	101,136.00
3/01/2019	101,136.00	-	101,136.00
6/01/2019	101,136.00	-	101,136.00
9/01/2019	101,136.00	-	101,136.00
12/01/2019	101,136.00	-	101,136.00
3/01/2020	101,136.00	-	101,136.00
6/01/2020	101,136.00	-	101,136.00
Total	**8,090,898.00**	-	**8,090,898.00 ***

SPECIMEN

* Plus one-percent administrative fee paid quarterly in the amount of $10,240. Total administrative fee paid over the life of the loan is $819,200.

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: _____, 19_____.

SPECIMEN

_____

In the presence of:

_____

GBB.GBB.0048981

BOWLES RICE
McDAVID GRAFF & LOVE, PLLC
ATTORNEYS AT LAW

600 QUARRIER STREET
POST OFFICE BOX 1386
CHARLESTON, WEST VIRGINIA 25325-1386
TELEPHONE 304-347-1100
www.bowlesrice.com

1000 TECHNOLOGY DRIVE, SUITE 2310
FAIRMONT, WEST VIRGINIA 26554
TELEPHONE 304-368-4000

105 WEST BURKE STREET
MARTINSBURG, WEST VIRGINIA 25401
TELEPHONE 304-263-0836

7000 HAMPTON CENTER, SUITE K
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-599-1390

5TH FLOOR, UNITED SQUARE
501 AVERY STREET
PARKERSBURG, WEST VIRGINIA 26102
TELEPHONE 304-485-8500

1200 WORLD TRADE CENTER
333 WEST VINE STREET
LEXINGTON, KENTUCKY 40507
TELEPHONE 606-225-8700

633 STARKS BUILDING
455 SOUTH FOURTH STREET
LOUISVILLE, KENTUCKY 40202
TELEPHONE 502-589-0500

ONE RIVERFRONT PLACE, SUITE 950
ONE DAVE COWENS DRIVE
NEWPORT, KENTUCKY 41071
TELEPHONE 606-581-8700

WRITER'S DIRECT DIAL NUMBERS

(304) 347-1129
(304) 343-3058 (facsimile)

E-MAIL

csiegris@bowlesrice.com

January 28, 1999

North Beckley Public Service District
102 McCreery Street
Beckley, West Virginia 25801

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

West Virginia Division of Environmental Protection
617 Broad Street
Charleston, West Virginia 25301-1251

RE: North Beckley Public Service District
Sewerage System Revenue Bonds, Series 1999

Ladies and Gentlemen:

We have served as Bond Counsel in connection with the issuance by the North Beckley Public Service District (the "Issuer"), a public service district, public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its $8,090,898 Sewerage System Revenue Bonds, Series 1999, dated the date hereof (the "Series 1999 Bonds").

We have examined a certified copy of proceedings and other papers relating to the authorization of a loan agreement dated October 8, 1998 including all schedules and exhibits attached thereto (the "Loan Agreement"), among the Issuer, the West Virginia Water Development Authority (the "Authority") and the West Virginia Division of Environmental Protection (the "DEP") and the Series 1999 Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Series 1999 Bonds are in the principal amount of $8,090,898, issued in the form of one bond registered as to principal to the Authority, with no

interest and with principal payable March 1, June 1, September 1 and December 1, of each year commencing September 1, 2000, all as set forth in "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 1999 Bonds.

The Series 1999 Bonds are issued for the purposes of (i) permanently financing a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public sewerage facilities of the Issuer (the "Project"), (ii) refunding the Issuer's Sewerage System Bond Anticipation Notes, Series 1997, (iii) funding a debt service reserve fund, and (iv) paying certain issuance and other costs in connection therewith.

We have also examined the applicable provisions of Chapter 16, Article 13A and Chapter 22C, Article 2 of the Code of West Virginia, 1931, as amended (the "Local Statute"), and the Bond Resolution duly adopted by the Issuer on January 27, 1999, as supplemented by a Supplemental Resolution duly adopted on January 27, 1999 (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Series 1999 Bonds are authorized and issued and the Loan Agreement has been undertaken. The Series 1999 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.

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 Loan Agreement has been duly authorized by and executed on behalf of the Issuer and is a valid and binding special obligation of the Issuer 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 Issuer without the consent of the Authority.

3. The Issuer is a duly organized and presently existing public service district, public corporation and political subdivision of the State of West Virginia 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 Series 1999 Bonds, all under the Local Statute and other applicable provisions of law.

4. The Issuer has legally and effectively enacted the Local Act and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer in connection with the issuance and sale of the Series 1999 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 Series 1999 Bonds are valid and legally enforceable special obligations of the Issuer, payable from the Net Revenues of the System referred to in the Local Act and secured by a lien on and pledge of the Net Revenues of said System, junior, subject and subordinate to the liens, pledge and source of and security for payment in favor of the holders of the Issuer's Sewer Revenue Bonds, Series 1964 and senior and prior to the liens, pledge and source of and security for payment in favor of the holders of the Issuer's Sewerage System Bond Anticipation Notes, Series 1996, all in accordance with the terms of the Series 1999 Bonds and the Local Act, and have been duly issued and delivered to the Authority.

6. The Series 1999 Bonds are, under the Local Statute, exempt from direct taxation by the State of West Virginia, and the other taxing bodies of the State.

7. The Issuer has reserved the right to issue additional bonds ranking on a parity with the Series 1999 Bonds, as provided in the Local Act.

No opinion is given herein as to the effect upon enforceability of the Series 1999 Bonds of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or other laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

We have examined the executed and authenticated Series 1999 Bond No. R-1, and are of the opinion that the form of said bond and its execution and authentication are regular and proper.

Very truly yours,

BOWLES RICE McDAVID GRAFF & LOVE, PLLC

Bowles Rice McDavid Graff & Love, PLLC

RIST, HIGGINS & ASSOCIATES, P.L.L.C.
ATTORNEYS-AT-LAW
1800 HARPER ROAD
BECKLEY, WEST VIRGINIA 25801

TELEPHONE NO. 304-255-1400/255-4849
FACSIMILE NO. 304-255-6914
E-MAIL: tsirj@inetone.net

JOHN F. RIST III
JAMES C. HIGGINS

OF COUNSEL
MARK M. NEIL

January 28, 1999

North Beckley Public Service District
102 McCreery Street
Beckley, West Virginia 25801

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

West Virginia Division of Environmental Protection
617 Broad Street
Charleston, West Virginia 25301

Bowles Rice McDavid Graff & Love, PLLC
600 Quarrier Street
Charleston, West Virginia 25301

RE: North Beckley Public Service District
Sewerage System Revenue Bonds, Series 1999

Ladies and Gentlemen:

We are counsel to the North Beckley Public Service District, a public service district, in Raleigh County, West Virginia (the "Issuer"). As such counsel, we have examined the Loan Agreement for the Series 1999 Bonds dated October 8, 1998, including all schedules and exhibits attached thereto, by and among the West Virginia Water Development Authority (the "Authority"), the West Virginia Division of Environmental Protection (the "DEP") and the Issuer (the "Loan Agreement"), the Bond Resolution duly adopted by the Issuer on January 27, 1999, as supplemented by Supplemental Resolutions duly adopted by the Issuer on January 27, 1999 (collectively, the "Local Act"), and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (the "Series 1999 Bonds") and orders of the County Commission of Raleigh County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer. Terms used in said Local Act and Loan Agreement and not otherwise defined herein have the same meanings herein.

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 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 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.

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

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

5. To the best of our knowledge, the execution and delivery of the Series 1999 Bonds and the Loan Agreement and the consummation of the transactions contemplated by the Series 1999 Bonds, the Loan Agreement, and the Local Act, 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, or there have been entered, all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Series 1999 Bonds, the acquisition and construction of the Project, the refunding of the Issuer's Sewerage System Bond Anticipation Notes, Series 1997, 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 Raleigh County, the 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 time for appeal of the Recommended Decision of the Administrative Law Judge of the Public Service Commission of West Virginia (the "PSC") entered March 27, 1998 in Case No. 97-0129-PSD-CN, which Recommended Decision became the Final Order of the Public Service Commission of West Virginia on April 16, 1998 has expired. The District has also received the Commission Order entered in said Case No. 97-0129-PSD-CN on December 18, 1998, amending said Recommended Decision and the Commission Order entered in said Case No. 97-0129-PSC-CN on January 22, 1999, further amending said Recommended Decision. Such Recommended Decision and Commission Orders, among other things, grant to the Issuer a certificate of public convenience and necessity for the Project, approve the issuance of the Series 1999 Bonds and approve the rates and charges for the services of the System.

7. The Issuer has duly published a notice of the construction of the Project, issuance of the Series 1999 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. To the best of our knowledge after due inquiry, 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 Agreements, the Series 1999 Bonds, the Local Act, the acquisition and construction of the Project, the operation of the System or the validity of the Series 1999 Bonds or the collection or pledge of the Net Revenues therefor.

We express no other opinions other than those expressly stated hereinabove. Without limiting the generality of the foregoing sentence, we express no opinion as to the tax or securities laws of the United States or of any state thereof.

No opinion is given as to the effect upon enforceability of the Loan Agreement, Bonds, and other documents and agreements associated with or related to the transaction of bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights or in the exercise of judicial discretion in appropriate cases.

This opinion is rendered only for the benefit of the addressees and may not be relied upon by other parties without our prior written consent. No attorney-client privilege is waived or intended to be waived by this opinion.

Sincerely,

RIST, HIGGINS & ASSOCIATES, P.L.L.C.

John F. Rist, III

JFR/sc

cc: North Beckley Public Service District

NORTH BECKLEY PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

1. TERMS
2. NO LITIGATION
3. GOVERNMENTAL APPROVALS, BIDDING AND AWARD OF CONTRACT
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; PUBLIC SERVICE COMMISSION ORDERS
12. SIGNATURES AND DELIVERY
13. BOND PROCEEDS
14. PUBLICATION OF NOTICE OF BORROWING AND PSC FILING
15. SPECIMEN BOND
16. CONFLICT OF INTEREST
17. CLEAN WATER ACT
18. YEAR 2000 COMPLIANCE

We, the undersigned CHAIRMAN, VICE CHAIRMAN and the undersigned SECRETARY of the North Beckley Public Service District, in Raleigh County, West Virginia (the "Issuer"), and the undersigned ATTORNEY for the Issuer, hereby certify in connection with the $8,090,898 aggregate principal amount of North Beckley Public Service District Sewerage System Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined shall have the same meaning as in the Bond Resolution of the Issuer adopted January 27, 1999, and a Supplemental Resolution adopted January 27, 1999 (collectively, the "Local Act").

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 Series 1999 Bonds, the acquisition or construction of the Project, the refunding of the Series 1997 Notes, the operation of the System, the receipt of the Net Revenues, or in any way contesting or

affecting the validity of the Series 1999 Bonds or any proceedings of the Issuer taken with respect to the issuance or sale of the Series 1999 Bonds, the pledge or application of the Net Revenues or any other moneys or security provided for the payment of the Series 1999 Bonds or the existence or the powers of the Issuer insofar as they relate to the authorization, sale and issuance of the Series 1999 Bonds, the acquisition and construction of the Project, the refunding of the Series 1997 Notes, the operation of the System, or such pledge or application of moneys and security or the collection of the Net Revenues or pledge thereof.

3. GOVERNMENTAL APPROVALS, BIDDING AND AWARD OF CONTRACT: All applicable and necessary approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition and construction of the Project, the refunding of the Series 1997 Notes, the operation of the System, including, without limitation, the imposition of rates and charges, and the issuance of the Series 1999 Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project were solicited in accordance with Chapter 5, Article 22, Section 1 of the Code of West Virginia of 1931 by two separate construction contracts. Hayslett Construction Company and FAMCO Inc. have submitted the lowest bids for the respective contracts and each has agreed to extend its bid until January 31, 1999. The Issuer has on this date given the notice of award to the respective contractors and contemplates entering into a construction contract with such contractor for the Project on or before February 8, 1999.

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 entered into among the Issuer, the Authority and the DEP (the "Loan Agreement"), and the Issuer has met all conditions prescribed in the Loan Agreement. The Issuer has or can provide the financial, institutional, legal, and managerial capabilities necessary to complete the Project. There are no outstanding debt obligations of the Issuer which are secured by revenues and/or assets of the System other than the Series 1999 Bonds, the Prior Bonds, the Series 1996 Notes, the Series 1997 Notes (which Series 1997 Notes will be refunded and paid in full with a portion of the proceeds of the Series 1999 Bonds), and a non-negotiable promissory note payable to the City of Beckley in the approximate amount of $130,000 which is secured by certain amounts held in an escrow account relating to the Issuer's Cranberry Creek Project with the Southern Soil Conservation District. The Series 1999 Bonds are issued junior, subject and subordinate to the liens, pledge and source of and security for payment in favor of the Holders of the Prior Bonds and senior and prior to the Series 1996 Notes with respect to lien, pledge and source of security for payment. The holder of the Series 1996 Notes has consented in writing to the lien positions of the Series 1996 Notes relative to the Prior Bonds and the Series 1999 Bonds described in this paragraph.

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 modifications appears from later documents also listed below:

Certified copy of Order of the County Commission of Raleigh County proposing and creating the Issuer.

Certified copies of Orders of the County Commission of Raleigh County appointing current members to Public Service Board of the Issuer.

Certified copies of Oaths of Office of current members of Public Service Board of the Issuer.

Bond Resolution.

Supplemental Resolution.

Affidavits of Publication on Borrowing.

Minutes of 1999 Organizational Meeting of Public Service Board.

Minutes on Adoption of Bond Resolution and Supplemental Resolution.

Loan Agreement.

Infrastructure Council Approval

NPDES Permit Cover Page.

Recommended Decision of Administrative Law Judge of the Public Service Commission of West Virginia (the "PSC") entered on March 27, 1998, in Case No. 97-0129-PSD-CN, which became the Final Order of the PSC on April 16, 1998, Commission Order of the PSC dated December 18, 1998 in said Case No. 97-0129-PSD-CN and Commission Order dated January 22, 1999 in said Case No. 97-0129-PSD-CN.

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "North Beckley Public Service District." The Issuer is a public service district and public corporation duly created by the County Commission of Raleigh 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:

Name	Date of Commencement of Office	Date of Termination of Office
Howard L. Spears	June 6, 1995	December 31, 1999
James H. Holt, Jr.	January 4, 1996	December 31, 2001
Joseph W. DiClaro	September 20, 1994	December 31, 2003

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 1999 are as follows:

Chairman	-	Howard L. Spears
Vice Chairman	-	Joseph W. DiClaro
Secretary and Treasurer	-	James H. Holt, Jr.

The duly appointed and acting counsel to Issuer is John F. Rist, III, Beckley, 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 the 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 Series 1999 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 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 Bylaws, if any, or other established procedures therefor of the Governing Body and all applicable statutes, including, without limitation, Chapter 6, Article 9A, of the Code of West Virginia 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 Local Act. All insurance for the System required by the Local Act is in full force and effect. The System is not presently covered by a policy of flood or business interruption insurance, but will be if such coverage is available at reasonable cost.

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 all covenants, terms and representations made in the Loan Agreement.

11. RATES, PUBLIC SERVICE COMMISSION ORDERS: The Issuer has received the Recommended Decision of the Public Service Commission of West Virginia (the "PSC"), entered March 27, 1998, which became the Final Order of the PSC on April 16, 1998 (Case No. 97-0129-PSD-CN) (the "Recommended Decision") and the time for the appeal of the Recommended Decision has expired without any appeal being filed. The Issuer has also received the Commission Order of the PSC dated December 18, 1998 and the Commission Order of the PSC dated January 22, 1999 (the "Commission Orders"), each amending and supplementing said Recommended Decision, which Recommended Decision and Commission Orders, among other things, grant to the Issuer a certificate of public convenience and necessity for the Project and approve the rates and charges for the services of the System and approve and consent to the issuance of the Series 1999 Bonds and the financing for the Project, and the Issuer has adopted a resolution prescribing such rates and charges. The Issuer hereby waives its rights to appeal the Commission Orders and to the best of Issuer's knowledge and belief the staff of the PSC cannot appeal the Commission Orders.

12. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Chairman did officially sign the single certificate representing all of the Series 1999 Bonds of the aforesaid issue, dated January 28, 1999, by his manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon such certificate representing said Series 1999 Bonds and to be attested by his manual signature, and the Registrar did officially authenticate and deliver the Series 1999 Bonds to a representative of the Authority as the original purchaser of the Series 1999 Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

13. BOND PROCEEDS: On the date hereof the Issuer received from the Authority and the DEP the sum of $1,923,789 being the first advance at 100% of par value of the principal amount of the Series 1999 Bonds, there being no interest accrued on the Series 1999 Bonds. The balance of the principal amount of the Series 1999 Bonds will be advanced by the Authority and the DEP to the Issuer as the acquisition and the construction of the Project progresses.

14. PUBLICATION OF NOTICE OF BORROWING AND PSC FILING: The Issuer has published any required notice with respect to, among other things, the acquisition and construction of the Project, anticipated user rates and charges, issuance of the Series 1999 Bonds and 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 Code of West Virginia of 1931, as amended.

15. SPECIMEN BOND: Delivered concurrently herewith is a true and accurate specimen of the Series 1999 Bonds.

16. 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 Series 1999 Bonds, the Local Act 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.

Each and every member of the Public Service Board of the Issuer, by signing this document, certifies that he has no such financial interest in the Project.

17. CLEAN WATER ACT: The Project as described in the Local Act complies with Sections 208 and 303(e) of the Clean Water Act.

18. YEAR 2000 COMPLIANCE: The Issuer represents that it has undertaken or will undertake an investigation to determine whether the operations of the System, including but not limited to any billing, collection and inventory computer programs of the System and any electronic or mechanical components of the System's sewage treatment and collection facilities, are year 2000 Compliant. The Issuer further represents that if it determines as a result of this investigation that any Mission-Critical Component of the System is not Year 2000 Compliant, the Issuer (i) will take timely and affirmative action to repair or replace any such component, and (ii) will perform adequate testing to ensure the sound operation and Year 2000 Compliant status of the repaired or replaced component. For purpose of this paragraph, "Year 2000 Compliant" means, with respect to the information technology the Issuer uses or will use in the operation of the System (including any date-sensitive microprocessors embedded in electronic or mechanical components of the System), the information technology is designed to be used prior to, during and after calendar Year 2000 A.D., and the information technology used during each such time period will accurately receive, provide and process data-time data (including, but not limited to, calculating, comparing and sequencing) from, into and between the twentieth and twenty-first centuries, including the years 1999 and 2000, and leap-year calculations, and will not malfunction, cease to function, or provide invalid or incorrect results as a result of date-time data. For purposes of this paragraph, "Mission-Critical Component" means any component of the System that would be critical to (a) the System's continued operation after January 1, 2000; (b) the Issuer's ability to continue to bill its customers and collect amounts billed from those customers after January 1, 2000; or (c) the Issuer's ability to make all principal and interest payments for the Series 1999 Bonds and Prior Bonds contemplated by the Local Act as and when they become due.

WITNESS our signatures and the official seal of NORTH BECKLEY PUBLIC SERVICE DISTRICT on this 28th day of January, 1999.

[CORPORATE SEAL]

SIGNATURE	OFFICIAL TITLE
_____	Chairman
_____	Vice Chairman
_____	Secretary and Treasurer
_____	Counsel to Issuer (Based upon the representations of the Issuer and to the best of such counsel's knowledge and belief)

CERTIFICATE OF CONSULTING ENGINEER

NORTH BECKLEY PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999

I, Michael V. Lawson, Registered Professional Engineer, West Virginia License No. 8309, of Lawson Engineering & Technical Services, Inc., Consulting Engineers, having offices at Beckley, West Virginia, hereby certify that my firm is engineer for the acquisition and construction of certain additions, betterments and improvements to the existing public sewerage facilities (the "Project") of North Beckley Public Service District (the "Issuer") to be constructed in Raleigh County, West Virginia, which construction, acquisition, engineering and other necessary related activities are being permanently financed by the above-captioned bonds (the "Series 1999 Bonds") of the Issuer. It is anticipated that the Series 1999 Bonds will be purchased by the West Virginia Water Development Authority (the "Authority"). Capitalized words not defined herein shall have the meaning set forth in the Bond Resolution passed by the Public Service Board of the Issuer on January 27, 1999, effective on January 27, 1999, and the Loan Agreement (the "Loan Agreement") by and among the Issuer, the West Virginia Water Development Authority and the West Virginia Division of Environmental Protection ("DEP") dated October 8, 1998.

1. The Series 1999 Bonds are being issued for the purpose of (i) paying the costs of acquisition and construction of the Project; (ii) refunding the Series 1997 Notes; (iii) funding a debt service reserve fund, and (iv) paying costs of issuance and related costs.

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 and DEP requesting the Authority to purchase the Series 1999 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 twenty-one (21) 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 or will ascertain that all contractors have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been or will be verified by my firm for accuracy, (iv) the Issuer has obtained all permits required by the laws of the State and the federal government necessary for the construction of the Project, (v) the rates and charges for the System as adopted by the Public Service Board of the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement, (vi) the net proceeds of the Series 1999 Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of the grant irrevocably committed therefor and the funds committed therefor by the Issuer are sufficient to pay the costs of construction,

acquisition, engineering and other necessary related activities of the Project as set forth in the Application, and (vii) attached hereto as Exhibit A is the final amended "Schedule A - Total Cost of Project, Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature on this 28th day of January, 1999.

LAWSON ENGINEERING & TECHNICAL SERVICES, INC.

By: _____

Michael V. Lawson
Its: President

West Virginia License No. 8309

[SEAL]

MICHAEL V. LAWSON, C.E.
REGISTERED
8309
STATE OF WEST VIRGINIA
PROFESSIONAL ENGINEER

SCHEDULE A

NAME OF GOVERNMENTAL AGENCY - North Beckley Public Service District

ESTIMATED TOTAL COST OF PROJECT, SOURCES OF FUNDS
AND COST OF FINANCING

A. Cost of Project

1. Construction	$ 4,556,000		
2. Technical Services - Phases I Design	$ 434,253		
- Construction	$ 493,530		
- Phase II Desig	$ 605,480		
3. Legal and Fiscal	$ 28,000		
4. Administrative	$ 24,000		
5. Site and Other Lands	$		
6. Fac. Plan/Mapping Loan Refinancing - Comvest As of 01/28/98	$ 866,257		
7. Dunn Settlement - As of 01/28/98	$ 228,211		
8. Contingency (10%)	$ 435,619		
9. Total of Lines 1 Through 8		$ 7,671,350	

B. Sources of Funds

10. Federal Grants:	$		
(Specify Sources)	$		
11. State Grants:	$		
(Specify Sources)	$		
12. Other Grants:	$		
(Specify Sources)	$		
13. Any Other Source:	$		
(Specify Sources)	$		
14. Total of Lines 10 Through 13		$ 0	
15. Net Proceeds Required from Bond Issue (Line 9 minus Line 14)		$ 7,671,350	

C. Cost of Financing

16. Capitalized Interest (Construction period plus six months)	$	
17. Funded Reserve Account:	$ 404,548	
18. Other Costs: Bond Counsel	$ 15,000	
19. Total Cost of Financing (lines 16 - 18)	$ 419,548	
20. Size of Bond Issue (Line 15 plus Line 19)		$ 8,090,898

Signature of Applicant

Date: 1-27-99

Signature of Consulting Engineer

Date: 1/27/99

CERTIFICATE DESIGNATING AUTHORIZED SIGNATORIES FOR CONSULTING ENGINEER

TO: United National Bank
129 Main Street
Beckley, West Virginia 25801

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

West Virginia Division of Enviromental Protection
617 Broad Street
Charleston, West Virginia 25301

RE: North Beckley Public Service District Sewerage System Revenue Bonds, Series 1999

TO WHOM IT MAY CONCERN:

The following individual is designated as Authorized Signatory for the purpose of signing on the Requisition forms for the above-referenced Bonds:

Michael V. Lawson, President

Witness my signature this 28th day of January, 1999.

LAWSON ENGINEERING & TECHNICAL SERVICES, INC.

By: _____
Michael V. Lawson
Its: President

MICHAEL V. LAWSON, C.E.
REGISTERED
8309
STATE OF WEST VIRGINIA
PROFESSIONAL ENGINEER

GBB.GBB.0048630

Smith, Cochran & Hicks, P.L.L.C.
Certified Public Accountants
Beckley Bridgeport Charleston Montgomery
405 Capitol Street ● Suite 908 ● Charleston, West Virginia 25301 ● 304-345-1151 ● Fax 304-346-6731

NORTH BECKLEY PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS
SERIES 1999

West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311

West Virginia Division of Environmental Protection
617 Broad Street
Charleston, West Virginia 25301

North Beckley Public Service District
102 McCreery Street
Beckley, West Virginia 25801

Bowles Rice McDavid Graff & Love, P.L.L.C.
600 Quarrier Street
Charleston, West Virginia 25301

Ladies and gentlemen:

Based upon the rates and charges set forth in the Commission Order of the Public Service Commission of West Virginia dated January 22, 1999, in case No. 97-0129-PSD-CN, and projected operation and maintenance expenses and anticipated customer usage as furnished to us by North Beckley Public Service District (the "Issuer"), it is our opinion that such rates and charges will be sufficient to provide revenue which, together with other revenues of the sewerage system (the "System") of the Issuer, will pay all repair, operation and maintenance expenses and leave a balance each year equal to at least 135% of the maximum amount required in any year for debt service on the Issuer's Sewerage System Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), to be issued to the West Virginia Water Development Authority in the original aggregate principal amount of $8,090,898 and all other obligations secured by or payable from the revenues of the System prior to or on a priory with Series 1999 Bonds, including the Issuer's Sewer Revenue Bonds, Series 1964.

Very truly yours,

Smith, Cochran & Hicks, P.L.L.C.

Charleston, West Virginia
January 28, 1999

IN RE: NORTH BECKLEY PUBLIC SERVICE DISTRICT.

H. G. Farmer introduced and caused to be read a proposed resolution and order entitled:

"A Resolution and Order Proposing the Creation of a Public Service District within Raleigh County, West Virginia, and Providing for the Establishment of a Date of a Public Hearing Thereon and for Publication of a Notice of such Public Hearing";

and moved that all rules otherwise requiring deferred consideration be suspended and the adoption of said proposed resolution and order. In the absence of A. J. Lilly, Commissioner, John C. Ward, President, seconded said motion, and after due consideration the President called for a vote upon said motion with the following result:

For the Motion: John C. Ward, President
H. G. Farmer, Commissioner

Against the Motion: None

The said resolution and order follows:

"WHEREAS, the County Court of Raleigh County, deeming it to be in the public interest, on its own motion proposes the creation of a public service district within Raleigh County, West Virginia; and

"WHEREAS, pursuant to the provisions of Article 13A of Chapter 16 of the Code of West Virginia, a public hearing is required to be held relative to the creation of the proposed public service district;

"NOW, THEREFORE, BE IT RESOLVED AND ORDERED by the County Court of Raleigh County, West Virginia, as follows:

"Section 1. That the County Court of Raleigh County, West Virginia, deeming it to be in the public interest, hereby proposes the creation of a public service district within Raleigh County, West Virginia, as provided by Article 13A of Chapter 16 of the Code of West Virginia.

"Section 2.

"a) The name and corporate title of said public service district shall be the North Beckley Public Service District.

"b) The Territory to be embraced in the public service district shall be as follows:

NORTH BECKLEY PUBLIC SERVICE DISTRICT

Beginning at a point of latitude and longitude as shown on a general highway map of Raleigh County, Revised January 1, 1957, said point being N 37° 48' 30" W 81° 14' 40" said point being the most northerly point of the Crab-Orchard MacArthur Public Service District; thence in a northeasterly direction approximately 3 1/2 miles with a point of latitude and longitude N 37° 50' 38" W 81° 11' 54"; thence due east approximately .4 mile to a point of latitude and longitude N 37° 50' 38" W 81° 11' 20"; thence due south approximately .7 mile to a point of latitude and longitude N 37° 50' 00" W 81° 11' 20"; thence due east approximately 2.6 mile to a point of latitude and longitude N 37° 50' 00" W 81° 08' 40"; thence in a northeasterly direction approximately 1.1 miles to the extreme end of West Virginia State Highway 41/4; thence with West Virginia State Route 41/4 to its intersection with State Routes 41 and 61; thence with routes 41 and 19 to the south side of New River at Royal; thence with the south side of New River in a general easterly direction to the mouth of Glade Creek; thence in a general southerly direction with Glade Creek and with the Shady Spring Public Service District # 1 line to its intersection with the district line of Shady Spring and Richmond District at the mouth of Scott Branch; thence with Scott Branch and the north boundary line of the Shady Spring Public Service District # 1 to its intersection with State Route 22; thence in a westerly direction with State Route 22 to its intersection with State Route 9; thence continuing in a westerly direction with State Route 9 to its intersection with State Route 9/7; thence in a general northwesterly direction and continuing with the north boundary line of the Shady Spring Public Service District # 1 to the northern most corner of the Shady Spring Public Service District # 1, said corner being at the intersection of Route 9/7, commonly called the Old Worley Road and the corporate limits to the City of Beckley; thence in a northwesterly direction and with the corporate line of the City of Beckley to its intersection with Little Whitestick Creek; thence continuing with with the corporate line of the City of Beckley in a general westerly direction to the most northwestern corner of the corporation line of the City of Beckley, said corner being approximately .3 mile north of West Virginia State Route 3, commonly known as the Harper Road, said point also being a corner of the Crab Orchard-MacArthur Public Service District.

thence in a general northwesterly direction and with the northern boundary line of the Crab Orchard-MacArthur Public Service District and parallel with West Virginia State Route 3 approximately .3 mile north thereof, to the point of beginning.

"c) The purpose of said public service district shall be to construct or acquire by purchase or otherwise and maintain, operate and improve and extend properties supplying sewerage or water services or both within such territory.

"d) The territory described above does not include within its limits the territory of any public service district organized under Article 13A of Chapter 16, Code of West Virginia, nor does such territory include within its limits any city, incorporated town, other municipal corporation, or any part thereof.

"Section 3. That on the 11th day of December, 1962, at the hour of 1:30 p.m. this County Court shall meet in the County Courtroom in the courthouse at Beckley, 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 and shall have an opportunity to be heard for and against the creation of said district, and, at such hearing, the County Court shall consider and determine the feasibility of the creation of the proposed public service district.

"Section 4. That the Clerk of this Court is hereby authorized and directed to cause notice of such hearing in substantially the form hereinafter set out to be published on November 30, 1962, in The Beckley Post-Herald, a newspaper of general circulation published in Raleigh County."

"NOTICE OF PUBLIC HEARING ON CREATION OF NORTH BECKLEY PUBLIC SERVICE DISTRICT"

"Notice is hereby given that deeming it to be in the public interest the County Court of Raleigh County, West Virginia, on its own motion, has proposed the creation of a public service district within Raleigh County for the purpose of constructing or acquiring by purchase or otherwise and the maintenance, operation and extension of public service properties supplying sewerage or water services or both within the district hereinafter described, to be named North Beckley Public Service District and having the following description:

NORTH BECKLEY PUBLIC SERVICE DISTRICT

Beginning at a point of latitude and longitude as shown on a general highway map of Raleigh County, Revised January 1, 1957, said point being N 37° 48' 30" W 81° 14' 40" said point being the most northerly point of the Crab-Orchard MacArthur Public Service District; thence in a northeasterly direction approximately 3 1/2 miles with a point of latitude and longitude N 37° 50' 38" W 81° 11' 54"; thence due east approximately .4 mile to a point of latitude and longitude N 37° 50' 38" W 81° 11' 20"; thence due south approximately .7 mile to a point of latitude and longitude N 37° 50' 00" W 81° 11' 20"; thence due east approximately 2.6 mile to a point of latitude and longitude N 37° 50' 00" W 81° 08' 40"; thence in a northeasterly direction approximately 1.1 miles to the extreme end of West Virginia State Highway 41/4; thence with West Virginia State Route 41/4 to its intersection with State Routes 41 and 61; thence with routes 41 and 19 to the south side of New River at Royal; thence with the south side of New River in a general easterly direction to the mouth of Glade Creek; thence in a general southerly direction with Glade Creek and with the Shady Spring Public Service District # 1 line to its intersection with the district line of Shady Spring and Richmond District at the mouth of Scott Branch; thence with Scott Branch and the north boundary line of the Shady Spring Public Service District # 1 to its intersection with State Route 22; thence in a westerly direction with State Route 22 to its intersection with State Route 9; thence continuing in a westerly direction with State Route 9 to its intersection with State Route 9/7; thence in a general northwesterly direction and continuing with the north boundary line of the Shady Spring Public Service District # 1 to the northern most corner of the Shady Spring Public Service District # 1, said corner being at the intersection of Route 9/7, commonly called the Old Worley Road and the corporate limits to the City of Beckley; thence in a northwesterly direction and with the corporate line of the City of Beckley to its intersection with Little Whitestick Creek; thence continuing with with the corporate line of the City of Beckley in a general westerly direction to the most northwestern corner of the corporation line of the City of Beckley, said corner being approximately .3 mile north of West Virginia State Route 3, commonly known as the Harper Road; said point also being a corner of the Crab Orchard-MacArthur Public Service District.

thence in a general northwesterly direction and with the northern boundary line of the Crab Orchard-MacArthur Public Service District and parallel with West Virginia State Route 3 approximately .3 mile north thereof, to the point of beginning.

IN RE: NORTH BECKLEY PUBLIC SERVICE DISTRICT.

This being the date fixed by prior action of the County Court for conducting the public hearing on the creation of the proposed North Beckley Public Service District, as contemplated and provided for in an order heretofore passed by this Court on the 13th day of November, 1962, the President announced that all persons residing in, or owning, or having any interest in property in such proposed public service district desiring to be heard for or against the creation would be heard, and all such interested persons desiring to be heard were given full opportunity. Among those present at the meeting were W. Beverly Hume, County Sanitarian, Raleigh County, Dennis M. Leary, Jr., Engineer, W. H. File, Jr., Attorney, and several residents and property owners from the proposed district.

The County Court, having further discussed and considered the feasibility of the creation of the proposed district, is of the opinion that in the public interest, the said district should be created.

Thereupon, H. G. Farmer, Commissioner, moved the passage of the following resolution and order, which motion was duly seconded by A. J. Lilly, Commissioner, and passed unanimously by said Court:

WHEREAS, the County Court of Raleigh County, West Virginia, did heretofore, by an order passed on the 13th day of November, 1962,

fix a date for a public hearing on the creation of the proposed North Beckley Public Service District, and in and by said order, provide that all persons residing in or owning, or having any interest in property in the proposed public service district might appear before the County Court at this meeting and have the opportunity to be heard for and against the creation of said district; and

WHEREAS, notice of this hearing was duly given in the manner provided and required by said order and by Article 13a of Chapter 16 of the Code of West Virginia, and all interested persons have been afforded an opportunity of being heard for and against the creation of said district, but no written protest has been filed by the requisite number of qualified voters registered and residing within said proposed public service district, and said County Court has given due consideration to all matters for which such hearing was offered; and

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

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

Section 1. That a public service district within Raleigh County, West Virginia, is hereby created, and such district shall have the following described boundaries:

BEGINNING at a point of latitude and longitude as shown on a general highway map of Raleigh County, Revised January 1, 1957, said point being N 37° 48' 30" W 81° 14' 40" said point being the most northerly point of the Crab Orchard-MacArthur Public Service District; thence in a northeasterly direction approximately 3½ miles with a point of latitude and longitude N 37° 50' 38" W 81° 11' 54"; thence due east approximately .4 mile to a point of latitude and

longitude N 37° 50' 38" W 81° 11' 20"; thence due south approximately .7 mile to a point of latitude and longitude N 37° 50' 00" W 81° 11' 20"; thence due east approximately 2.6 mile to a point of latitude and longitude N 37° 50' 00" W 81° 08' 40"; thence in a northeasterly direction approximately 1.1 miles to the extreme end of West Virginia State Highway 41/4; thence with West Virginia State Route 41/4 to its intersection with State Routes 41 and 61; thence with routes 41 and 19 to the south side of New River at Royal; thence with the south side of New River in a general easterly direction to the mouth of Glade Creek; thence in a general southerly direction with Glade Creek and with the Shady Spring Public Service District #1 line to its intersection with the district line of Shady Spring and Richmond District at the mouth of Scott Branch; thence with Scott Branch and the north boundary line of the Shady Spring Public Service District #1 to its intersection with State Route 22; thence in a westerly direction with State Route 22 to its intersection with State Route 9; thence continuing in a westerly direction with State Route 9 to its intersection with State Route 9/7; thence in a general northwesterly direction and continuing with the north boundary line of the Shady Spring Public Service District #1 to the northern most corner of the Shady Spring Public Service District #1, said corner being at the intersection of Route 9/7, commonly called the Old Worley Road and the corporate limits to the City of Beckley; thence in a northwesterly direction and with the corporate line of the City of Beckley to its intersection with Little Whitestick Creek; thence continuing with the corporate line of the City of Beckley in a general westerly direction to the most northwestern corner of the corporation line of the City of Beckley, said corner being approximately .3 mile north of West Virginia State Route 3, commonly known as the Harper Road, said point also

being a corner of the Crab Orchard-MacArthur Public Service District; thence in a general northwesterly direction and with the northern boundary line of the Crab Orchard-MacArthur Public Service District and parallel with West Virginia State Route 3 approximately .3 mile north thereof, to the point of beginning.

Section 2. That said public service district so created shall have the name and corporate title of "North Beckley Public Service District" and shall constitute a public corporation and political subdivision of the State of West Virginia, having all of the rights and powers conferred on public service districts by the laws of the State of West Virginia, and particularly Article 13a, Chapter 16, of the Code of West Virginia.

Section 3. That the County Court of Raleigh County, West Virginia, has determined that the territory within said county, being in Town District, is so situated that the construction or acquisition by purchase or otherwise, and the maintenance, operation, improvement and extension of properties supplying sewerage or water services or both within such territory by said public service district will be conducive to the preservation of public health, comfort and convenience of such area.

-o-

I, BETTY RIFFE, Clerk of the County Commission of Raleigh County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix my seal of said Commission this the 26th day of June, 1999

BETTY RIFFE, Clerk

By Betty Riffe, Deputy Clerk

County Commission of Raleigh County
Beckley, West Virginia 25801

Betty Riffe
Clerk

January 26, 1999

WEST VIRGINIA:

At a meeting of the Raleigh County Commission held on the 4th day of January 1996 in the Commission Courtroom thereof:
This meeting con't from January 2, 1996

P R E S E N T: Jack MacDonald, President
Vernon Barley, Commissioner
John Humphrey, Commissioner

.....

IN RE:: APPOINTMENTS TO DIFFERENT BOARDS

Commissioner Humphrey moved to approve the appointment of James Holt, to the North Beckley PSD Board, seconded by Commissioner Barley, motion carried.

I, BETTY RIFFE, Clerk of the County Commission of Raleigh County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix my seal of said Commission this the 26th day of Jan., 1999

BETTY RIFFE, Clerk
By Betty Riffe, Deputy Clerk

County Commission of Raleigh County
Beckley, West Virginia 25801

Betty Riffe
Clerk

January 26, 1999

WEST VIRGINIA:

At a meeting of the Raleigh County Commission held on the 6th day of June, 1995in the Courtroom of the Commission thereof:

.....

IN RE: APPOINTMENT TO THE NORTH BECKLEY PSD BOARD

Commissioner Barley moved to appoint Howard "Bud" Spears to the North Beckley PSD Board, seconded by Commissioner Humphrey, motion carried.

P R E S E N T: Jack MacDonald, President
Vernon Barley, Commissioner
John Humphrey, Commissioner.

BETTY RIFFE, Clerk of the County Commission of Raleigh County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix my seal of said Commission this the 26th day of Jan., 1999

BETTY RIFFE, Clerk
By Betty Riffe, Deputy Clerk

County Commission of Raleigh County
Beckley, West Virginia 25801

Betty Riffe
Clerk

January 26, 1999

WEST VIRGINIA:

At a meeting of the Raleigh County Commission held on the 2nd day of June, 1998 in the Commission Courtroom thereof:

P R E S E N T: John Humphrey, President
Vernon Barley, Commissioner
William Baker, Commissioner

.....

IN RE: APPOINTMENTS TO PSD BOARDS

Commissioner Barley moved to approve the appointment of Joe DeClaro to the North Beckley Public Service District for a 6 year term, seconded by Commissioner Baker, motion carried.

I, BETTY RIFFE, Clerk of the County Commission of Raleigh County, West Virginia, hereby certify that the foregoing is a true copy from the records of my office.

In Testimony Whereof, I hereunto place my hand and affix my seal of said Commission this the 26th day of Jan., 1999

BETTY RIFFE, Clerk
By Betty Riffe, Deputy

OATH

STATE OF WEST VIRGINIA
COUNTY OF RALEIGH } ss.

I, JOSEPH WILLIAM DICLARO, do solemnly swear that I will support the constitution of the United States and the constitution of this State and that I will faithfully discharge the duties of my office of NORTH BECKLEY PSD

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

/S/ JOSEPH W. DICLARO

Subscribed and sworn to before the undersigned, this the 26TH day of SEPTEMBER, 19 94.

Betty Riffe
Clerk County Commission, Raleigh County, W. Va.

OATH

STATE OF WEST VIRGINIA
COUNTY OF RALEIGH } ss.

I, HOWARD SPEARS, do solemnly swear that I will support the constitution of the United States and the constitution of this State and that I will faithfully discharge the duties of my office of NORTH BECKLEY PUBLIC SERVICE DISTRICT BOARD

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

/S/ HOWARD T. SPEARS

Subscribed and sworn to before the undersigned, this the 23RD day of JUNE, 19 95.

Betty Riffe
Clerk County Commission, Raleigh County, W. Va.

OATH

STATE OF WEST VIRGINIA
COUNTY OF RALEIGH } ss.

I, JAMES HOLT, do solemnly swear that I will support the constitution of the United States and the constitution of this State and that I will faithfully discharge the duties of my office of NORTH BECKLEY PUBLIC SERVICE DISTRICT

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

/S/ JAMES H. HOLT, JR.

Subscribed and sworn to before the undersigned, this the 24TH day of JANUARY, 19 96.

Betty Riffe
Clerk County Commission, Raleigh County, W. Va.

AFFIDAVIT OF PUBLICATION

BECKLEY NEWSPAPERS INC.

BECKLEY, WEST VIRGINIA 25801

February 14, 19 97

STATE OF WEST VIRGINIA
COUNTY OF RALEIGH, to-wit:

I, Jack L. Scott, being first duly sworn upon my oath, do depose and say that I am Director of Advertising for Beckley Newspapers Inc., a corporation, publisher of the newspaper entitled The Register-Herald, an Independent newspaper; that I have been duly authorized by the board of directors of such corporation to execute this affidavit of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published daily, for at least fifty weeks during the calendar year, in the municipality of Beckley, Raleigh County, West Virginia; that such newspaper is a newspaper of "general circulation" as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of the aforesaid municipality and county; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price of consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, advertisements and other notices; that the annexed notice

of Notice
(Description of notice)

was duly published in said newspaper once a week for two successive weeks (Class II), commencing with the issue of the 7th day of February 1997, and ending with the issue of the 14th day of February 1997, (and was posted at the _____

on the _____ day of _____); that said annexed notice was published on the following dates: February 7 & 14, 1997 _____ and that the cost of publishing said annexed notice as aforesaid was $ 140.98.

Signed Jack L. Scott
Jack L. Scott
Director of Advertising
Beckley Newspapers

Taken, subscribed and sworn to before me in my said county this 14th day of February 19 97.

My commission expires March 27, 2001.

Notary Public of Raleigh County,
West Virginia

R/H

COPY OF PUBLICATION

NOTICE

PLEASE take notice that the North Beckley Public Service District, a public utility located in Raleigh County, WV, proposes to modify and expand the existing wastewater treatment plant and collection system as shown upon plans and specifications which have been developed by Lawson Engineering and Technical Services.

The North Beckley Public Service District will make formal application to the Public Service Commission of West Virginia for a Certificate of Convenience and Necessity regarding said project on or after April 8, 1997.

The total estimated cost of the entire project is anticipated not to exceed $9,000,000 and the North Beckley Public Service District intends to borrow the entire amount. The estimated amount is anticipated on being financed through the State Revolving Fund loan program. The North Beckley Public Service District estimates that the interest rate on this loan will not exceed three percent (3%) for a borrowing period not to exceed twenty (20) years.

The proposed project will allow the district to achieve full compliance with permit requirements without restricting new services. The proposed project will also enable the district to provide treatment for all flows of the district without purchasing this service from the City of Beckley.

Construction cost of the proposed project is estimated to be $5.7 million and will consist of the following primary features: Install approximately 3000 feet of gravity sewer line; Install approximately 2000 linear feet of force main; Rehabilitation and expansion of 3 existing pump stations; Rehabilitation and expansion of treatment plant from a 0.5 MGD to 2.5 MGD and other necessary appurtenances to create a complete and operating system for the proper collection and treatment of sanitary sewer for the existing service area.

The completed facilities will be owned, operated and maintained by the North Beckley Public Service District.

The North Beckley Public Service District anticipates that the rates to its customers will not exceed the following:

SCHEDULE NO. 1

METERED RATES

First 2,000 gallons used per month $8.95 per thousand gallons. Next 23,000 gallons used per month $7.69 per thousand gallons. Over 23,000 gallons used per month $5.14 per thousand gallons.

MINIMUM CHARGE

No bill shall be rendered for less than $17.90 per month which is based on 2,000 gallons of water consumption per month.

DELAYED PAYMENT PENALTY

The above stated rates are net. On all current usage billings not paid within twenty (20) days, ten percent (10%) will be added to the net current amount unpaid. This delayed payment penalty is not interest and is to be collected only once for each bill where it is appropriate. If any bill is not paid within sixty (60) days after date, water service to the customer will be discontinued. Water service will not be restored until all past due sewer bills have been paid in full and all accrued penalties plus the disconnection and reconnection charges have been paid.

DISCONNECTION AND RECONNECTION CHARGES

If water service is discontinued due to delinquent sewer bills, a disconnection charge of $7.50, as well as a reconnection charge of $7.50 will be charged before water service is restored.

CONNECTION CHARGE

Sewer connection fee to tap to main is $150.00

SCHEDULE NO. 2

Surcharge for Roof Drains Connected to the North Beckley Public Service District Sanitary Sewerage System

The charge for roof drains being connected to the Sanitary Sewerage System will be calculated on the basis of the following formula and will not be cumulative upon any metered or flat sewer service charges: S=AxRx.0006233xC

S-The Surcharge, in dollars. A-The average area under roof in square feet. R-The measured monthly rainfall, in inches; .0006233 is a conversion factor to complete thousand gallons. C-The approved rate per thousand gallons of waste water treated. NOTE: Not part of tariff- The surcharge is not cumulative so as not to reduce the incentive of the larger users to disconnect. The minimum charge does not apply to the surcharge.

Anyone wishing to object to this proposed project may sign a petition in the Office of the Clerk of the County Commission of Raleigh County, West Virginia, Raleigh County Courthouse, Beckley, West Virginia or at the business office of the North Beckley Public Service District located at 102 McCreery Street, Beckley, West Virginia, or may contact the Public Service Commission of West Virginia, at its office located at 201 Brooks Street, Charleston, West Virginia.

This Notice is prepared pursuant to West Virginia code 16-13A-25.

Submitted by,
Chairman, North Beckley Public Service District
2-14-Fri-2-RH

P. O. DRAWER P OR R
BECKLEY, WV 25801
My Commission Expires March 27, 2001

AFFIDAVIT OF PUBLICATION

BECKLEY NEWSPAPERS INC.

BECKLEY, WEST VIRGINIA 25801

February 5, 19 98

STATE OF WEST VIRGINIA
COUNTY OF RALEIGH, to-wit:

I, Jack L. Scott, being first duly sworn upon my oath, do depose and say that I am Director of Advertising for Beckley Newspapers Inc., a corporation, publisher of the newspaper entitled The Register-Herald, an Independent newspaper; that I have been duly authorized by the board of directors of such corporation to execute this affidavit of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published daily, for at least fifty weeks during the calendar year, in the municipality of Beckley, Raleigh County, West Virginia; that such newspaper is a newspaper of "general circulation" as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of the aforesaid municipality and county; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price of consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, advertisements and other notices; that the annexed notice

of PSC Order
(Description of notice)

was duly published in said newspaper once a week for two successive weeks (Class II), commencing with the issue of the 29th day of Janaury, 1998, and ending with the issue of the 5th day of February, 1998, (and was posted at the _____

on the _____ day of _____); that said annexed notice was published on the following dates: January 29 & February 5, 1998 and that the cost of publishing said annexed notice as aforesaid was $ 40.92

Signed _____
Jack L. Scott
Director of Advertising
Beckley Newspapers

Taken, subscribed and sworn to before me in my said county this 5th day of February 19 98.

My commission expires March 27, 2001

Diana L. Slone
Notary Public of Raleigh County, West Virginia

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
DIANA L. SLONE
BECKLEY NEWSPAPER
P.O. DRAWER P OR R
BECKLEY, WV 25801
My Commission Expires March 27, 2001

R/H

COPY OF PUBLICATION

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA CHARLESTON

CASE NO. 97-0129-PSD-CN

NORTH BECKLEY PUBLIC SERVICE DISTRICT

Application for a certificate of convenience and necessity to upgrade its sewer system treatment plant and parts of the District's collection system.

NOTICE OF HEARING

On October 31, 1997, the North Beckley Public Service District filed an application for a certificate of convenience and necessity to modify and expand its treatment plant and collection system. The estimated cost of the project is $8,491,790, which is to be finance by a loan from the State Revolving Fund at an interest rate of 1% for twenty years.

The District anticipates that its rates will not exceed the following:

Metered Rates

First 2,000 gallons per month $7.88 per 1,000 gallons

2,001 to 25,000 gallons $6.75 per 1,000 gallons

All over 25,000 gallons $4.51 per 1,000 gallons

Minimum Charge

$15.77 for 2,000 gallons.

The average bill for customers (based on a 4,500 gallon monthly usage) would be $32.50.

A hearing has been set on the District's application for February 17, 1998, at 10:00 a.m., in the Beckley Room, Raleigh County Armory, 200 Armory Drive, Beckley, West Virginia

NORTH BECKLEY PUBLIC SERVICE DISTRICT

2-5-Thu-2 RH

NORTH BECKLEY PUBLIC SERVICE DISTRICT

BOARD OF DIRECTORS MEETING

JANUARY 14, 1999

THE REGULAR MONTHLY MEETING OF THE BOARD OF DIRECTORS WAS HELD IN THE DISTRICT'S OFFICE AT 102 McCREERY ST., BECKLEY, WV ON JANUARY 14, 1999.

THE MEETING WAS CALLED TO ORDER AT 7:00 PM BY CHAIRMAN HOWARD SPEARS.

DIRECTORS PRESENT: JOE DICLARO , JIM HOLT & HOWARD SPEARS.

OTHERS PRESENT: DONNA SAWYERS, GENERAL MANAGER; LESSIE PERDUE, SECRETARY; DALE BALLARD, FOREMAN; MIKE LAWSON, ENGINEER AND JOHN RIST, ATTORNEY.

CUSTOMERS PRESENT: JAMES ELKINS AND WALTER IGNATOVICH.

MR. DICLARO MADE A MOTION TO APPROVE THE MINUTES OF THE DECEMBER 18, 1998 REGULAR MEETING AS READ. MR. HOLT SECONDED THE MOTION AND IT WAS CARRIED BY UNANIMOUS VOTE.

AFTER REVIEWING THE BILLS RECEIVED SINCE THE DECEMBER 18,1998 MEETING, MR. DICLARO MADE A MOTION TO APPROVE THE BILLS FOR PAYMENT. MR. HOLT SECONDED THE MOTION AND IT WAS CARRIED BY UNANIMOUS VOTE.

MS. SAWYERS INFORMED THE BOARD THAT THE DISTRICT NEEDS TO GET A COST ON HOW TO BILL BECKLEY GARBAGE FOR THE ACCEPTANCE OF THEIR NONDOMESTIC WASTEWATER AS APPROVED BY THE DEP. THE BOARD INSTRUCTED MS. SAWYERS TO CHECK WITH OTHER PSD'S TO SEE HOW THEY ARE CHARGING FOR THIS SERVICE AND BRING THE INFORMATION BACK TO THE BOARD AT THE NEXT MEETING.

THE ELECTION OF OFFICERS WAS APPROVED BY THE BOARD. MR. DICLARO MADE A MOTION THAT THE OFFICERS REMAIN THE SAME AS THEY WERE LAST YEAR. MR. HOLT SECONDED THE MOTION AND IT WAS CARRIED BY UNANIMOUS VOTE. THE OFFICERS ARE AS FOLLOWS: HOWARD SPEARS, CHAIRMAN; JOSEPH DICLARO, VICE CHAIRMAN; JAMES H. HOLT, JR.; SECRETARY/TREASURER.

MS. SAWYERS TOLD THE BOARD OF A TRUCK LOCATED BY THE FOREMAN DALE BALLARD WHICH COULD BE USED TO MOUNT THE FLUSHER ON. THE CURRENT TRUCK BEING USED TO TOW THE FLUSHER IS NOT A SAFE OR RELIABLE WAY TO TRANSPORT THE FLUSHER. THE TRUCK LOCATED BY MR. BALLARD IS A 1991 INTERNATIONAL DUAL WHEEL STRAIGHT BED WITH A NEWLY REBUILT 466 DIESEL ENGINE AT A COST OF $14,000.00. MR. SPEARS MADE A MOTION TO TABLE THIS MATTER UNTIL A LATER DATE. MR. HOLT SECONDED THE MOTION AND IT WAS CARRIED BY UNANIMOUS VOTE.

MS. SAWYERS INFORMED THE BOARD THAT THE TREATMENT PLANT WAS OUT OF COMPLIANCE DUE TO THE FECAL COUNT ON DEC. 22, 1998. THIS IS ONLY THE THIRD EXCURSION EXPERIENCED AT THE PLANT IN THE PAST THREE YEARS. AS PER THE ORDER 3305 SIGNED BY THE DISTRICT A CHECK FOR $500.00 MUST BE SUBMITTED TO THE DEP WITHIN THIRTY DAYS AFTER THE SUBMISSION OF THE MONTHLY REPORT OF EXCURSIONS.

MS. SAWYERS INFORMED THE BOARD THAT THE FIRST PAYMENT REQUEST HAS BEEN APPROVED BY DEP IN THE AMOUNT OF $1,923,789.00 WHICH WILL BE PAID TO THE DISTRICT AT THE BOND CLOSING SET FOR JANUARY 28, 1999 AT 10:00 AM AT THE WATER DEVELOPMENT AUTHORITY OFFICE IN CHARLESTON.

JOHN RIST INFORMED THE BOARD THAT SOUTHERN SOIL WILL NOT RELEASE THE ESCROW ACCOUNT UNTIL ALL CLAIMS ARE SETTLED WITH AHERN. THIS CAUSES THE DISTRICT TO BE $125,000.00 SHORT OF FUNDS TO PAY THE CITY OF BECKLEY LAWSUIT WHICH IS NECESSARY FOR THE BOND CLOSING. MR. HOLT STATED THAT HE WOULD TALK TO THE MAYOR OF BECKLEY CONCERNING THIS MATTER. MR. LAWSON WILL GO OVER THE PUNCH LIST FROM AHERN AND QUANTIFY THE COST OF REPAIRS NOT COMPLETED TO THE DISTRICT'S SATISFACTION ACCORDING TO THE SPECIFICATIONS. A DECISION WILL THEN BE MADE AS TO HOW TO PROCEED WITH THIS MATTER.

MR. RIST INFORMED THE BOARD THAT IT WOULD NOT BE WORTH THE DISTRICT'S EFFORTS TO PAY THE $315.00 FOR DELINQUENT TAXES ON THE NOTICE TO REDEEM ON THE PROPERTY AT 103 NEW RIVER DR. ORIGINALLY OWNED BY HUNN AND CATHERINE PENN.

MR. LAWSON WAS PRESENT TO GIVE AN UPDATE ON THE PROJECT. HE STATED THAT THE EXCAVATION OF THE ROCK WAS APPROXIMATELY ONE THIRD COMPLETE AND THEY ARE MOVING AHEAD ON PRE CONSTRUCTION CLEARING. MR. LAWSON ALSO INFORMED THE BOARD THAT HE WOULD PREPARE THE DOCUMENTS TO OBTAIN A PERMIT FROM DOH IN ORDER TO START WORK ON WARDEN ST.

THE BOARD INFORMED MR. LAWSON TO CHECK PRICES ON CONTRACTING OUT THE WORK ON WARDEN ST. COMPARED TO THE COST OF DOING THE WORK IN HOUSE AND TO BRING THIS INFORMATION TO THE NEXT MEETING.

THE BOARD ADJOURNED THE REGULAR MEETING AND WENT INTO EXECUTIVE SESSION AT 7:50 PM TO DISCUSS BOARD MEMBER PAY. THE BOARD RETURNED TO REGULAR SESSION AT 7:55 PM.

NO FURTHER BUSINESS CAME BEFORE THE MEETING AND IT WAS UPON MOTION DULY MADE AND SECONDED UNANIMOUSLY ADJOURNED AT 8:00 PM.

JAMES H. HOLT, JR. SEC./TREAS.

NORTH BECKLEY PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS,
SERIES 1999

MINUTES ON ADOPTION OF BOND
RESOLUTION AND SUPPLEMENTAL RESOLUTION

I, James H. Holt, Jr., Secretary of the Public Service Board of North Beckley Public Service District, hereby certify that the following is a true and correct excerpt of the minutes of a regular meeting of the said Public Service Board:

*** *** ***

The Public Service Board of North Beckley Public Service District met in regular session, pursuant to notice duly posted, on the 27th day of January, 1999, at Beckley, West Virginia, at the hour of 10:00 a.m.

PRESENT:	Howard L. Spears	- Member and Chairman
	Joseph W. DiClaro	- Member and Vice Chairman
	James H. Holt, Jr.	- Member, Secretary and Treasurer
	John F. Rist, III	- Attorney for District
	Camden P. Siegrist	- Bond Counsel
	Donna Sawyers	- General Manager

ABSENT: None

Howard L. Spears , Chairman, presided, and James H. Holt, Jr. acted as Secretary.

Thereupon the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF CERTAIN ADDITIONAL EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE SEWERAGE SYSTEM OF THE NORTH BECKLEY PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST THEREOF, NOT OTHERWISE PROVIDED, TOGETHER WITH THE PAYMENT OF THE NORTH BECKLEY PUBLIC SERVICE DISTRICT SEWERAGE SYSTEM BOND ANTICIPATION NOTES, SERIES 1997, THROUGH THE ISSUANCE BY THE NORTH BECKLEY PUBLIC SERVICE DISTRICT OF NOT MORE THAN NINE MILLION DOLLARS ($9,000,000) IN AGGREGATE PRINCIPAL AMOUNT OF SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999; APPROVING, RATIFYING AND CONFIRMING A

LOAN AGREEMENT WITH THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY AND THE WEST VIRGINIA DIVISION OF ENVIRONMENTAL PROTECTION RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion by Mr. DiClaro, seconded by Mr. Holt, it was unanimously ordered that the said 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, INTEREST RATE, DATE, MATURITY, REDEMPTION PROVISIONS, PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE SEWERAGE SYSTEM REVENUE BONDS, SERIES 1999 OF NORTH BECKLEY PUBLIC SERVICE DISTRICT; AUTHORIZING, RATIFYING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A BOND REGISTRAR, DEPOSITORY BANK AND PAYING AGENT; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion. Thereupon, on motion of Mr. DiClaro, seconded by Mr. Holt, it was unanimously ordered that the said 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.

*** *** ***

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 28th day of January, 1999.

Secretary,
North Beckley Public Service District

WV MUNICIPAL BOND COMMISSION
Suite 300
812 Quarrier Street
Charleston, WV 25301
(304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: January 28, 1999

(See Reverse for Instructions)

ISSUER & ISSUE: North Beckley Public Service District Sewerage System Revenue Bonds, Series 1999

ADDRESS: 102 McCreery Street, Beckley, WV 25801 COUNTY: Raleigh

PURPOSE OF ISSUE: New Money X Refunding ____ Refunds issue(s) dated: ____

ISSUE DATE: January 28, 1999 CLOSING DATE: January 28, 1999

ISSUE AMOUNT: $ 8,090,898 RATE: 0%

1st DEBT SERVICE DUE: September 1, 2000 1st PRINCIPAL DUE: September 1, 2000

1st DEBT SERVICE AMOUNT: $101,137 PAYING AGENT: Municipal Bond Commission

ISSUERS BOND COUNSEL: Bowles Rice McDavid Graff & Love, PLLC
Contact Person: Camden P. Siegrist, Esq.
Phone: 347-1129

UNDERWRITERS BOND COUNSEL: Jackson & Kelly, PLLC
Contact Person: Samme L. Gee, Esq.
Phone: 340-1318

CLOSING BANK: United National Bank
Contact Person: Mori Williams, VP
Phone: (304) 256-7289

ESCROW TRUSTEE: ____
Contact Person: ____
Phone: ____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Donna Sawyers
Position: General Manager
Phone: (304) 253-2191

OTHER: ____
Contact Person: ____
Function: ____
Phone: ____

DEPOSITS TO MBC AT CLOSE:
By ____ Wire
X Check
____ IGT

Accrued Interest: ____ Days $ ____
Capitalized Interest: $ ____
Reserve Account: $ 404,548
Other: ____ $ ____

REFUNDS & TRANSFERS BY MBC AT CLOSE:
By ____ Wire
____ Check
____ IGT

To Escrow Trustee: $ ____
To Issuer: $ ____
To CIF-State Treasury $ ____
To Other: ____ $ ____

NOTES: ____

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS REQUIRED: ____
TRANSFERS REQUIRED: ____

Form MBC-1 (9/87)

NORTH BECKLEY PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS
SERIES 1999

ACCEPTANCE OF DUTIES OF DEPOSITORY BANK

United National Bank, Beckley, West Virginia, a national banking association with offices in the City of Beckley, West Virginia, hereby accepts appointment as Depository Bank in connection with the Bond Resolution and Supplemental Resolution (collectively, the "Resolutions") of North Beckley Public Service District, each adopted January 27, 1999, authorizing issuance of the District's Sewerage System Revenue Bonds, Series 1999 and dated January 28, 1999 in the maximum aggregate principal amount of $8,090,898 (the "Series 1999 Bonds") and agrees to perform all duties of Depository Bank in connection with such Series 1999 Bonds, all as set forth in said Resolutions.

Dated this 28th day of January, 1999.

UNITED NATIONAL BANK

By: _____

Its: PRESIDENT OF RALEIGH, FAYETTE & NICHOLAS COUNTIES

GBB.GBB.0048833

NORTH BECKLEY PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS
SERIES 1999

ACCEPTANCE OF DUTIES OF REGISTRAR

One Valley Bank, National Association, a national banking association with offices in the City of Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the North Beckley Public Service District Sewerage System Revenue Bonds, Series 1999, dated January 28, 1999, in the maximum aggregate principal amount of $8,090,898 (the "Series 1999 Bonds") and agrees to perform all duties of Registrar in connection with the Series 1999 Bonds, all as set forth in the Bond Legislation authorizing issuance of the Series 1999 Bonds.

Dated this 28th day of January, 1999.

ONE VALLEY BANK, NATIONAL ASSOCIATION

By Charlotte S Morgan

Its: ASSISTANT VICE PRESIDENT

NORTH BECKLEY PUBLIC SERVICE DISTRICT

SEWERAGE SYSTEM REVENUE BONDS
SERIES 1999

CERTIFICATE OF REGISTRATION OF BONDS

I, Charlotte S. Morgan, Assistant Vice President of One Valley Bank, National Association, as Registrar under the Bond Resolution providing for the issuance of the above captioned bonds, hereby certifies that on the date hereof, the single, fully registered North Beckley Public Service District Sewerage System Revenue Bond, Series 1999, dated January 28, 1999, in the principal amount of $8,090,898, numbered R-1, was registered as to principal 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 as of this 28th day of January, 1999.

ONE VALLEY BANK, NATIONAL ASSOCIATION

By: Charlotte S. Morgan
Charlotte S. Morgan
Its: Assistant Vice President

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 28th day of January, 1999, by and between NORTH BECKLEY PUBLIC SERVICE DISTRICT, a public service district, 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 $8,090,898 aggregate principal amount of Sewerage System Revenue Bonds, Series 1999, in fully registered form (the "Bonds"), pursuant to a Bond Resolution adopted January 27, 1999, and a Supplemental Resolution adopted January 27, 1999 (collectively, the "Local Act");

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 Local Act, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Local Act provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Local Act and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Local Act 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 Local Act, 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.

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. For its fees and expenses hereunder, Registrar shall receive the amount of $500 if a representative of Registrar attends the closing or $250 if a representative of Registrar does not attend the closing, said fees and expenses to be payable upon the issuance of the Bonds.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Local Act with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Local Act, the terms of the Local Act 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 Local Act 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:	North Beckley Public Service District 102 McCreery Street Beckley, West Virginia 25801
Registrar:	One Valley Bank, National Association One Valley Square Charleston, West Virginia 25301

Attention: Corporate Trust Department

8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Local Act.

IN WITNESS WHEREOF, NORTH BECKLEY PUBLIC SERVICE DISTRICT and ONE VALLEY BANK, NATIONAL ASSOCIATION, 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.

NORTH BECKLEY PUBLIC SERVICE DISTRICT

By: _____
Its: Chairman

ONE VALLEY BANK,
NATIONAL ASSOCIATION

By: _____
Its: Assistant Vice President

EXHIBIT A

LOCAL ACT

[For Bond Resolution, See Transcript Document No. 1]

[For Supplemental Resolution, See Transcript Document No. 2]

WRD 1A-82
Revised 11/97

RECEIVED 10-16-98

STATE OF WEST VIRGINIA
DIVISION OF ENVIRONMENTAL PROTECTION
OFFICE OF WATER RESOURCES
1201 GREENBRIER STREET
CHARLESTON, WV 25311

NATIONAL POLLUTANT DISCHARGE ELIMINATION SYSTEM
WATER POLLUTION CONTROL PERMIT

Permit No.: WV0027740

Subject: Sewage Facilities

Issue Date: October 6, 1998

Effective Date: November 6, 1998

Expiration Date: October 5, 2003

Supersedes: WV/NPDES Permit No. WV0027740
Issuance Date: February 8, 1994

Location:	Beckley	Raleigh	Kanawha
	(City)	**(County)**	**(Drainage Basin)**

Outlets:

Latitude: 37° 47' 43" N
Longitude: 81° 10' 16" W

To whom it may concern:

This is to certify that North Beckley Public Service District
102 McCreery Street
Beckley, WV 25801

is hereby granted a NPDES Water Pollution Control Permit to: operate and maintain two(2) existing wastewater collection systems, and an existing 0.56 million gallons per day extended aeration wastewater treatment plant, which are further described as follows.

A wastewater collection system comprised of approximately 5,300 linear feet of four(4) inch diameter gravity sewer line, 40,600 linear feet of six(6) inch diameter gravity sewer line, 135,100 linear feet of eight(8) inch diameter gravity sewer line, 18,000 linear feet of 10 inch diameter gravity sewer line, 10,600 linear feet of 12 inch diameter gravity sewer line, 1,500 linear feet of 15 inch diameter gravity sewer line, 3,000 linear feet of 21 inch diameter gravity sewer line, 1,133 manholes, 150 cleanouts, 11 lift stations, 1,300 linear feet of one and one half(1½) inch diameter force main, 1,000 linear feet of four(4) inch diameter force main, 2,000 linear feet of six(6) inch diameter force main, 2,000 linear feet of eight(8) inch diameter force main, and all requisite appurtenances.

(Continued on page 2 of 31)

A wastewater treatment plant comprised of a mechanical bar, a manual bar screen, grit removal facilities, two(2) treatment units with each unit having an aeration chamber with a volume of 279,000 gallons each and a clarifier with a volume of 75, 500 gallons each and a surface area of 710 square feet each, a chlorine contact chamber with a volume of 12,800 gallons, dechlorination facilities, a sludge holding tank with a volume of 3,500 gallons, a sludge dewatering belt press, and all requisite appurtenances. Upon completion of the new wastewater treatment plant, portions of this plant shall become an integral part of the new plant.

These facilities are to serve a population equivalent of approximately 5,600 persons in the Cranberry Creek watershed area of the North Beckley Public Service District, and environs, and discharge treated wastewater to Cranberry Creek, approximately 1.6 miles from its mouth, of Piney Creek of the New River of the Kanawha River.

A wastewater collection system comprised of approximately 15,800 linear feet of four(4) inch diameter gravity sewer line, 10,600 linear feet of six(6) inch diameter gravity sewer line, 44,900 linear feet of eight(8) inch diameter gravity sewer line, 21,100 linear feet of 10 inch diameter gravity sewer line, 10,600 linear feet of 12 inch diameter gravity sewer line, 10,600 linear feet of 15 inch diameter gravity sewer line, 717 manholes, necessary cleanouts, and all requisite appurtenances.

These facilities are to serve a population equivalent of approximately 5,200 persons in the Little Whitestick Creek watershed area of the North Beckley Public Service District, and environs, and convey wastewater to the City of Beckley's wastewater treatment plant for subsequent treatment and discharge to Piney Creek, approximately 10.5 miles from its mouth, of the New River of the Kanawha River.

Upon completion of the new wastewater treatment plant, the wastewater flow from the Little Whitestick Creek watershed area shall cease being conveyed to the City of Beckley, and shall be directed back to North Beckley Public Service District.

To acquire, construct, install, operate and maintain a 2.5 million gallons per day sequential batch reactor wastewater treatment plant to be comprised of grit removal facilities, an influent lift station, two(2) reactor chambers with a volume of 1,237,200 gallons each which function as an integral clarifier with a surface area of 6,362 square feet each, conversion of an existing treatment unit to an ultraviolet disinfection equalization chamber with a volume of 347,500 gallons, ultraviolet disinfection facilities, cascade post aeration facilities, conversion of an existing treatment unit to an aerobic digester with a volume of 347,500 gallons, a sludge dewatering belt press, and all requisite appurtenances. The existing mechanical bar, manual bar screen, and grit removal facilities shall, further, become an integral part of the new wastewater treatment facilities.

These facilities are to serve a population equivalent of approximately 25,000 persons in the North Beckley Public Service District, and environs, and discharge treated wastewater to Cranberry Creek, approximately 1.6 miles from its mouth, of Piney Creek of the New River of the Kanawha River.

(Continued on page 3 of 31)

To acquire, construct, install, operate and maintain, improvements to, and renovation of, three(3) existing lift stations, identified as the Little Whitestick Lift Station, Woodcrest Lift Station No. 1, and Woodcrest Lift Station No. 2, 1,950 linear feet of 10 inch diameter force main, and all requisite appurtenances.

This permit is subject to the following terms and conditions:

The information submitted on, and with, Permit Application No. WV0027740, dated the 30th day of June 1998, and additional information received, the 11th day of August 1998, are all hereby made terms and conditions of this Permit with like effect as if all such permit application information were set forth herein, and with other conditions set forth in Sections A, B, C, and D, and Appendix A.

The validity of this permit is contingent upon the payment of the applicable annual permit fee, as required by Chapter 22, Article 11, Section 10 of the West Virginia Code.

THE WASTEWATER TREATMENT PLANT AND WASTEWATER COLLECTION SYSTEM IMPROVEMENTS SHALL BE CONSTRUCTED IN ACCORDANCE WITH:

Plans, Specifications, and Reports:
Date Approved: December 30, 1997
Prepared by: Lawson Engineering & Technical Services
144 Oleander Street
Beckley, WV 25801
Title: North Beckley Public Service District
Raleigh County, West Virginia
Wastewater Treatment Improvements
Contract 1 - Wastewater Treatment Plant
Contract 2 - Wastewater Collection System
SRF Project No. C-544052

NORTH BECKLEY PUBLIC SERVICE DISTRICT

CERTIFICATE OF SATISFACTION AND PAYMENT

The undersigned duly authorized representative of WesBanco Bank Parkersburg (formerly Commercial Banking and Trust Company) (the "Holder"), as holder of all of the Sewerage System Bond Anticipation Notes, Series 1997, dated October 27, 1997, (the "Notes"), of the North Beckley Public Service District (the "Issuer"), issued in the maximum original aggregate principal amount of $799,077.09, hereby certifies as follows:

1. The Holder is the holder of the entire outstanding amount of all of the Notes.

2. On the date hereof, there was paid to the Holder by the Issuer the amount of $866,256.48, the receipt of which is hereby acknowledged, which is sufficient to satisfy all of the Notes, including all interest accrued thereon.

3. All liens, pledges and security securing any and all of the Notes, including without limitation any lien on or pledge of (i) the revenues or net revenues of the sewerage system of the Issuer, or (ii) the proceeds of any sewer revenue bonds to be issued by the Issuer, and the covenants, agreements and obligations of the Issuer are satisfied and discharged. The Notes will be marked "Satisfied in Full" and returned to the Issuer.

IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of January, 1999.

WESBANCO BANK PARKERSBURG

By: M. James Reed

Its: Vice-President

OBB.OBB.0045826

IN THE CIRCUIT COURT OF KANAWHA COUNTY, WEST VIRGINIA

99 JAN 23 PM 2:24

DUNN ENGINEERS, a West Virginia corporation,

Plaintiff,

v.

CIVIL ACTION NO. 96-C-1388

NORTH BECKLEY PUBLIC SERVICE DISTRICT, HOWARD L. SPEARS, JOSEPH H. DiCLARO, and JAMES H. HOLT, JR.,

Defendants.

STIPULATED DISMISSAL ORDER

Dunn Engineers, Inc., by counsel, and North Beckley Public Service District, Howard L. Spears, Joseph H. DiClaro and James H. Holt, Jr., by counsel, having come before the Court, and represented that all remaining matters in dispute in the above-styled action having been resolved in arbitration, and pursuant to the *Satisfaction and Release of Arbitration Award*, a copy of which is attached hereto as Exhibit "A", the Court, upon full examination of the record in this matter, deems it just and proper that the above-styled civil action should be, and hereby is, dismissed with prejudice, and stricken from the docket of the Court, pursuant to ***W. Va. R. Civ. P.*** **Rule 41(a)(2)**.

The Clerk is requested to send copies of this Order to all parties.

It is so ordered this 28th day of Jan., 1999.

Charles E. King

The Honorable Charles E. King, Jr.

STATE OF WEST VIRGINIA
COUNTY OF KANAWHA, SS.
I CATHY S. GATSON, CLERK OF CIRCUIT COURT OF SAID COUNTY AND IN SAID STATE, DO HEREBY CERTIFY THAT THE FOREGOING IS A TRUE COPY FROM THE RECORDS OF SAID COURT.
GIVEN UNDER MY HAND AND SEAL OF SAID COURT THIS 28th DAY OF January 19 99

Cathy S. Gatson CLERK
CIRCUIT COURT OF KANAWHA COUNTY, WEST VIRGINIA

Prepared by:

John F. Loehr
Daniels Law Firm, P.L.L.C.
One Valley Square, Suite 1270
P. O. Box 1433
Charleston, West Virginia 25325
(304) 342-6666
WV State Bar #6925
Counsel for Plaintiff

Seen and Approved:

Ronda Harvey
Bowles Rice McDavid Graff & Love
P. O. Box 1386
Charleston, WV 25325-1386
Co-Counsel for Defendants

J. Victor Flanagan
Mark Troy
Pullin Knopf Fowler & Flanagan
1000 Bank One Center
Charleston, WV 25301
Co-Counsel for Defendants

John F. Rist, III
Rist Higgins & Associates
1800 Harper Road
Beckley, WV 25801
Co-Counsel for Defendants

SATISFACTION AND RELEASE OF ARBITRATION AWARD

WITNESSETH

IN CONSIDERATION of the payment of TWO HUNDRED TWENTY-EIGHT THOUSAND TWO HUNDRED ELEVEN DOLLARS ($228,211.00), the receipt and sufficiency of which is hereby acknowledged, Dunn Engineers, Inc hereby acknowledges full satisfaction of that certain monetary judgment upon arbitration dated April 13, 1998, a copy of which is attached hereto as Exhibit "A", and hereby releases North Beckley Public Service District and its individual board members, officers, agents, employees, attorneys, successors and assigns, from any and all further liability, claims or demands, for payment of said award.

Said arbitration and award having resolved all remaining claims and disputes between the parties in that certain civil action styled *Dunn Engineers v. North Beckley Public Service District, Howard L. Spears, Joseph H. DiClaro, and James H. Holt, Jr.*, Civil Action No. 96-C-1388, Dunn further stipulates to dismissal with prejudice of said civil action.

DUNN ENGINEERS, INC.

By: _____
Joseph Dunn

Its: President

STATE OF WEST VIRGINIA,
COUNTY OF KANAWHA, to wit:

I, Dorinda J. Taylor, a notary public in and for the county and state, do certify that Joseph Dunn, President of Dunn Engineers, Inc., whose name is signed to the foregoing writing, has this day acknowledged the same before me in my said county and state.

Given under my hand this 26th day of January, 1999.

My commission expires November 13, 2005.

OFFICIAL SEAL
NOTARY PUBLIC
STATE OF WEST VIRGINIA
DORINDA J. TAYLOR
DUNN ENGINEERS, INC.
701 VIRGINIA STREET, WEST
CHARLESTON, WV 25302
My Commission Expires Nov. 13, 2005

Dorinda J. Taylor
Notary Public

EXHIBIT
A
ALL-STATE® INTERNATIONAL

IN THE CIRCUIT COURT OF RALEIGH COUNTY
WEST VIRGINIA

SANITARY BOARD OF THE CITY OF BECKLEY AND THE CITY OF BECKLEY,

Plaintiffs,

v. CIVIL ACTION NO. 98-C-695k

NORTH BECKLEY PUBLIC SERVICE DISTRICT.

AGREED ORDER DISMISSING ACTION WITH PREJUDICE

The parties to this action, The Sanitary Board of The City of Beckley and the City of Beckley, Plaintiffs, and The North Beckley Public Service District, Defendant, having represented to this Court that they have compromised and settled all matters in dispute between them and that as part of such settlement and compromise have agreed to the dismissal of this action, it is hereby

ORDERED that the above-styled action is dismissed with prejudice. The Clerk is directed to remove this case from the docket and the Clerk is further directed to send a copy of this Order to counsel named below.

Enter: January 28, 1999

ROBERT A. BURNSIDE, JR.
JUDGE

The foregoing is a true copy of an order entered in this office on the 28th day of January 1999

JANICE B. DAVIS, Circuit Clerk of Raleigh County, West Virginia

AGREED TO BY:

Suzanne Jett Trowbridge #4261
Goodwin & Goodwin, LLP
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(304)346-7000

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Post Office Box 553
Charleston, West Virginia 25322
Counsel for the City of Beckley and The Sanitary Board
(304)340-1289

LAW OFFICES
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CHARLESTON, WEST VIRGINIA 25328-2107
304/346-7000
TELECOPIER 304/344-9692

201 THIRD STREET
PARKERSBURG, WEST VIRGINIA 26101
304/485-2345

P. O. BOX 349
500 CHURCH STREET
RIPLEY, WEST VIRGINIA 25271
304/372-2651

REPLY TO:
Charleston

January 26, 1999

VIA: TELEFAX AND FIRST CLASS MAIL

John Philip Melick, Esquire
JACKSON & KELLY
P.O. Box 553
Charleston, WV 25322

RE: The Sanitary Board of the City of Beckley vs
The North Beckley Public Service District
Civil Action No: 98-C-695

Dear Phil:

This is to confirm that at a meeting on January 20, 1999 between representatives of the City of Beckley and its Sanitary Board and the North Beckley Public Service District, the parties amended their earlier agreement for the resolution of the above-referenced civil action. This letter amends the parties' agreement set forth in my letter to you of November 23, 1998. The City and the District agree to recommend to their respective governing bodies the following revisions to their agreement:

1. As you are aware, the District sought and obtained PSC approval to use surplus loan proceeds and surplus revenues to pay the agreed upon obligation to the City of Beckley. Part of the surplus loan proceeds to be used to satisfy this obligation are in an escrow account with Southern Soil Conservation District. (PSC Order dated December 18, 1998 in PSC Case No. 98-1278-PSD-CN). As a result of a delay in obtaining the release of those funds from escrow it is necessary for the parties to arrange for the delayed payment of a portion of the District's obligation to the City and its Sanitary Board.

2. Accordingly, the District, the City and the Sanitary Board have amended their agreement, as set forth in that letter agreement dated November 23, 1998, to provide for the payment of the $330,000.00 as follows:

   a. The District will pay to the Sanitary Board the sum of $200,000.00 at the closing of the pending bond issue scheduled for January 28, 1999 in partial satisfaction of the Sanitary Board's claim.

   b. At the closing of the pending bond issue, the District shall deliver, and the City and its Sanitary Board shall hold a non-negotiable promissory note from the District in a form substantially the same as that attached hereto, for the balance of the $330,000.00 owed, in the amount of $130,000.00. Such note shall be due and payable within twenty (20) days of the release of the Southern Soil escrow account or December 31, 1999, whichever occurs earlier. Interest at the rate of 6 percent per annum shall begin to accrue on the note beginning May 1, 1999.

   c. The District hereby assigns to the City and its Sanitary Board all of the District's right, title and interest in those funds escrowed with Southern Soil, and hereby warrants to the City and its Sanitary Board that those funds are free and clear of all liens and encumbrances other than the Southern Soul escrow agreement. The parties shall hereafter execute such further instruments proposed by the City and its Sanitary Board as may be necessary to facilitate this assignment or otherwise to secure the receipt of those funds by the City and its Sanitary Board. Any receipt by the City and its Sanitary Board of any of those escrowed funds shall be deemed payments toward (i) accrued interest on and, thereafter, (ii) outstanding principal of the Promissory Note as of the date of receipt.

3. The obligation represented by the Promissory Note shall be subordinated to any obligation owed to the present bondholders of the District and to any debt owed to the purchasers of the bonds to be issued as part of the pending bond issue scheduled to close on January 28, 1999, as more fully set forth in the note, except that upon any default under the Note the City may enforce its rights to the funds in the escrow account under the

assignment. Any unpaid deficiency remaining after the City enforces its rights under the assignment may be collected from Surplus Revenues as that term is defined in the applicable Bond Resolutions.

4. The City shall dismiss its Complaint, with prejudice, upon receipt of the $200,000.00 payment and delivery of The Promissory Note.

5. Each party will proceed diligently, harmoniously, and in good faith to obtain whatever regulatory, bonding, lender, engineering, contractor and other consents that may be necessary to accomplish the above, each party to bear its own costs.

6. In all other respects, the settlement agreement of November 23, 1998 remains in full force and effect.

7. This amendment to our earlier agreement is contingent upon approval by our governing bodies. Upon such approval, this agreement shall be binding.

Sincerely,

Suzanne Jett Trowbridge

AGREED TO BY:

John Philip Melick

SJT/cjh

cc: Howard L. Spears
John Rist
Mark Matkovich

PROMISSORY NOTE

$130,000 January ____, 1999

FOR VALUE RECEIVED, the undersigned, North Beckley Public Service District (hereinafter referred to as "Borrower"), promises to pay to The Sanitary Board of The City of Beckley, a municipal corporation, (hereinafter the "Sanitary Board") at its offices located at 301 S. Heber Street, in Beckley, West Virginia, or at such other place as the holder of this Note may from time to time designate, the principal sum of One Hundred Thirty Thousand Dollars ($130,000) with interest on the unpaid principal balance from May 1, 1999 until paid, at the rate of six percent (6%) per annum.

The entire indebtedness evidenced by this Promissory Note shall be due and payable on or before December 31, 1999 or within twenty (20) days of the release of those funds held in that certain escrow account held jointly with Southern Soil Conservation District, account number 00004 003 7 at One Valley Bank, NA, whichever occurs earlier.

If any payment under this Promissory Note is not paid when due and remains unpaid thirty (30) days after Notice of Default to Borrower, the entire principal amount outstanding and accrued interest thereon shall become due and payable upon demand at the option of the City.

Upon such default, the City shall be entitled to exercise its rights under that certain assignment agreement dated January 26, 1999 between Borrower and The Sanitary Board, as set forth in the assignment agreement.

Borrower may prepay the principal amount outstanding in whole or in part. There shall be no penalty or charge what ever for any prepayment in whole or in part.

Presentment, notice of dishonor, and protest are hereby waived by the Borrower.

Any notice to Borrower provided for in this Note shall be given by mailing such notice by certified mail addressed to Borrower at the address stated below, or to such other address as Borrower may designate by notice to the Sanitary Board. Any notice to the Sanitary Board shall be given by mailing such notice by certified mail, return receipt requested, to the Sanitary Board at the address stated in the first paragraph of this Note, or at such other address as may have been designated by notice to Borrower.

THE INDEBTEDNESS EVIDENCED BY THIS PROMISSORY NOTE SHALL BE JUNIOR AND SUBORDINATE TO THE FOLLOWING OBLIGATIONS OF THE DISTRICT:

1. Sewer Revenue Bonds, Series 1964;
2. Sewerage System Revenue Bonds, Series 1999; and
3. Sewerage System Bond Anticipation Notes, Series 1996.

This debt is to be satisfied first from the funds deposited with One Valley Bank and held in escrow with Southern Soil Conservation District, account number 00004 003 7. After application of those funds, any deficiency shall be collected only from Surplus Revenues as defined in the applicable Bond Resolutions.

IN WITNESS WHEREOF, Borrower has caused this Note to be executed as of the day and year first above written.

NORTH BECKLEY PUBLIC SERVICE DISTRICT

By: _____
HOWARD L. SPEARS, Chairman of the Board
102 McCreery Street
Beckley, West Virginia 25801

Attest:

_____
JAMES H. HOLT, JR., SECRETARY

LAW OFFICES
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304/485-2345

P. O. BOX 349
800 CHURCH STREET
RIPLEY, WEST VIRGINIA 25271
304/372-2681

REPLY TO: Charleston

November 23, 1998

John Philip Melick, Esquire
JACKSON & KELLY
P.O. Box 553
Charleston, WV 25322

Re: ***The Sanitary Board of the City of Beckley v. The North Beckley Public Service District, Civil Action No. 98-C-695***

Dear Phil:

This letter sets forth the agreement reached at our meeting on November 18, 1998, attended by Bud Spears, John Rist and me on behalf of the North Beckley Public Service District and Messrs. Matkovich, Richmond, and you on behalf of The City of Beckley and its Sanitary Board. We agreed to recommend to our respective boards the following resolution of Civil Action No. 98-C-695-K:

1. The District will pay to the Sanitary Board the lump sum of $330,000 at the closing of its pending bond issue in full satisfaction of its claims. The City and Board will execute releases satisfactory to the District and the parties shall cause the pending Civil Action to be dismissed with prejudice.

2. Effective October 1, 1998 (the date on which the Complaint was filed), the District will pay to the Sanitary Board the lump sum of $11,500 for each month during which the District continues to deliver wastewater to the Sanitary Board. The District is under a binding consent decree to complete its project by December 31, 2000. After that date, the rates for sanitary service provided to the Board shall be the rates approved in PSC Case No. 93-0813-S-MA, subject to either party's rights to seek adjustment or modification of those rates. It is expressly agreed that neither party waives any claims or defenses, nor any challenges to such claims or defenses, as to the PSC rates in that case.

3. Each party will proceed diligently, harmoniously, and in good faith to obtain whatever regulatory, bonding, lender, engineering, contractor and other consents that may be necessary to accomplish the above, each party to bear its own costs.

4. If and when our clients' respective boards approve the foregoing, a formal settlement agreement will be prepared.

Please indicate your concurrence that this accurately sets forth the terms of our agreement by signing below as counsel for the City and the Sanitary Board.

Sincerely,

Suzanne Jett Trowbridge

Concurred with by:

John Philip Melick, Esquire

Dated: 11/23/98

SJT:cas

cc: Bud Spears
John Rist

PROMISSORY NOTE

$130,000 January 28, 1999

FOR VALUE RECEIVED, the undersigned, North Beckley Public Service District (hereinafter referred to as "Borrower"), promises to pay to The Sanitary Board of The City of Beckley, a municipal corporation, (hereinafter the "Sanitary Board") at its offices located at 301 S. Heber Street, in Beckley, West Virginia, or at such other place as the holder of this Note may from time to time designate, the principal sum of One Hundred Thirty Thousand Dollars ($130,000) with interest on the unpaid principal balance from May 1, 1999 until paid, at the rate of six percent (6%) per annum.

The entire indebtedness evidenced by this Promissory Note shall be due and payable on or before December 31, 1999 or within twenty (20) days of the release of those funds held in that certain escrow account held jointly with Southern Soil Conservation District, account number 00004 003 7 at One Valley Bank, NA, whichever occurs earlier.

If any payment under this Promissory Note is not paid when due and remains unpaid thirty (30) days after Notice of Default to Borrower, the entire principal amount outstanding and accrued interest thereon shall become due and payable upon demand at the option of the Sanitary Board.

Upon such default, the Sanitary Board shall be entitled to exercise its rights under that certain assignment agreement dated January 26, 1999 between Borrower and The Sanitary Board, as set forth in the assignment agreement.

Borrower may prepay the principal amount outstanding in whole or in part. There shall be no penalty or charge what ever for any prepayment in whole or in part.

Presentment, notice of dishonor, and protest are hereby waived by the Borrower.

Any notice to Borrower provided for in this Note shall be given by mailing such notice by certified mail addressed to Borrower at the address stated below, or to such other address as Borrower may designate by notice to the Sanitary Board. Any notice to the Sanitary Board shall be given by mailing such notice by certified mail, return receipt requested, to the Sanitary Board at the address stated in the first paragraph of this Note, or at such other address as may have been designated by notice to Borrower.

THE INDEBTEDNESS EVIDENCED BY THIS PROMISSORY NOTE SHALL BE JUNIOR AND SUBORDINATE TO THE FOLLOWING OBLIGATIONS OF THE DISTRICT:

1. Sewer Revenue Bonds, Series 1964;
2. Sewerage System Revenue Bonds, Series 1999; and
3. Sewerage System Bond Anticipation Notes, Series 1996.

This debt is to be satisfied first from the funds deposited with One Valley Bank and held in escrow with Southern Soil Conservation District, account number 00004 003 7. After application of those funds, any deficiency shall be collected only from Surplus Revenues as defined in the applicable Bond Resolutions.

IN WITNESS WHEREOF, Borrower has caused this Note to be executed as of the day and year first above written.

NORTH BECKLEY PUBLIC SERVICE DISTRICT

By: _____
HOWARD L. SPEARS, Chairman of the Board
102 McCreery Street
Beckley, West Virginia 25801

Attest:

_____
JAMES H. HOLT, JR., SECRETARY

WESBANCO BANK PARKERSBURG

January 28, 1999

NORTH BECKLEY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS,
SERIES 1999

To Whom It May Concern:

The undersigned duly authorized representative for WesBanco Bank Parkersburg, the present holder of the entire outstanding aggregate principal amount of the North Beckley Public Service District's Sewerage System Bond Anticipation Notes, Series 1996 (the "Series 1996 Notes") hereby consents to the issuance of the North Beckley Public Service District's Sewerage System Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), in the original aggregate principal amount of $8,090,898 by the North Beckley Public Service District (the "Issuer"), under the terms of the Bond Resolution authorizing the issuance of the Series 1999 Bonds adopted by the Issuer on January 27, 1999, senior and prior to the Series 1996 Notes with respect to liens, pledges and source of and security for payment and also acknowledges and agrees that the Issuer's Sewer Revenue Bonds, Series 1964 shall also be senior and prior to the Series 1996 Notes with respect to liens, pledges and source of and security for payment.

WESBANCO BANK PARKERSBURG

By: W. James Reed

W. James Reed
Its: Vice President

GBB.GBB.0046946

NORTH BECKLEY PUBLIC SERVICE DISTRICT
SEWERAGE SYSTEM REVENUE BONDS,
SERIES 1999

CLOSING MEMORANDUM

The closing of the issuance of $8,090,898 in aggregate principal amount of North Beckley Public Service District Sewerage System Revenue Bonds, Series 1999, dated January 28, 1999 (the "Bonds"), will take place at 9:00 a.m. on January 28, 1999. The Bonds will be purchased by the West Virginia Water Development Authority pursuant to that certain Loan Agreement dated October 8, 1998, by and among the North Beckley Public Service District, the West Virginia Water Development Authority and the West Virginia Division of Environmental Protection. All transactions at such closing will be deemed to have taken place simultaneously on January 28, 1999, and no document shall be deemed to have been delivered unless and until all transactions are complete and all documents are delivered.

In connection with such closing, the first advance on such Bonds will be made in the amount of $1,923,789 and shall be deposited in the Bond Construction Trust Fund and simultaneously the following transfers shall be made in the amounts, for the purposes and in the manner indicated:

1. Lawson Engineering & Technical Services
   Purpose: Technical Services Phase I design
   Amount: $350,705.25
   Method: Check

2. Dunn Engineers
   Purpose: Satisfaction of arbitration award
   Amount: $228,211.00
   Method: Check

3. Bowles Rice McDavid Graff & Love, PLLC
   Purpose: Bond Counsel fees
   Amount: $15,000.00
   Method: Check

4. West Virginia Municipal Bond Commission
   Purpose: Deposit to Debt Service Reserve Fund
   Amount: $404,548.00
   Method: Check

5. WesBanco Bank Parkersburg

Purpose:	Satisfaction of Series 1997 BAN
Amount:	$866,256.48
Method:	Wire transfer
	ABA Routing No. 051500562
	Attention: W. James Reed for further credit to North Beckley Public Service District to Loan No. 310037079

TOTAL: $1,864,720.73

The amount remaining from such first advance after payment of the foregoing items, e.g. $59,068.27($1,923,789 - $1,864,720.73 = $59,068.27) shall remain in the Bond Construction Trust Fund pending disbursement for project costs.

On Thursday, January 28, 1999, there will also be advanced from WesBanco Bank Parkersburg from the North Beckley Public Service District Sewerage System Bond Anticipation Notes, Series 1996, the sum of $184,000.00 to the District's account at United National Bank and then immediately disbursed to the City of Beckley (the "City") in payment of a portion of the settlement between the District and the City with respect to the disputed fees due to the City for the treatment of sewage received from the District. There will also be disbursed to the City at such time the sum of $16,000 from other funds of the District, for a total payment to the City of $200,000. The District will also deliver its subordinated note to the City to evidence its remaining obligation to the City in the amount of $130,000.