

OAKVALE ROAD PUBLIC SERVICE DISTRICT

\$12,700,000

**Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)
and
Interim Construction Financing**

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OAKVALE ROAD PUBLIC SERVICE DISTRICT

**WATER REVENUE BONDS, SERIES 1996
(WEST VIRGINIA INFRASTRUCTURE FUND)**

BOND RESOLUTION

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OAKVALE ROAD PUBLIC SERVICE DISTRICT

RESOLUTION AUTHORIZING THE REFUNDING OF THE ISSUER'S WATERWORKS FACILITIES BOND AND GRANT ANTICIPATION NOTES, SERIES 1996, AND THE ACQUISITION AND CONSTRUCTION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF OAKVALE ROAD PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$12,700,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1996 (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; PROVIDING FOR INTERIM CONSTRUCTION FINANCING; AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT RESOLVED BY THE PUBLIC SERVICE BOARD OF OAKVALE ROAD PUBLIC SERVICE DISTRICT:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

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

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

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

B. The Issuer presently owns and operates certain limited waterworks facilities serving the "Hall's Ridge Road" area of Mercer County, West Virginia, and wishes to expand its water services to other areas of Mercer and Summers Counties,

West Virginia. Accordingly, the Issuer has entered into an Agreement, dated May 8, 1995, as amended (the "Agreement") between the Issuer and West Virginia-American Water Company (the "Company") whereby the Company has agreed to acquire and construct a new water treatment plant, raw water intake structure, raw water line and appurtenant facilities and the Issuer has agreed to acquire and construct a water main and certain water distribution lines to be supplied by the water treatment plant to be built by the Company, all for the purpose of providing water to approximately 15,000 customers in Summers and Mercer Counties, West Virginia.

C. It is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain waterworks facilities of the Issuer, consisting of a water distribution main line, sidelines, pumps and related water distribution facilities in Mercer and Summers Counties, together with all appurtenant facilities (collectively, the "Project"), which constitute public service properties for the supplying of water services (the existing public waterworks facilities, the Project and any further extensions, additions, betterments and improvements thereto are herein called the "System"), in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer.

D. The Issuer has heretofore temporarily financed a portion of the costs of acquisition and construction of a portion of the Project with the proceeds of its Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996, issued on February 15, 1996, in the original principal amount of \$12,600,000, of which \$8,585,851.96 principal amount remains outstanding (the "Notes"). The Issuer intends to pay a portion of the outstanding principal of and interest accrued on the Notes with a portion of the proceeds of the Series 1996 Bonds (as hereinafter defined) to be sold to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia Infrastructure Fund pursuant to the Act. The Issuer intends to repay the remaining outstanding principal of and interest accrued on the Notes with a portion of the proceeds of its Construction Notes (as hereinafter defined). The Issuer also intends to permanently finance a portion of the remaining costs of acquisition and construction of the Project from the balance of proceeds of the Series 1996 Bonds.

E. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), in the total aggregate principal amount of not more than \$12,700,000 (the "Series 1996 Bonds"), to be initially represented by a single bond, to pay a portion of the outstanding principal of and interest accrued on the Notes and to permanently finance a portion of the costs of acquisition and construction of the Project not previously paid from proceeds of the Notes. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Said costs shall be deemed to include the cost of refunding the Notes; the cost of all property rights, easements and franchises deemed necessary or convenient therefor; engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the

enterprise; administrative expense; commitment fees; fees and expenses of the Authority; discount; initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 1996 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 1996 Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

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

G. It is in the best interests of the Issuer that its Series 1996 Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement by and between the Issuer and the Authority, in form satisfactory to the Issuer and the Authority, to be approved hereby if not previously approved by resolution of the Issuer.

H. There are no outstanding bonds or obligations of the Issuer which will rank either prior to or on a parity with the Series 1996 Bonds as to liens, pledge, source of and security for payment. However, the Issuer intends to obtain a revolving line of credit from a bank or other financial institution in an amount not to exceed \$3,000,000, and to maintain such line of credit until the Project is complete. Costs of the Project will be paid initially through a draw upon such revolving line of credit, and proceeds of the Series 1996 Bonds will thereafter be applied to reimbursement of such draw and interest accrued thereon. The Issuer also contemplates issuance of the Series 1997 Bonds at a later date. When issued, the Series 1997 Bonds will be on a parity with the Series 1996 Bonds. Repayment of the line of credit will be made from proceeds of the Series 1996 Bonds, proceeds of the Series 1997 Bonds and the Grants.

I. The Issuer will receive all of its revenues under and pursuant to the Agreement, and is not expected to have any other source of revenues. The revenues to be paid by the Company to the Issuer under the Agreement at all times will be sufficient to pay all costs of operation and maintenance of said System not otherwise paid by the Company, to pay the principal of and interest on the Series 1996 Bonds (and the Series 1997 Bonds, when issued), and to make payments into all funds and accounts and other payments provided for herein, all as such terms are hereinafter defined.

J. In lieu of a funded debt service reserve, the Company has agreed to provide a Letter of Credit in the amount of \$1,093,391.20, for the benefit of the Authority, to be drawn upon in the event that at any time payments under the Agreement are inadequate to provide funds for the District to make all payments required hereunder.

K. The Issuer has complied with all requirements of West Virginia law and the Loan Agreement relating to authorization of the acquisition, construction and operation of the Project and the System and issuance of the Series 1996 Bonds, or will have so complied prior to issuance of any thereof, including, among other things and without limitation, the obtaining of a certificate of public convenience and necessity, if necessary, and approval of this financing and necessary user rates and charges described herein from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which will either have expired prior to the issuance of the Series 1996 Bonds or such final order will not be subject to appeal or rehearing.

L. Pursuant to the Act, the West Virginia Infrastructure and Jobs Development Council (the "Council") has approved the Project and has authorized the Authority to make a loan to the Issuer from the West Virginia Infrastructure Fund.

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 1996 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 Series 1996 Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds of the same series, by reason of priority of issuance or otherwise, except as expressly provided therein and herein.

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

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

"Agreement" means the Agreement, dated May 8, 1995, by and between the Issuer and the Company, as it may be amended from time to time.

"Authority" means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 1996 Bonds, or any other agency, board or department of the State of West Virginia that succeeds to the functions of the Authority, acting in its administrative capacity and upon authorization from the Council under the Act.

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

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

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

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

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

"Bonds" means, collectively, the Series 1996 Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another resolution of the Issuer.

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

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

"Closing Date" means the date upon which there is an exchange of the Series 1996 Bonds for the proceeds or at least a de minimis portion thereof representing the purchase price of the Series 1996 Bonds from the Authority.

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

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

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

"Construction Notes" means the Issuer's Waterworks Facilities Construction Notes, Series 1996, to be issued and dated concurrently with the Series 1996 Bonds, in the maximum aggregate principal amount of \$3,000,000.

"Consulting Engineers" means Stafford Consultants, Princeton, West Virginia, or any qualified engineer or firm of engineers that shall at any time hereafter be retained by the Issuer as Consulting Engineers for the System, or portion thereof; provided however,

that the Consulting Engineers shall not be a regular, full-time employee of the State or any of its agencies, commissions, or political subdivisions.

"Costs" or "Costs of the Project" means those costs described in Section 1.02E 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.

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

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

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

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

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

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

"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 Article 8.01 hereof) or any Tap Fees, as hereinafter defined. The initial Gross Revenues anticipated to be received by the Issuer will be limited to the amounts payable by the Company to the Issuer under the Agreement.

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

"Independent Certified Public Accountants" means any certified public accountant or firm of certified public accountants that shall at any time hereafter be retained by the Issuer to prepare an independent annual or special audit of the accounts of the System

or for any other purpose except keeping the accounts of the System in the normal operation of its business and affairs.

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

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

"Letter of Credit" means the Letter of Credit No. 96064, issued December 4, 1996, in the stated amount of \$1,093,391.20, by One Valley Bank, National Association, Charleston, West Virginia, for the benefit of the Authority.

"Loan Agreement" means the Loan Agreement heretofore entered, or to be entered, into between the Authority and the Issuer, providing for the purchase of the Series 1996 Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified, by the Supplemental Resolution.

"Net Proceeds" means the face amount of the Series 1996 Bonds, plus accrued interest and premium, if any.

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

"Notes" means the Issuer's Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996, issued on and dated February 15, 1996, in the form of a line of credit in the original principal amount of not to exceed \$12,600,000.

"Notes Resolution" means collectively, the Notes Resolution adopted by the Issuer on February 13, 1996, as supplemented and amended by the Supplemental and Amendatory Notes Resolution, adopted by the Issuer concurrently herewith, authorizing issuance of the Construction Notes.

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

generality of the foregoing, administrative, engineering, legal, auditing and insurance expenses, other than those capitalized as part of the costs, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and the 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, charges for depreciation, losses from the sale or other disposition of, or from any decrease in the value of, capital assets, amortization of debt discount or such miscellaneous deductions as are applicable to prior accounting periods.

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

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

"Paying Agent" means the Commission or such other entity or authority as may be designated as a Paying Agent for the Series 1996 Bonds by the Issuer in the Supplemental Resolution.

"Project" means the acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer, consisting of a water distribution main line, sidelines, pumps and related water distribution facilities in Mercer and Summers Counties, together with all appurtenant facilities, and including items Nos. 1 through 10, as set forth in EXHIBIT A to the Notes Resolution.

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

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

(c) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies: Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Government National Mortgage Association; Tennessee Valley Authority; or Washington Metropolitan Area Transit Authority;

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

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

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

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

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

(i) Obligations of states or political subdivisions or agencies thereof, the interest on which is 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 or Bonds, the person in whose name such Bond is registered.

"Registrar" means the Bond Registrar.

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

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

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

"Series 1996 Bonds" means the not more than \$12,700,000 in aggregate principal amount of Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), of the Issuer, authorized by this Resolution.

"Series 1996 Bonds Sinking Fund" means the Series 1996 Bonds Sinking Fund established by Section 5.02 hereof.

"Series 1997 Bonds" means the Water Revenue Bonds, Series 1997 (West Virginia Infrastructure Fund) anticipated to be issued in 1997 in the aggregate principal amount of approximately \$2,000,000, to pay the District's share of funding for additional waterworks facilities for the System, which are currently under design, but for which construction will not commence until 1997. The Series 1997 Bonds will be issued on a parity with the Series 1996 Bonds.

"State" means the State of West Virginia.

"Supplemental Resolution" means any resolution or order of the Issuer supplementing or amending this Resolution and, when preceded by the article "the," refers specifically to the supplemental resolution or resolutions authorizing the sale of the Series 1996 Bonds; provided, that any matter intended by this Resolution to be included in the Supplemental Resolution with respect to the Series 1996 Bonds, and not so included, may be included in another Supplemental Resolution.

"Surplus Revenues" means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds including any reserve account which may hereafter be established.

"System" means the existing waterworks system of the Issuer, as expanded and improved by the Project, and includes the complete waterworks system of the Issuer and all waterworks facilities owned by the Issuer and all facilities and other property of every nature, real or personal, now or hereafter owned, held or used in connection with the waterworks system; and shall also include any and all extensions, additions, betterments and improvements thereto hereafter acquired or constructed for the waterworks system from any sources whatsoever.

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

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

ARTICLE II

AUTHORIZATION OF ACQUISITION AND CONSTRUCTION OF THE PROJECT

Section 2.01. Authorization of Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost of not to exceed \$17,680,318, 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 1996 Bonds hereby authorized shall be applied as provided in Article VI hereof. The Issuer has received bids and has entered into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the Council.

The cost of the Project is estimated not to exceed \$17,680,318, of which approximately \$12,700,000 will be obtained from proceeds of the Series 1996 Bonds, \$990,318 from a grant by the Appalachian Regional Commission, \$3,000,000 from a grant by the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia), and \$990,000 from a grant by the United States Economic Development Administration.

The Issuer also contemplates the issuance of its Series 1997 Bonds to fund the local share portion of the costs of additional water distribution lines for the System. In the event the Series 1997 Bonds are not issued, the facilities to be funded thereby will not be acquired or constructed, but failure to issue the Series 1997 Bonds will have no effect on the Project, the adequacy of payments to be paid by the Company to the Issuer under the Agreement or the resulting ability of the Issuer to pay the principal of and interest on the Series 1996 Bonds.

ARTICLE III

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

Section 3.01. Authorization of Bonds. For the purposes of refunding a portion of the Notes, paying Costs of the Project not otherwise provided for and paying certain costs of issuance and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 1996 Bonds of the Issuer. The Series 1996 Bonds shall be issued as a single bond, designated "Water Revenue Bond, Series 1996 (West Virginia Infrastructure Fund)", in the principal amount of not more than \$12,700,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 1996 Bonds remaining after refunding a portion of the Notes shall be deposited in or credited to the Bond Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Series 1996 Bonds shall bear interest 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 Series 1996 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 1996 Bonds shall be paid by check or draft of the Paying Agent or its 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 1996 Bonds shall initially be issued in the form of a single bond, fully registered to the Authority, with a record of advances and a debt service schedule attached, representing the aggregate principal amount of the Series 1996 Bonds, and shall mature in principal installments, all as provided in the Supplemental Resolution. The Series 1996 Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. The Series 1996 Bonds shall be dated as of the date specified in a Supplemental Resolution and shall bear interest from the date so specified therein.

Section 3.03. Execution of Bonds. The Series 1996 Bonds shall be executed in the name of the Issuer by the Chairman, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Secretary. In case any one or more of the officers who shall have signed or sealed the Series 1996 Bonds shall cease to be such officer of the Issuer before the Series 1996 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 1996 Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 1996 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 form set forth in Section 3.10 hereof 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 1996 Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 1996 Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 1996 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 Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 1996 Bonds remain outstanding, the Issuer, through the Bond Registrar as its agent, shall keep and maintain books for the registration and transfer of such Bonds.

The registered Series 1996 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 1996 Bonds or transferring the registered Series 1996 Bonds are exercised, all Series 1996 Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 1996 Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Series 1996 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 1996 Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 1996 Bonds or, in the case of any proposed redemption of Series 1996 Bonds, next preceding the date of the selection of Bonds to be redeemed, and ending on such interest payment date or redemption date.

Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost. In case any Series 1996 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 Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 1996 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. The Issuer has no taxing power.

Section 3.08. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of all Series 1996 Bonds shall be secured forthwith equally and ratably with each other by a first lien on the Net Revenues derived from the System. Such Net Revenues in an amount sufficient to pay the principal of and interest on and other payments for the Series 1996 Bonds and to make all other payments provided for in the Bond Legislation, are hereby irrevocably pledged to such payments as they become due.

Section 3.09. Delivery of Bonds. The Issuer shall execute and deliver the Series 1996 Bonds to the Bond Registrar, and the Bond Registrar shall authenticate,

register and deliver the Series 1996 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 1996 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 1996 Bonds to the original purchasers;
- C. An executed and certified copy of the Bond Legislation;
- D. An executed copy of the Loan Agreement;
- E. A copy of the Letter of Credit; and
- F. The unqualified approving opinion of bond counsel on the Series 1996 Bonds.

Section 3.10. Form of Series 1996 Bonds. The text of the Series 1996 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 1996 BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
OAKVALE ROAD PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1996
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. R-1

\$12,700,000

KNOW ALL MEN BY THESE PRESENTS: That Oakvale Road Public Service District, a public corporation and political subdivision of the State of West Virginia in Mercer and Summers Counties 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 TWELVE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$12,700,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 1997, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on the unpaid principal balance at the rate per annum set forth on said EXHIBIT B. The interest on this Bond shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 1997, as set forth on EXHIBIT B attached hereto.

On February 20, 1997, the Authority will determine the amount of principal advanced hereunder, will calculate the quarterly installments of principal of and interest hereon to be paid on June 1, September 1 and December 1, 1997, and will attach a new EXHIBIT B reflecting such amounts, hereto. On December 20, 1997, the Authority will redetermine the amount of principal advanced hereunder, will recalculate the quarterly installments of principal of and interest hereon to be paid on March 1, 1998, and each quarter thereafter, until the maturity hereof and will attach a new EXHIBIT B reflecting such amounts, hereto. If not previously paid, all principal of and interest on this Bond shall be payable on December 1, 2036.

Principal installments of this Bond are payable in any coin or currency which, on the respective dates of payment of such installments, is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of the West Virginia Municipal Bond Commission, Charleston, West Virginia (the "Paying Agent"). The interest on this Bond is payable by check or draft of the Paying Agent mailed

to the registered owner hereof at the address as it appears on the books of One Valley Bank, National Association, Charleston, West Virginia, as registrar (the "Registrar"), on the 15th day of the month next preceding an interest payment date, or by such other method as shall be mutually agreeable so long as the Authority is the Registered Owner hereof.

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, dated December 4, 1996.

This Bond is issued (i) to refund a portion of the Issuer's Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996, dated February 15, 1996 (the "Notes"), heretofore issued to temporarily finance a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); (ii) to pay a portion of the costs of acquisition and construction of the Project not previously paid from proceeds of the Notes; and (iii) to pay certain costs of issuance hereof and related costs. The existing public waterworks system of the Issuer, the Project, and any further extensions, 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 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on December 4, 1996, and a Supplemental Resolution duly adopted by the Issuer on December 4, 1996 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 1996 Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, unexpended proceeds of the Bonds and proceeds of the Letter of Credit No. 96064, issued December 4, 1996, in the stated amount of \$1,093,391.20, by One Valley Bank, National Association, Charleston, West Virginia, for the benefit of the Authority. (the "Letter of Credit"). 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 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, unexpended proceeds of the Bonds and proceeds of the Letter of Credit. 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 not otherwise paid, and to leave a balance each year equal to at least 100% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and 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 Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

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

IN WITNESS WHEREOF, OAKVALE ROAD 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 December 4,
1996.

[SEAL]

Chairman

ATTEST:

Secretary

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1996 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: _____, 1996.

ONE VALLEY BANK,
NATIONAL ASSOCIATION,
as Registrar

Authorized Officer

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 1996 Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous resolution, the Chairman is specifically authorized and directed to execute the Loan Agreement in the form attached hereto as "EXHIBIT A" and made a part hereof, and the Secretary is directed to affix the seal of the Issuer, attest the same and deliver the Loan Agreement to the Authority, and any such prior execution and delivery is hereby authorized, approved, ratified and confirmed.

Section 3.12. "Amended Schedule A" Filing. Upon completion of the acquisition and construction of the Project, 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 IV

INTERIM CONSTRUCTION FINANCING

Section 4.01. Interim Construction Financing. In order to pay the balance of the Notes outstanding not being paid from proceeds of the Series 1996 Bonds, certain Costs of the Project and costs of additional waterworks facilities for the System pending receipt of proceeds of the Grants and advances of principal of the Series 1996 Bonds and the Series 1997 Bonds, the Issuer will issue and sell its interim construction notes in an aggregate principal amount not to exceed \$3,000,000 (the "Construction Notes"). The Notes shall be in the form of a revolving line of credit from a commercial bank or other lender, and the Issuer is hereby authorized to enter into a loan agreement or similar agreement with such commercial bank or other lender. The Notes shall bear interest from the date or dates, at such rate or rates, payable on such dates and shall mature on such date or dates and be subject to such prepayment or redemption, all as provided in the Notes Resolution.

The Notes shall be special obligations of the Issuer payable as to principal and interest solely from proceeds of the Series 1996 Bonds, proceeds of the Series 1997 Bonds and the Grants. The Notes do not and shall not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provisions. The general funds of the Issuer are not liable, and neither the full faith and credit nor the taxing power of the Issuer, if any, is pledged for the payment of the Notes. (The Issuer has no taxing power). The Holders of the Notes shall never have the right to compel the forfeiture of any property of the Issuer. The Notes shall not be a debt of the Issuer, nor a legal or equitable pledge, charge, lien or encumbrance upon any property of the Issuer or upon any of its income, receipts or Net Revenues except as set forth herein.

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

- (1) Revenue Fund; and
- (2) Bond Construction Trust Fund

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

- (1) Series 1996 Bonds Sinking Fund.

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 provided in this Bond Legislation. All revenues at any time on deposit in the Revenue Fund shall be disposed of only in the following order and priority:

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

(2) The Issuer shall next, on the first day of each month, commencing 3 months prior to the first date of payment of interest on the Series 1996 Bonds for which interest has not been capitalized or as required in the Loan Agreement, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1996 Bonds Sinking Fund, an amount equal to 1/3rd of the amount of interest which will become due on the Series 1996 Bonds on the next ensuing quarterly interest payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 1996 Bonds Sinking Fund and the next quarterly interest payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly

interest payment date, the required amount of interest coming due on such date.

(3) The Issuer shall next, on the first day of each month, commencing 3 months prior to the first date of payment of principal of the Series 1996 Bonds, transfer from the Revenue Fund and remit to the Commission for deposit in the Series 1996 Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 1996 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 1996 Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.

(4) After all the foregoing provisions for use of moneys in the Revenue Fund have been fully complied with, any moneys remaining therein and not permitted to be retained therein may be used to prepay installments of the Bonds or for any lawful purpose of the System.

(5) So long as the Letter of Credit is in place no debt service reserve fund shall be required for the Series 1996 Bonds. However, in the event the Letter of Credit is terminated or the amount payable thereunder is reduced, the Issuer may, at the option of the Council, be required to establish a debt service reserve fund for the Series 1996 Bonds, in an amount to be determined by the Council.

Moneys in the Series 1996 Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest on the Series 1996 Bonds as the same shall become due. All investment earnings on moneys in the Series 1996 Bonds Sinking Fund 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 payment due on the Series 1996 Bonds and then to the next ensuing principal payment due thereon.

As and when additional Bonds ranking on a parity with the Series 1996 Bonds are issued, provision shall be made for additional payments into the respective sinking funds sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the appropriate reserve account in an amount equal to the maximum amount of principal and interest which will become due in any year for account of the Bonds of such series, including such additional Bonds.

The Issuer shall not be required to make any further payments into the Series 1996 Bonds Sinking Fund when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 1996 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 1996 Bonds Sinking Fund created hereunder, and all amounts required for said account shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein.

Moneys in the Series 1996 Bonds Sinking Fund shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof. The Series 1996 Bonds Sinking Fund shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 1996 Bonds and any additional Bonds ranking on a parity therewith that may be issued and Outstanding under the conditions and restrictions hereinafter set forth.

B. The Issuer shall on the first day of each month (if such day is not a business day, then the next succeeding business day) deposit with the Commission the required principal, interest and reserve payments with respect to the Series 1996 Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation.

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 their respective charges, fees and expenses then due.

D. The moneys in excess of the sum insured by the maximum amounts insured by FDIC in the Revenue 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, if any, received by the Issuer 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 1996 Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 1996 Bonds, there shall first be paid to the Holders of the Notes the sum of \$8,470,686.40, being a portion of the outstanding principal of the Notes and the interest accrued thereon.

B. Next, from the proceeds of the Series 1996 Bonds, there shall first be credited to the Bond Construction Trust Fund and then paid, any and all other borrowings by the Issuer made for the purpose of temporarily financing a portion of the Costs of the Project and any borrowings by the Issuer from the Authority, including interest accrued thereon to the date of such payment, not otherwise paid from funds of the Issuer.

C. As the Issuer receives advances of the remaining moneys derived from the sale of the Series 1996 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 or repayment of Construction Notes in the manner set forth in Section 6.02 hereof.

D. 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 1996 Bonds.

Section 6.02. Disbursements From the Bond Construction Trust Fund. The Issuer shall, by the 15th day of each month, provide the Council with a requisition for the costs incurred for the Project, together with documentation as to payment of such costs from proceeds of the Construction Notes and such other documentation as the Council shall require. 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 the costs of issuance of the Bonds hereby authorized, which shall be made upon request of the Issuer) shall be made only after submission to the Depository Bank of a certificate, signed by an Authorized Officer, the Consulting Engineers and an appropriate official of Region I Planning and Development Council, stating:

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

(B) 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;

(C) That each of such costs has been otherwise properly incurred; and

(D) That payment for each of the items proposed has either been made from proceeds of the Construction Notes or 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.

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.

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 1996 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 1996 Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 1996 Bonds or the interest thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 1996 Bonds shall not be nor constitute an indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of any Series 1996 Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer, if any, to pay the Series 1996 Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Net Revenues. The payment of the debt service of the Series 1996 Bonds issued hereunder shall be secured forthwith equally and ratably by a first lien on the Net Revenues derived from the operation of the System. The Net Revenues derived from the System, in an amount sufficient to pay the principal of and interest on the Series 1996 Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The initial schedule of rates and charges for the services and facilities of the System shall be as set forth and approved and described in the Final Order of the Public Service Commission of West Virginia entered February 5, 1996, in Case No. 94-0098-W-PWD-PC-CN and such rates are hereby ratified.

Section 7.05. Sale of the System. So long as the Series 1996 Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the Council, the System may not be sold, mortgaged, leased or otherwise disposed of except as a whole, or substantially as a whole, and only if the net proceeds to be realized shall be sufficient to pay fully all the Bonds Outstanding, or to effectively defease the pledge created by this Bond Legislation in accordance with Article X hereof.

The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 1996 Bonds, immediately be remitted to the Commission for deposit in the Series 1996 Bonds Sinking Fund 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 Series 1996 Bonds. Any balance remaining after the payment of all the Series 1996 Bonds and interest thereon shall be remitted to the Issuer by the Commission unless necessary for the payment of other obligations of the Issuer payable out of the revenues of the System.

The foregoing provision notwithstanding, the Issuer shall have and hereby reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the System hereinafter determined in the manner provided herein to be no longer necessary, useful or profitable in the operation thereof. Prior to any such sale, lease or other disposition of such property, if the amount to be received therefor, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, is not in excess of \$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 Revenue Fund. If the amount to be received from such sale, lease or other disposition of said property, together with all other amounts received during the same Fiscal Year for such sales, leases or other dispositions of such properties, shall be in excess of \$50,000 but not in excess of \$200,000, the Issuer shall first, in writing, 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 the Governing Body may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property upon public bidding in accordance with the laws of the State. 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, with the written consent of the Authority and the Council, be remitted by the Issuer to the Commission for deposit in the Series 1996 Bonds Sinking Fund. Such payment of such proceeds into the Series 1996 Bonds Sinking Fund or the Renewal and Replacement Fund shall not reduce the amounts required to be paid into said funds by other provisions of this Bond Legislation.

No sale, lease or other disposition of the properties of the System shall be made by the Issuer if the proceeds to be derived therefrom, together with all other amounts received during the same Fiscal Year for such sales, leases, or other dispositions of such properties, shall be in excess of \$200,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders, or their duly authorized representatives, of 66 2/3% in amount of the Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Bonds for the disposition of the proceeds of the sale, lease or other disposition of such properties of the System.

Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances. Except as provided for in this Section 7.06 and in Section 7.07 hereof, 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 1996 Bonds. All obligations issued by the Issuer after the issuance of the Series 1996 Bonds and payable from the revenues of the System, except Parity Bonds issued under the conditions set forth in Section 7.07 hereof, shall contain an express statement that such obligations are junior and subordinate, as to lien on, pledge and source of and security for payment from such revenues and in all other respects, to the Series 1996 Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided in Section 7.07 hereof, 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 1996 Bonds, and the interest thereon, upon any or all of the income and revenues of the System pledged for payment of the Series 1996 Bonds and the interest thereon in this Bond Legislation, or upon the System or any part thereof.

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

Section 7.07. Parity Bonds. No Parity Bonds, payable out of the revenues of the System, shall be issued after the issuance of the Series 1996 Bonds pursuant to this Bond Legislation, except upon written consent thereto by the Authority and the Council.

All Parity Bonds issued hereunder shall be on a parity in all respects with the Series 1996 Bonds.

No such Parity Bonds shall be issued except for the purpose of financing the costs of the acquisition or construction of extensions, additions, betterments or improvements to the System, paying claims against the Issuer or refunding the Series 1996 Bonds issued pursuant hereto, or any combination of such purposes.

All covenants and other provisions of this Bond Legislation (except as to details of such Parity Bonds inconsistent herewith) shall be for the equal benefit, protection and security of the Holders of the Bonds and the Holders of any Parity Bonds theretofore or subsequently issued from time to time within the limitations of and in compliance with this section. Bonds issued on a parity, regardless of the time or times of their issuance,

shall rank equally with respect to their lien on the revenues of the System and their source of and security for payment from said revenues, without preference of any Bond of one series over any other Bond of the same series. The Issuer shall comply fully with all the increased payments into the various funds and accounts created in this Bond Legislation required for and on account of such Parity Bonds, in addition to the payments required for Bonds theretofore issued pursuant to this Bond Legislation.

Parity Bonds shall not be deemed to include bonds, notes, certificates or other obligations subsequently issued, the lien of which on the revenues of the System is subject to the prior and superior lien of the Series 1996 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 1996 Bonds.

Section 7.08. Books; Records and Facilities. 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 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 Council 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 Council or their respective agents and representatives, to inspect all records pertaining to the operation of the System at all reasonable times following completion of construction of the Project and commencement of operation thereof, or, if the Project is an improvement to an existing system, at any reasonable time following commencement of construction.

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

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

The Issuer shall file with the Council and the Authority, or any other original purchaser of the Series 1996 Bonds, and shall mail in each year to any Holder or Holders of the Series 1996 Bonds requesting the same, an annual report containing the following:

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

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

(C) The amount of any Bonds, notes or other obligations payable from the revenues of the System 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 and shall mail upon request, and make available generally, the report of said Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 1996 Bonds and shall submit said report to the Authority and the Council, or any other original purchaser of the Series 1996 Bonds. Such audit report submitted to the Authority and the Council, shall include a statement that the Issuer is in compliance with the terms and provisions of the Loan Agreement and this Bond Legislation and that the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

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

Section 7.09. Rates. Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be

sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reductions in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 100% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 1996 Bonds and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Series 1996 Bonds. The Issuer shall not reduce the rates or charges for services set forth in the rate Resolution 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 within 30 days of adoption thereof. No expenditures for the operation and maintenance of the System shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by a registered professional engineer, 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 a registered professional engineer that such increased expenditures are necessary for the continued operation of the System. The Issuer shall mail copies of such annual budget and all resolutions authorizing increased expenditures for operation and maintenance to the Authority, or to any Holder of the Bonds, who shall file his or her address with the Issuer and request in writing that copies of all such budgets and resolutions be furnished him or her and shall make available such budgets 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 2 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 C, and forward a copy of such report to the Authority and the Council by the 15th day of each month.

Section 7.11. Engineering Services and Operating Personnel. The Issuer will obtain a certificate of the Consulting Engineers in the form attached to the Loan Agreement, stating, among other things, that the Project has been or will be constructed in accordance with the approved plans, specifications and designs as submitted to the Authority and the Council, the Project is adequate for the purposes for which it was designed, the

funding plan as submitted to the Authority and the Council is sufficient to pay the costs of acquisition and construction of the Project, and all permits required by federal and state laws for construction of the Project have been obtained.

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

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

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

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

Whenever any fees, rates, rentals or other charges for the services and facilities of the System shall remain unpaid for a period of 30 days after the same shall become due and payable, the property and the owner thereof, as well as the user of the services and facilities, shall be delinquent until such time as all such rates and charges are fully paid. To the extent authorized by the laws of the State and the rules and regulations of the Public Service Commission of West Virginia, rates, rentals and other charges, if not paid when due, shall become a lien on the premises served by the System. The Issuer further covenants and agrees that, it will, to the full extent permitted by law and the rules and regulations promulgated by the Public Service Commission of West Virginia, discontinue and shut off the services of the System, and any services and facilities of the sewer 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 sewer facilities are not owned by the Issuer, the Issuer shall enter into a termination agreement with the sewer service 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. A. The Issuer hereby covenants and agrees that so long as the Series 1996 Bonds remain Outstanding, the Issuer will, as an Operating Expense, procure, carry and maintain insurance with a reputable insurance carrier or carriers as is customarily covered with respect to works and properties similar to the System. Such insurance shall initially cover the following risks and be in the following amounts:

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

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

System, and insurance with the same limits to protect the Issuer from claims arising out of operation or ownership of motor vehicles of or for the System.

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

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

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

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

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

Section 7.17. Completion 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 West Virginia Public Service Commission for the acquisition and construction of the Project and the operation of the System.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer agrees to comply with all the terms and conditions of the Loan Agreement and shall, by Supplemental Resolution, approve such additional terms and conditions set forth in the Loan Agreement. The Issuer also agrees to comply with all applicable laws, rules and regulations

issued by the Authority, 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. The Issuer shall provide the Council with copies of all documents submitted to the Authority.

Section 7.19. Statutory Mortgage Lien. For the further protection of the Holders of the Series 1996 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, and shall take effect immediately upon delivery of the Series 1996 Bonds.

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 (17CFR Part 240).

ARTICLE VIII

INVESTMENT OF FUNDS

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

Any investment shall be held in and at all times deemed a part of the fund or account in which such moneys were originally held, and the interest accruing thereon and any profit or loss realized from such investment shall be credited or charged to the appropriate fund or account. The investments held for any fund or account shall be valued at the lower of cost or then current market value, or at the redemption price thereof if then redeemable at the option of the holder, including the value of accrued interest and giving effect to the amortization of discount, or at par if such investment is held in the "Consolidated Fund." The Commission, 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 investment or trust 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 Series 1996 Bonds are Outstanding.

ARTICLE IX

DEFAULT AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1996 Bonds:

(1) If default occurs in the due and punctual payment of the principal of or interest on the Series 1996 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 1996 Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 1996 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, the Registrar, the Paying Agent or any other Paying Agent or a Holder of a Bond; or

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

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

Section 9.03. Appointment of Receiver. Any Registered Owner 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, the completion of the Project and, after commencement of operation of the System, the making and collection of sufficient rates and charges for services rendered by the System and segregation of the revenues therefrom and the application thereof. If there be any Event of Default with respect to such Bonds, any Registered Owner of a 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 revenues in conformity with the provisions of this Bond Legislation and the Act.

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

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

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

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

ARTICLE X

DEFEASANCE

Section 10.01. Defeasance of Bonds. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of the Series 1996 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 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 1996 Bonds shall thereupon cease, terminate and become void and be discharged and satisfied.

Series 1996 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 1996 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 1996 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 1996 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 1996 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 issuance of the Series 1996 Bonds, this Resolution may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 1996 Bonds, no material modification or amendment of this Resolution, or of any resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 1996 Bonds, shall be made without the consent in writing of the Registered Owners of 66 2/3% or more in principal amount of the Series 1996 Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 1996 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 pledged therefor without the consent of the Registered Owner thereof. No amendment or modification shall be made that would reduce the percentage of the principal amount of the Series 1996 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 Registered Owners of the Series 1996 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 1996 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. Notices. All notices to be sent to the Issuer, the Company, the Authority or the Council shall be in writing and shall be deemed to have been given when delivered in person or mailed by first class mail, postage prepaid, addressed as follows:

ISSUER:

Oakvale Road Public Service District
Post Office Box 1061
Athens Road
Princeton, West Virginia 24740
Attention: Manager

COMPANY:

West Virginia-American Water Company
P. O. Box 1906
Charleston, West Virginia 25327-1906
Attention: President

AUTHORITY:

Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064
Attention: Executive Director

COUNCIL:

West Virginia Infrastructure Council
1320 One Valley Square
Charleston, West Virginia 25301
Attention: Executive Secretary

All notices to be sent to the Issuer hereunder shall also be sent to the Company, and all notices to be sent to the Council hereunder, shall also be sent to the Authority.

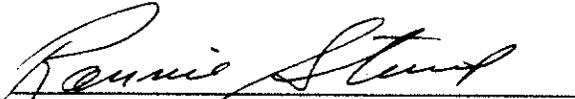
Section 11.06. Conflicting Provisions Repealed. All orders and resolutions, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

Section 11.07. 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, the 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 11.08. Effective Date. This Resolution shall take effect immediately upon adoption hereof.

Adopted this 4th day of December, 1996.


Chairman

CERTIFICATION

Certified a true copy of a Resolution duly enacted by the Public Service Board of OAKVALE ROAD PUBLIC SERVICE DISTRICT on the 4th day of December, 1996.

Dated: December 4, 1996.

[SEAL]

Hillis Warren
Secretary

12/02/96
OVJ.A7
667990/96001

OAKVALE ROAD PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1996(WEST VIRGINIA INFRASTRUCTURE FUND), OF OAKVALE ROAD PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AUTHORIZING AND APPROVING THE OPERATING AGREEMENT ENTERED INTO BY AND BETWEEN THE DISTRICT AND WEST VIRGINIA-AMERICAN WATER COMPANY; APPROVING A LETTER OF CREDIT TO ADDITIONALLY SECURE THE BONDS; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the Public Service Board (the "Governing Body") of Oakvale Road Public Service District (the "Issuer"), has duly and officially adopted a bond resolution, effective December 4, 1996 (the "Bond Resolution" or the "Resolution") entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE ISSUER'S WATERWORKS FACILITIES BOND AND GRANT ANTICIPATION NOTES, SERIES 1996, AND THE ACQUISITION AND CONSTRUCTION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF OAKVALE ROAD PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$12,700,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1996 (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE

RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS PROVIDING FOR INTERIM CONSTRUCTION FINANCING; 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 Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), of the Issuer (the "Bonds" or the "Series 1996 Bonds"), in an aggregate principal amount not to exceed \$12,700,000, and has authorized the execution and delivery of a loan agreement relating to the Bonds (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), all in accordance with Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"); and in the Bond Resolution it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

WHEREAS, the Loan Agreement and Letter of Credit have been presented to the Issuer at this meeting;

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

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Loan Agreement be approved and entered into by the Issuer, that the Agreement between the Issuer and West Virginia-American Water Company, as amended, be approved and authorized by the Issuer, that the exact principal amount, the date, the maturity date, the redemption provisions, the interest rate, the interest and principal payment dates and the sale

price of the Bonds be fixed hereby in the manner stated herein, and that other matters relating to the Bonds be herein provided for;

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF OAKVALE ROAD 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 Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), of the Issuer, originally represented by a single Bond, numbered R-1, in the principal amount of \$12,700,000. The Bonds shall be dated the date of delivery thereof, shall finally mature December 1, 2036, and shall bear interest at the rate of 3.0% per annum. Principal of and interest on the Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 1997, and ending December 1, 2036, and in the amounts as set forth in "Schedule X" attached to the Loan Agreement and incorporated in and made a part of the Bonds. The initial "Schedule X" shall reflect the full principal amount of the Bonds, being \$12,700,000. On February 20, 1997 and December 20, 1997, "Schedule X" will be amended to reflect the actual principal amounts advanced as of such dates. The Bonds shall be subject to redemption upon the written consent of the Authority, and upon payment of the interest and redemption premium, if any, and otherwise in compliance with the Loan Agreement, as long as the Authority shall be the registered owner of the Bonds.

On February 20, 1997, the Authority shall determine the amount of principal advanced under the Bonds, and shall calculate the quarterly installments of principal of and interest hereon to be paid on June 1, September 1 and December 1, 1997. On December 20, 1997, the Authority shall redetermine the amount of principal advanced under the Bonds, and shall recalculate the quarterly installments of principal of and interest on the Bonds to be paid on March 1, 1998, and each quarter thereafter, until the maturity thereof. If not previously paid, all principal of and interest on the Bonds shall be payable on December 1, 2036.

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

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

Section 4. The Issuer does hereby approve the Letter of Credit and the issuance of the Letter of Credit in lieu of a funded debt service reserve fund for the Bonds, and acknowledges that the Authority may hereafter require that a debt service reserve account be established and funded in the event the Letter of Credit is reduced or terminated;

Section 5. The Issuer does hereby appoint and designate One Valley Bank, National Association, Charleston, West Virginia, as Registrar (the "Registrar") for the Bonds and does approve and accept the Registrar's Agreement to be dated the date of delivery of the Bonds, by and between the Issuer and the Registrar, and the execution and delivery of the Registrar's Agreement by the Chairman, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

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

Section 7. The Issuer does hereby appoint One Valley Bank of Mercer County, Princeton, West Virginia, as Depository Bank under the Bond Resolution.

Section 8. Series 1996 Bonds proceeds in the amount of \$8,470,686.40 shall be deposited in the Bond Construction Trust Fund and immediately applied to pay a portion of the outstanding principal of and interest accrued on the Issuer's Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 (the "Notes"), heretofore issued to temporarily finance a portion of the costs of acquisition and construction of the Project. (The balance of the principal of and interest accrued on the Notes, being \$217,170.30, are to be paid concurrently from proceeds of the Construction Notes.)

Section 9. Series 1996 Bonds proceeds in the amount of \$ -0- shall be deposited in the Series 1996 Bonds Sinking Fund as capitalized interest.

Section 10. The balance of the proceeds of the Bonds shall be deposited in the Bond Construction Trust Fund as received from time to time for payment of Costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

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 Bonds hereby and by the Bond Resolution approved and provided for, to the end that the Bonds may be delivered to the Authority pursuant to the Loan Agreement on or about December 4, 1996.

Section 12. The acquisition and construction of the Project and the financing thereof in part with proceeds of the Bonds are in the public interest, serve a public purpose of the Issuer and will promote the health, welfare and safety of the residents of the Issuer.

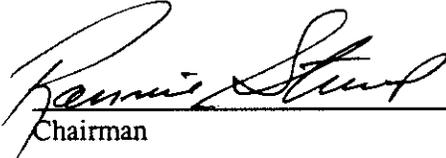
Section 13. The Issuer hereby determines that it is in the best interest of the Issuer to invest all moneys in the funds and accounts established by the Bond Resolution held by the Depository Bank until expended, in repurchase agreements or in time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such moneys to be invested in such repurchase agreements and/or time accounts, until further directed by the Issuer. Moneys in the Series 1996 Bonds Sinking Fund shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 14. The Issuer is hereby authorized and approval is given, if such authorization and approval has not previously been given, to enter into the Agreement with West Virginia-American Water Company, whereby West Virginia-American Water Company will operate and maintain the System for the Issuer.

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

Adopted this 4th day of December, 1996.

OAKVALE ROAD PUBLIC SERVICE DISTRICT

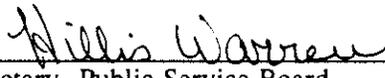

Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of OAKVALE ROAD PUBLIC SERVICE DISTRICT on the 4th day of December, 1996.

Dated: December 4, 1996.

[SEAL]



Secretary, Public Service Board

12/02/96
OVJ.B4
667990/96001

OAKVALE ROAD PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

SUPPLEMENTAL RESOLUTION

SUPPLEMENTAL RESOLUTION AMENDING CERTAIN PROVISIONS OF THE BOND RESOLUTION ADOPTED DECEMBER 4, 1996, AUTHORIZING THE ISSUANCE OF THE WATER REVENUE BONDS, SERIES 1996 (WEST VIRGINIA INFRASTRUCTURE FUND), OF OAKVALE ROAD PUBLIC SERVICE DISTRICT.

WHEREAS, Oakvale Road Public Service District (the "Issuer") has heretofore issued its Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), dated December 4, 1996 (the "Bonds"), pursuant to a bond resolution adopted by the Issuer on December 4, 1996 (the "Bond Resolution"), entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE ISSUER'S WATERWORKS FACILITIES BOND AND GRANT ANTICIPATION NOTES, SERIES 1996, AND THE ACQUISITION AND CONSTRUCTION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF OAKVALE ROAD PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$12,700,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1996 (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS PROVIDING FOR INTERIM CONSTRUCTION FINANCING; 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 that no material modification or amendment of the Bond Resolution shall be made without the consent in writing of the Registered Owners of 66 2/3% or more in principal amount of the Bonds so affected and then outstanding;

WHEREAS, the West Virginia Water Development Authority (the "Authority"), the sole Registered Owner of the Bonds, has consented in writing to the amendment of the Bond Resolution as set forth herein; and

WHEREAS, the Governing Body deems it essential and desirable that this supplemental resolution (the "Supplemental Resolution") be adopted and that the Bond Resolution be amended as set forth herein;

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

Section 1. Pursuant to Section 11.01 of the Bond Resolution, the Issuer hereby amends Section 5.03A.(5) and adds Section 5.03A.(6) of the Bond Resolution as follows:

(5) So long as the Letter of Credit is in place, no debt service reserve account shall be required for the Series 1996 Bonds. However, in the event the Letter of Credit is terminated or the amount payable thereunder is reduced, the Issuer shall be required to establish the Series 1996 Bonds Reserve Account for the Series 1996 Bonds, in compliance with the requirements of the Loan Agreement, unless waived by the Council.

(6) So long as the Letter of Credit is in place, no renewal and replacement fund shall be required for the Series 1996 Bonds. However, in the event the Letter of Credit is terminated or the amount payable thereunder is reduced, the Issuer shall be required to establish a Renewal and Replacement Fund for the Series 1996 Bonds, in compliance with the

requirements of the Loan Agreement, unless waived by the Council.

Section 2. Pursuant to Section 11.01 of the Bond Resolution, the Issuer hereby amends Section 7.09 of the Bond Resolution as follows:

Equitable rates or charges for the use of and service rendered by the System have been established all in the manner and form required by law, and copies of such rates and charges so established will be continuously on file with the Secretary, which copies will be open to inspection by all interested parties. The schedule of rates and charges shall at all times be adequate to produce Gross Revenues from the System sufficient to pay Operating Expenses and to make the prescribed payments into the funds created hereunder. Such schedule of rates and charges shall be changed and readjusted whenever necessary so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant, with a margin for contingencies and temporary unanticipated reductions in income and revenues, the Issuer hereby covenants and agrees that the schedule of rates or charges from time to time in effect shall be sufficient, together with other revenues of the System (i) to provide for all Operating Expenses of the System and (ii) to leave a balance each year equal to at least 100% of the maximum amount required in any year for payment of principal of and interest on the Series 1996 Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 1996 Bonds. In the event the Agreement is no longer in place, the Issuer shall comply with the requirements of Section 4.1(b)(ii) of the Loan Agreement. In any event, the Issuer shall not reduce the rates or charges for services described in Section 7.04.

Section 3. This Supplemental Resolution shall be effective immediately following adoption hereof.

Adopted this 18th day of May, 1999.

OAKVALE ROAD PUBLIC SERVICE DISTRICT

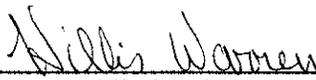

Chairman

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Public Service Board of OAKVALE ROAD PUBLIC SERVICE DISTRICT on the 18th day of May, 1999.

Dated: May 18, 1999.

[SEAL]



Secretary, Public Service Board

04/22/99
667990/96001



State of West Virginia
WATER DEVELOPMENT AUTHORITY

180 Association Drive
Charleston WV 25311-1571

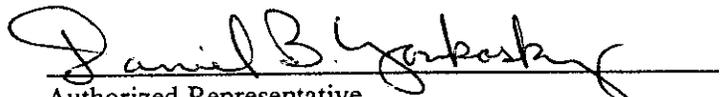
Telephone (304) 558-3612
Telecopier (304) 558-0299

May 18, 1999

Oakvale Road Public Service District
Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

TO WHOM IT MAY CONCERN:

The undersigned duly authorized representative of the West Virginia Water Development Authority, the registered owner of the entire outstanding aggregate principal amount of the Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund) (the "Bonds"), of Oakvale Road Public Service District (the "Issuer"), hereby consents to the amendment of Sections 5.03A.(5), 5.03A.(6) and 7.09 of the Bond Resolution of the Issuer adopted December 4, 1996, authorizing the Bonds, as set forth in the Supplemental Resolution of the Issuer adopted May 18, 1999.


Authorized Representative

LOAN AGREEMENT

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

OAKVALE ROAD PUBLIC SERVICE DISTRICT
(Governmental Agency)

WITNESSETH:

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

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

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

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

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

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

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

ARTICLE I

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

The Project and the System

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE IV

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

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

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

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

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

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

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

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

(b) Covenants substantially as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.2 The Loan shall be secured by the pledge and assignment by the Governmental Agency, as effected by the Local Act, of the fees, charges and other revenues of the Governmental Agency from the System as further set forth by and subject only to such reservations and exceptions as are described in Schedules X and Y hereto or are otherwise expressly permitted in writing by the Authority and the Council.

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

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

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

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

ARTICLE V

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

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

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

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

5.4 The Governmental Agency hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Governmental Agency,

the Authority may exercise any or all of the rights and powers granted under the Act and State law, including without limitation the right to an appointment of a receiver.

ARTICLE VI

Other Agreements of the Governmental Agency

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

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

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

6.4 The Governmental Agency hereby agrees to give the Authority prior written notice of the issuance by it of any other obligations to be used for the Project, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

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

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

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

7.8 This Loan Agreement shall terminate upon the earlier of:

- (i) the end of ninety (90) days after the date of execution hereof by the Authority if the Governmental Agency has failed to deliver the Local Bonds to the Authority;

- (ii) termination by the Authority pursuant to Section 6.1 hereof; or
- (iii) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Governmental Agency to the Authority, acting on behalf of the Council.

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

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

OAKVALEROADPUBLICSERVICEDISTRICT

(SEAL)

By: *Rennie Stump*
Its: Chairman

Attest:

Date: December 4, 1996

Hillis Warren
Its: Secretary

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

(SEAL)

By: *Daniel B. Yenkosky*
Director

Attest:

Date: December 4, 1996

Barbara B. Meadows
Secretary-Treasurer

EXHIBIT A

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

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

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

2. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and approved by all necessary governmental bodies, (ii) the Project is adequate for the purpose for which it was designed and has an estimated useful life of at least _____ years, (iii) the Issuer has received bids for the construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application and my firm has ascertained that all contractors have made required provisions for all insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified by my firm for accuracy, (iv) the 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)(ii) 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 B

[Opinion of Bond Counsel for Governmental Agency]

[To Be Dated as of Date of Loan Closing]

West Virginia Infrastructure and
Jobs Development Council
c/o West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Ladies and Gentlemen:

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

We have examined a certified copy of proceedings and other papers relating to (i) the authorization of a loan agreement dated _____, 19__, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Governmental Agency and the West Virginia Water Development Authority (the "Authority") and (ii) the issue of a series of revenue bonds of the Governmental Agency, dated _____, 19__ (the "Local Bonds"), to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Local Bonds are in the principal amount of \$_____, issued in the form of one bond registered as to principal and interest to the Authority, with interest and principal payable in installments on September 1, December 1, March 1 and June 1 of each year, beginning December 1, 1997, at the rate as set forth in Exhibit A incorporated in and made a part of the Bonds.

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

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

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

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

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

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

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

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

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

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

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

Very truly yours,

EXHIBIT C

Monthly Financial Report

[Name of Governmental Agency]

[Name of Bond Issue]

Fiscal Year - ____

Report Month: _____

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

Witnesseth my signature this ___ day of _____, 19__.

[Name of Governmental Agency]

By: _____
Authorized Officer

SCHEDULE X

DESCRIPTION OF BONDS

Principal Amount of Bonds	\$12,700,000
Purchase Price of Bonds	\$12,700,000

Interest on the Bonds shall be zero percent from the date of delivery to and including March 1, 1997. Principal and interest on the Bonds is payable quarterly, commencing June 1, 1997, at a rate of 3 % 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 Council's understanding that the Governmental Agency has no 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.

The Governmental Agency 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. The Governmental Agency 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 Governmental Agency's system.

The Governmental Agency may prepay the Bonds in full at any time at the price of par upon 30 days' written notice to the Authority and Council. The Governmental Agency shall request approval from the Authority and Council 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.

SCHEDULE Y
 INFRASTRUCTURE FUND
 1996 SERIES B

Oakvale Road PSD
 \$12,700,000.00
 3% interest

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
6/01/1997	73,173.90	3.00000%	63,500.00	136,673.90
9/01/1997	41,972.70	3.00000%	94,701.20	136,673.90
12/01/1997	42,287.50	3.00000%	94,386.40	136,673.90
3/01/1998	42,604.65	3.00000%	94,069.24	136,673.89
6/01/1998	42,924.19	3.00000%	93,749.73	136,673.90
9/01/1998	43,246.12	3.00000%	93,427.78	136,673.90
12/01/1998	43,570.46	3.00000%	93,103.43	136,673.89
3/01/1999	43,897.24	3.00000%	92,776.65	136,673.89
6/01/1999	44,226.47	3.00000%	92,447.42	136,673.89
9/01/1999	44,558.17	3.00000%	92,119.73	136,673.90
12/01/1999	44,892.36	3.00000%	91,781.54	136,673.90
3/01/2000	45,229.05	3.00000%	91,444.85	136,673.90
6/01/2000	45,568.27	3.00000%	91,105.63	136,673.90
9/01/2000	45,910.03	3.00000%	90,763.87	136,673.90
12/01/2000	46,254.35	3.00000%	90,419.54	136,673.89
3/01/2001	46,601.26	3.00000%	90,072.63	136,673.89
6/01/2001	46,950.77	3.00000%	89,723.12	136,673.89
9/01/2001	47,302.90	3.00000%	89,370.99	136,673.89
12/01/2001	47,657.67	3.00000%	89,016.22	136,673.89
3/01/2002	48,015.11	3.00000%	88,658.79	136,673.90
6/01/2002	48,375.22	3.00000%	88,298.68	136,673.90
9/01/2002	48,738.03	3.00000%	87,935.86	136,673.89
12/01/2002	49,103.57	3.00000%	87,570.33	136,673.90
3/01/2003	49,471.85	3.00000%	87,202.05	136,673.90
6/01/2003	49,842.89	3.00000%	86,831.01	136,673.90
9/01/2003	50,216.71	3.00000%	86,457.19	136,673.90
12/01/2003	50,593.33	3.00000%	86,080.56	136,673.89
3/01/2004	50,972.78	3.00000%	85,701.11	136,673.89
6/01/2004	51,355.08	3.00000%	85,318.82	136,673.90
9/01/2004	51,740.24	3.00000%	84,933.66	136,673.90
12/01/2004	52,128.29	3.00000%	84,545.60	136,673.89
3/01/2005	52,519.26	3.00000%	84,154.64	136,673.90
6/01/2005	52,913.15	3.00000%	83,760.75	136,673.90
9/01/2005	53,310.00	3.00000%	83,363.90	136,673.90
12/01/2005	53,709.82	3.00000%	82,964.07	136,673.89
3/01/2006	54,112.65	3.00000%	82,561.25	136,673.90
6/01/2006	54,518.49	3.00000%	82,155.40	136,673.89
9/01/2006	54,927.38	3.00000%	81,746.52	136,673.90
12/01/2006	55,339.34	3.00000%	81,334.56	136,673.90
3/01/2007	55,754.38	3.00000%	80,919.52	136,673.90
6/01/2007	56,172.54	3.00000%	80,501.36	136,673.90
9/01/2007	56,593.83	3.00000%	80,080.06	136,673.89
12/01/2007	57,018.29	3.00000%	79,655.61	136,673.90
3/01/2008	57,445.92	3.00000%	79,227.97	136,673.89
6/01/2008	57,876.77	3.00000%	78,797.43	136,673.90

Oakvale Road PSD \$12,700,000.00 3% interest				
DEBT SERVICE SCHEDULE				
DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
9/01/2008	58,310.84	3.00000%	78,363.05	136,673.89
12/01/2008	58,748.18	3.00000%	77,925.72	136,673.90
3/01/2009	59,188.79	3.00000%	77,485.11	136,673.90
6/01/2009	59,632.70	3.00000%	77,041.19	136,673.89
9/01/2009	60,079.95	3.00000%	76,593.95	136,673.90
12/01/2009	60,530.55	3.00000%	76,143.35	136,673.90
3/01/2010	60,984.53	3.00000%	75,689.37	136,673.90
6/01/2010	61,441.91	3.00000%	75,231.99	136,673.90
9/01/2010	61,902.72	3.00000%	74,771.17	136,673.89
12/01/2010	62,367.00	3.00000%	74,306.90	136,673.90
3/01/2011	62,834.75	3.00000%	73,839.15	136,673.90
6/01/2011	63,306.01	3.00000%	73,367.89	136,673.90
9/01/2011	63,780.80	3.00000%	72,893.09	136,673.89
12/01/2011	64,259.16	3.00000%	72,414.74	136,673.90
3/01/2012	64,741.10	3.00000%	71,932.79	136,673.89
6/01/2012	65,226.66	3.00000%	71,447.24	136,673.90
9/01/2012	65,715.86	3.00000%	70,958.04	136,673.90
12/01/2012	66,208.73	3.00000%	70,465.17	136,673.90
3/01/2013	66,705.30	3.00000%	69,968.60	136,673.90
6/01/2013	67,205.59	3.00000%	69,468.31	136,673.90
9/01/2013	67,709.63	3.00000%	68,964.27	136,673.90
12/01/2013	68,217.45	3.00000%	68,456.45	136,673.90
3/01/2014	68,729.08	3.00000%	67,944.82	136,673.90
6/01/2014	69,244.55	3.00000%	67,429.35	136,673.90
9/01/2014	69,763.88	3.00000%	66,910.01	136,673.89
12/01/2014	70,287.11	3.00000%	66,386.78	136,673.89
3/01/2015	70,814.27	3.00000%	65,859.63	136,673.90
6/01/2015	71,345.37	3.00000%	65,328.52	136,673.89
9/01/2015	71,880.46	3.00000%	64,793.43	136,673.89
12/01/2015	72,419.57	3.00000%	64,254.33	136,673.90
3/01/2016	72,962.71	3.00000%	63,711.18	136,673.89
6/01/2016	73,509.93	3.00000%	63,163.96	136,673.89
9/01/2016	74,061.26	3.00000%	62,612.64	136,673.90
12/01/2016	74,616.72	3.00000%	62,057.18	136,673.90
3/01/2017	75,176.34	3.00000%	61,497.55	136,673.89
6/01/2017	75,740.16	3.00000%	60,933.73	136,673.89
9/01/2017	76,308.22	3.00000%	60,365.68	136,673.90
12/01/2017	76,880.53	3.00000%	59,793.37	136,673.90
3/01/2018	77,457.13	3.00000%	59,216.76	136,673.89
6/01/2018	78,038.06	3.00000%	58,635.84	136,673.90
9/01/2018	78,623.35	3.00000%	58,050.55	136,673.90
12/01/2018	79,213.02	3.00000%	57,460.88	136,673.90
3/01/2019	79,807.12	3.00000%	56,866.78	136,673.90
6/01/2019	80,405.67	3.00000%	56,268.22	136,673.89
9/01/2019	81,008.71	3.00000%	55,665.18	136,673.89

Oakvale Road PSD \$12,700,000.00 3% Interest DEBT SERVICE SCHEDULE				
DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
12/01/2019	81,616.28	3.00000%	55,057.62	136,673.90
3/01/2020	82,228.40	3.00000%	54,445.49	136,673.89
6/01/2020	82,845.11	3.00000%	53,828.78	136,673.89
9/01/2020	83,466.45	3.00000%	53,207.44	136,673.89
12/01/2020	84,092.45	3.00000%	52,581.45	136,673.90
3/01/2021	84,723.14	3.00000%	51,950.75	136,673.89
6/01/2021	85,358.57	3.00000%	51,315.33	136,673.90
9/01/2021	85,998.76	3.00000%	50,675.14	136,673.90
12/01/2021	86,643.75	3.00000%	50,030.15	136,673.90
3/01/2022	87,293.58	3.00000%	49,380.32	136,673.90
6/01/2022	87,948.28	3.00000%	48,725.62	136,673.90
9/01/2022	88,607.89	3.00000%	48,066.01	136,673.90
12/01/2022	89,272.45	3.00000%	47,401.45	136,673.90
3/01/2023	89,941.99	3.00000%	46,731.90	136,673.89
6/01/2023	90,616.56	3.00000%	46,057.34	136,673.90
9/01/2023	91,296.18	3.00000%	45,377.71	136,673.89
12/01/2023	91,980.90	3.00000%	44,692.99	136,673.89
3/01/2024	92,670.76	3.00000%	44,003.14	136,673.90
6/01/2024	93,365.79	3.00000%	43,308.11	136,673.90
9/01/2024	94,066.03	3.00000%	42,607.86	136,673.89
12/01/2024	94,771.53	3.00000%	41,902.37	136,673.90
3/01/2025	95,482.32	3.00000%	41,191.58	136,673.90
6/01/2025	96,198.43	3.00000%	40,475.46	136,673.89
9/01/2025	96,919.92	3.00000%	39,753.97	136,673.89
12/01/2025	97,646.82	3.00000%	39,027.08	136,673.90
3/01/2026	98,379.17	3.00000%	38,294.72	136,673.89
6/01/2026	99,117.02	3.00000%	37,556.88	136,673.90
9/01/2026	99,860.39	3.00000%	36,813.50	136,673.89
12/01/2026	100,609.35	3.00000%	36,064.55	136,673.90
3/01/2027	101,363.92	3.00000%	35,309.98	136,673.90
6/01/2027	102,124.15	3.00000%	34,549.75	136,673.90
9/01/2027	102,890.08	3.00000%	33,783.82	136,673.90
12/01/2027	103,661.75	3.00000%	33,012.14	136,673.89
3/01/2028	104,439.22	3.00000%	32,234.68	136,673.90
6/01/2028	105,222.51	3.00000%	31,451.39	136,673.90
9/01/2028	106,011.68	3.00000%	30,662.22	136,673.90
12/01/2028	106,806.77	3.00000%	29,867.13	136,673.90
3/01/2029	107,607.82	3.00000%	29,066.08	136,673.90
6/01/2029	108,414.88	3.00000%	28,259.02	136,673.90
9/01/2029	109,227.99	3.00000%	27,445.91	136,673.90
12/01/2029	110,047.20	3.00000%	26,626.70	136,673.90
3/01/2030	110,872.55	3.00000%	25,801.35	136,673.90
6/01/2030	111,704.10	3.00000%	24,969.80	136,673.90
9/01/2030	112,541.88	3.00000%	24,132.02	136,673.90
12/01/2030	113,385.94	3.00000%	23,287.96	136,673.90

Oakvale Road PSD				
\$12,700,000.00				
3% Interest				
DEBT SERVICE SCHEDULE				
DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
3/01/2031	114,236.33	3.00000%	22,437.56	136,673.89
6/01/2031	115,093.11	3.00000%	21,580.79	136,673.90
9/01/2031	115,956.31	3.00000%	20,717.59	136,673.90
12/01/2031	116,825.98	3.00000%	19,847.92	136,673.90
3/01/2032	117,702.17	3.00000%	18,971.72	136,673.89
6/01/2032	118,584.94	3.00000%	18,088.96	136,673.90
9/01/2032	119,474.33	3.00000%	17,199.57	136,673.90
12/01/2032	120,370.38	3.00000%	16,303.51	136,673.89
3/01/2033	121,273.16	3.00000%	15,400.73	136,673.89
6/01/2033	122,182.71	3.00000%	14,491.19	136,673.90
9/01/2033	123,099.08	3.00000%	13,574.82	136,673.90
12/01/2033	124,022.32	3.00000%	12,651.57	136,673.89
3/01/2034	124,952.49	3.00000%	11,721.41	136,673.90
6/01/2034	125,889.63	3.00000%	10,784.26	136,673.89
9/01/2034	126,833.81	3.00000%	9,840.09	136,673.90
12/01/2034	127,785.06	3.00000%	8,888.84	136,673.90
3/01/2035	128,743.45	3.00000%	7,930.45	136,673.90
6/01/2035	129,709.02	3.00000%	6,964.87	136,673.89
9/01/2035	130,681.84	3.00000%	5,992.05	136,673.89
12/01/2035	131,661.96	3.00000%	5,011.94	136,673.90
3/01/2036	132,649.42	3.00000%	4,024.48	136,673.90
6/01/2036	133,644.29	3.00000%	3,029.61	136,673.90
9/01/2036	134,646.62	3.00000%	2,027.27	136,673.89
12/01/2036	135,656.47	3.00000%	1,017.42	136,673.89
TOTAL	12,700,000.00	-	9,031,149.54	21,731,149.54

YIELD STATISTICS

Accrued Interest from 04/01/1997 to 04/01/1997...	-
Average Life.....	23.704 YEARS
Bond Years.....	301,038.32
Average Coupon.....	3.0000000%
Net Interest Cost (NIC).....	3.0000000%
Bond Yield for Arbitrage Purposes.....	3.0112892%
True Interest Cost (TIC).....	3.0112892%
Effective Interest Cost (EIC).....	3.0112892%

SCHEDULE Z

Oakvale Road Public Service District

Modifications and Additional Comments

1. Section 2.12 is hereby modified to read as follows:

“The Governmental Agency, commencing on the date that the Governmental Agency begins billing Project customers and for two years following the completion of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit C and incorporated hereby by reference, and forward a copy by the 15th of each month to the Authority and Council.”

2. A letter of credit from a commercial bank for the benefit of the Authority in an amount equal to two (2) years debt service shall be a substitute for the debt service reserve requirement and the renewal and replacement fund requirement in Sections 4.1(a)(ii) and (iii) and 4.1(b)(ii).
3. As long as the Agreement, dated May 8, 1995, as amended, between the Governmental Agency and West Virginia-American Water Company is in effect, the rate coverage provision of Section 4.1(b)(ii) shall be waived.
4. Schedule X shall be amended on February 20, 1997, to reflect the actual amounts drawn on the Bonds to that date. Beginning April 1, 1997, the Governmental Agency shall pay principal and interest based on the amended Schedule to and including December 1, 1997. On December 20, 1997, the Schedule shall be adjusted to reflect the total drawn under the Bonds and any repayment through December 1, 1997. Thereafter, the Governmental Agency shall follow the December 20 Schedule.

CHASFS3:54920

2

2

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 28th day of October, 1994.

CASE NO. 94-0098-W-PWD-PC-CN

WEST VIRGINIA AMERICAN WATER COMPANY;
THE COUNTY COMMISSION OF MERCER COUNTY;
THE COUNTY COMMISSION OF SUMMERS COUNTY;
THE CITY OF HINTON, WEST VIRGINIA; THE
CITY OF PRINCETON, WEST VIRGINIA; and
OAKVALE ROAD PUBLIC SERVICE DISTRICT.

Application for a certificate of
convenience and necessity to
construct a new treatment plant
and for approval of operating
agreement incidental thereto.

COMMISSION ORDER

On February 14, 1994, West Virginia-American Water Company (Company), the Mercer County Commission (Mercer County), the Summers County Commission (Summers County), the City of Hinton (Hinton), the City of Princeton (Princeton), and Oakvale Road Public Service District (District), filed with the Commission a joint application for a certificate of convenience and necessity for the construction of certain water treatment transmission, distribution and storage facilities to provide potable water to currently unserved areas and to improve water service to other residents. The applicants also filed a joint petition for the Commission's consent and approval of an agreement between the Company and the District. It requested ratemaking approval of rates described in that agreement and the joint application.

A hearing was held on the matter on October 13, 1994 with the Company, the District, Staff and the Consumer Advocate Division (CAD) participating. The proposed project includes two phases with an originally estimated total cost of approximately \$23,954,000. Only issues relating to Phase I are currently before the Commission. Under Phase I of the project, the Company will construct a raw water intake structure, related raw water line, a 5 million gallon a day

¹On October 26, 1994, the Company indicated to the Commission that project estimates had to be substantially increased because bids on the Company's portion of the project came in \$12,100,000 over estimates. The Company continues to support the project despite the large unexpected increase in project costs. Staff and CAD have likewise indicated that they have not changed their positions as a result of the increase.

(MGD) treatment plant, and the necessary piping to provide service to Hinton, Princeton, Pipestem State Park and unserved areas along the transmission mains. The District will construct transmission and distribution lines through its territory and a 500,000 gallon storage tank. Phase I construction will enable the Company and the District to serve approximately 600 customers who are not currently receiving water service. Phase II of the project involves the installation by the District of additional distribution mains to serve approximately an additional 705 customers.

There is little dispute as to the issue of need. The project will provide a large source of potable water for Mercer and Summer Counties and provide service for a significant number of unserved customers. The treatment plant is designed to be expandable to treat up to 15 MGD. The source of raw water will also accommodate that volume of water. The plant will provide a basis for future expansion of water service in the area. The project will allow the Company to forego major renovations of its Hinton and Princeton treatment plants which are nearly one hundred years old and in need of extensive upgrades. The project will supply additional water for the Pipestem resort which is currently unable to further expand due to limitations of available potable water. We believe that the parties have demonstrated a need for Phase I of the proposed project.

In the application, the Company requested special rate treatment for the project. Staff, CAD and the Company underwent significant negotiations concerning the proposed special rate treatment. The parties compromised and entered into a partial joint stipulation which addressed certain ratemaking issues. The parties presented the stipulation to the Commission for review on May 31, 1994. The Commission, on June 29, 1994, ordered the Company to publish relevant facts about the proposed stipulation in all the counties where the Company operates. Only one individual filed a letter of protest concerning the stipulation. The Commission ordered the parties to provide supporting testimony for the stipulation at hearing. The stipulation allows the Company to implement two rate surcharges to include in rates the impact of the Company's construction expenditures. The stipulation establishes a certain procedural mechanism to allow Staff, CAD and Commission review and involvement in determining the exact amount of a proper surcharge. We believe that the special rate treatment, as outlined in the stipulation, is appropriate because of the unusual scope and complexity of the project. We believe that, under the circumstances in this case, that the rate treatment is reasonable and in the public interest. By approving this particular rate treatment, we are not intending to modify the Commission's approach to traditional ratemaking. It is just that this particular project justifies a different ratemaking treatment. We will accordingly adopt and approve the partial stipulation filed by the parties on May 31, 1994.

Also at issue in this proceeding is a special surcharge which the Applicants propose to charge the new District customers served by the project. The surcharge (which is estimated to be about \$10 a month for an average customer) will be used to pay off the loan the District needs to complete the project. Other than the approximate \$1.5 million loan, the District is constructing its facilities with grant money. Staff argues that the Company should pick up the \$1.5 million and collect it from all of its ratepayers. The Company argues that its average investment per new customer should not exceed \$1,500 which is its current imbedded average investment per customer. It argues that other similar private-public projects throughout the state have used similar surcharges which have been approved by the Commission. It argues that its current customer base should not be used as a tool for future development and expansion of water service to new unserved areas. Finally, it argues that there has not been a complaint by the new customers at issue regarding the surcharge. We believe that the proposed surcharge is a reasonable and necessary method of financing the money needed to complete the project. The Company is already investing well over the \$1,500 per anticipated new customer.² The \$1,500,000 funding gap occurred on the public side of the project with the District needing to borrow additional funds to complete its portion of the project. The new District customers are the persons which most directly benefit from the District's portion of the project. It is reasonable to apply a surcharge upon their bills to complete the funding. We believe that the amount of the surcharge must be reasonable. The estimated monthly surcharge for the average user (4,500 gallons a month) is ten dollars. We believe that a ten dollar monthly surcharge is reasonable and justified in this case. We note that none of the prospective new customers have complained about the proposal surcharge. We are concerned that the exact amount of the surcharge cannot yet be determined because the project is in too preliminary a stage. An average surcharge of ten dollars a month is acceptable. A much higher surcharge may not be acceptable. We will accordingly approve the surcharge as a necessary and reasonable part of this project. We will, however, condition the issuance of any certificate upon the average monthly surcharge being ten dollars or less.

²The Company's investment per new customer appeared to be in the \$1,500 range until the recent increase in the cost of the project as a result of the receipt of bids. Now the Company's investment per new customer is well over the \$1,500 range.

³We are less than comfortable with any surcharge. If the parties are able to devise some mechanism to reduce this surcharge or even eliminate it by finding an additional source of public funding, the Commission would welcome such a change.

The Staff also challenges whether the District's certificate case is ready to be properly considered. Many of the District's plans and specifications are simply not yet available. Staff fears that customers may be inappropriately removed from the project if yet another financial gap appears. The District has failed to take action to cause its boundaries to be increased. At least one of the District's small cities block grants has not yet been filed with the Commission. The District has only recently converted its filing from a pre-filing to an actual certificate case. The District failed to make the necessary publication in accordance with the W.Va. Code §24-2-11 until the week of hearing. The Code provision provides for a thirty day period for protests after publication. That period will not even expire until after the statutory deadline in the Company's case. The Staff has moved the Commission to bifurcate the proceeding in order to consider the District's case at a later date. The Company has opposed the motion to bifurcate arguing that the project is a single project which must be decided together and that the District's portion of the project is fairly routine as far as the engineering issues go. There is much merit to the Staff's motion. The District's case is premature for a complete examination. We are nevertheless willing to issue both certificates. However, given the state of the District's case and the record, we are obligated to put certain conditions on the District's certificate. The District's certificate is contingent upon the following:

- a) proper enlargement of District boundaries;
- b) the ultimate surcharge for District customers must not exceed ten dollars a month for the average residential user;
- c) the District must file with the Commission its commitment of funding including all grants;
- d) the District and Company must file with the Commission all necessary permits;
- e) bids for the District's portion of the project must not exceed \$5,000,000;
- f) Commission review and approval of detailed final plans and specifications for all transmission and distribution lines; and
- g) the absence of any substantial protests received within thirty days of publication by the District of its notice as required by W.Va. Code §24-2-11.

16. In the application, the Company requested special rate treatment for the project.

17. Staff, CAD and the Company entered a joint stipulation concerning special rate treatment for the project and submitted it for Commission approval on May 31, 1994.

18. The Commission, on June 29, 1994, ordered the Company to publish relevant facts about the proposed stipulation in all the counties where the Company operates.

19. Only one individual filed a letter of protest concerning the stipulation.

20. The stipulation allows the Company to implement two rate surcharges to include in rates the impact of the Company's construction expenditures.

21. The stipulation establishes a certain procedural mechanism to allow Staff, CAD and Commission review and involvement in determining the exact amount of a proper surcharge.

22. The Applicants have also proposed to charge a special surcharge to the new District customers.

23. The surcharge (which is estimated to be about \$10 a month for an average customer) will be used to pay off the loan the District needs to complete the project.

24. The Company is investing well over \$1,500 per anticipated new customer in the project.

25. The funding gap occurred on the public side of the project with the District needing to borrow additional funds to complete its portion of the project.

26. The new District customers are the persons which most directly benefit from the District's portion of the project.

27. The estimated monthly surcharge for the average user (4,500 gallons a month) is ten dollars.

28. None of the prospective new customers have complained about the proposal surcharge.

29. Many of the District's plans and specifications are simply not yet available.

30. The District has failed to take action to cause its boundaries to be increased.

31. At least one of the District's small cities block grants has not yet been filed with the Commission.

32. The District has only recently converted its filing from a pre-filing to an actual certificate case.

33. The District failed to make the necessary publication in accordance with the W.Va. Code §24-2-11 until the week of hearing.

34. The protest period as provided by W.Va. Code §24-2-11 will not even expire until after the statutory deadline in the Company's case.

35. The parties have also offered a joint operating agreement for Commission approval.

36. The agreement calls for the Company to operate, maintain, repair and replace the equipment the District builds and owns related to the project.

37. The Company in return will collect from the District customers the same rates it would collect as if the District customers were Company customers (in addition to the surcharge discussed above).

38. The agreement is similar to other joint operating agreements the Commission has approved for the Company in other projects.

39. The joint operating agreement should be approved.

CONCLUSIONS OF LAW

1. The applicant's have demonstrated a need for Phase I of the proposed project.

2. The special rate treatment, as outlined in the stipulation, is appropriate because of the unusual scope and complexity of the project.

3. By approving this particular rate treatment, we are not intending to modify the Commission's approach to traditional ratemaking.

4. The partial stipulation filed by the parties on May 31, 1994 should be approved.

5. We believe that the proposed surcharge for District customers is a reasonable and necessary method of financing the money needed to complete the project.

The Commission is willing to issue the conditional certificate because we are convinced that the project as described by the parties is in the public interest. We are also reluctant to delay approval of the certificates. However, it is critical that the parties fulfill the conditions required to finalize the certificate. The Commission has a statutory obligation to review a sufficient amount of information to protect the public interest.

We believe that the Company has presented enough information to justify issuing its certificate. However, since the project is a single project with the utility of each portion of the project dependant upon the whole, we believe that the Company's certificate must be contingent upon the District's fulfilling the conditions placed upon the District's certificate⁴.

The parties have also offered a joint operating agreement for Commission approval. The agreement calls for the Company to operate, maintain, repair and replace the equipment the District builds and owns related to the project. The Company in return will collect from the District customers the same rates it would collect as if the District customers were Company customers (in addition to the surcharge discussed above). The agreement is similar to other joint operating agreements the Commission has approved for the Company in other projects. The joint operating agreement should be approved.

FINDINGS OF FACT

1. On February 14, 1994, West Virginia-American Water Company, Mercer County, Summers County, Hinton, Princeton, and Oakvale Road Public Service District, filed with the Commission a joint application for a certificate of convenience and necessity for the construction of certain water treatment transmission, distribution and storage facilities to provide potable water to currently unserved areas and to improve water service to other residents.

2. The applicants also filed a joint petition for the Commission's consent and approval of an agreement between the

⁴We note that in these public-private partnerships that the projects depend on both the private and public entities developing their cases on the same schedule. Given that W.Va. Water has much more experience in developing and presenting a legally sufficient certificate case, it seems appropriate to the Commission for W.Va. Water to offer assistance to its partners in properly developing their portions of the case. It may be that in this case had the Company provided more assistance to the District that the District's case would have been ready for complete Commission review.

Company and the District. It requested ratemaking approval of rates described in that agreement and the joint application.

3. A hearing was held on the matter on October 13, 1994 with the Company, the District, Staff and the CAD participating.

4. The proposed project includes two phases with an originally estimated total cost of approximately \$23,954,000.

5. On October 26, 1994, the Company filed documents indicating that total estimated cost for the project had increased \$12,100,000 because the bids were substantially over estimates.

6. The Company has indicated that it still supports the project despite the increase costs.

7. Staff and CAD have indicated that the increased costs have not resulted in a change in their position.

8. Under Phase I of the project, the Company will construct a raw water intake structure, related raw water line, a 5 MGD treatment plant, and the necessary piping to provide service to Hinton, Princeton, Pipestem State Park and unserved areas along the transmission mains.

9. The District will construct transmission and distribution lines through its territory and a 500,000 gallon storage tank.

10. Phase I construction will enable the Company and the District to serve approximately six hundred customers who are not currently receiving water service.

11. The project will provide a large source of potable water for Mercer and Summer Counties and provide service for a significant number of unserved customers.

12. The treatment plant is designed to be expandable to treat up to 15 MGD. The source of raw water will also accommodate that volume of water.

13. The plant will provide a basis for future expansion of water service in the area.

14. The project will allow the Company to forego major renovations of its Hinton and Princeton treatment plants which are nearly one hundred years old and in need of extensive upgrades.

15. The project will supply additional water for the Pipestem resort.

6. The amount of the surcharge must be reasonable.

7. We believe that a ten dollar monthly surcharge is reasonable and justified in this case.

8. Given that the exact amount of the surcharge for District customers cannot yet be determined, the issuance of the certificate should be conditioned upon the average monthly surcharge being ten dollars or less.

9. W.Va. Code §24-2-11 provides for a thirty day period for protests after publication.

10. The District's case is premature for a complete examination at this time and can only be issued with certain conditions which result in additional Commission review of the project.

11. We believe that a conditional certificate should be issued to the District. Given the state of the District's case and the record, we are obligated to put certain conditions on the District's certificate. The District's certificate is contingent upon the following:

- a) proper enlargement of District boundaries;
- b) the ultimate surcharge for District customers not exceeding fifteen dollars a month for the average residential user (4,500 gallons a month);
- c) the District filing with the Commission its commitment of funding including all grants;
- d) the District and Company filing with the Commission all necessary permits;
- e) bids for the District's portion of the project not exceeding \$5,000,000;
- f) Commission review and approval of detailed final plans and specifications for all transmission and distribution lines; and
- g) the absence of any substantial protests received within thirty days of publication by the District of its notice, as required by W.Va. Code §24-2-11.

12. A conditional certificate should be issued to the Company. Since the project is a single project with the utility of each portion of the project dependant upon the whole, we believe that the

Company's certificate must be contingent upon the District's fulfilling the conditions placed upon the District's certificate.

IT IS, THEREFORE, ORDERED that the partial joint stipulation concerning special rate treatment which the parties filed May 31, 1994 is approved and hereby adopted by the Commission.

IT IS FURTHER ORDERED that the District's application for a certificate is granted contingent upon the following conditions:

- a) proper enlargement of District boundaries;
- b) the ultimate surcharge for District customers not exceeding ten dollars a month for the average residential user (4,500 gallons a month);
- c) the District filing with the Commission its commitment of funding including all grants;
- d) the District and Company filing with the Commission all necessary permits;
- e) bids for the District's portion of the project not exceeding \$5,000,000;
- f) Commission review and approval of detailed final plans and specifications for all transmission and distribution lines; and
- g) the absence of any substantial protests received within thirty days of publication by the District of its notice as required by W.Va. Code §24-2-11.

IT IS FURTHER ORDERED that the Company's application for a certificate is hereby granted contingent on the District's fulfilling the conditions placed upon the District's certificate.

IT IS FURTHER ORDERED that the rate treatment discussed in the joint application as amended by the joint stipulation and Commission conditions on the certificate is hereby approved.

IT IS FURTHER ORDERED that the joint operating agreement offered by the parties is hereby approved.

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.

ARC

JRS-wpd/940

A True Copy, Teste:


Howard M. Cunningham
Executive Secretary

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

At a session of the PUBLIC SERVICE COMMISSION OF WEST VIRGINIA in the City of Charleston on the 5TH day of February, 1996.

CASE NO. 94-0098-W-PWD-PC-CN

WEST VIRGINIA AMERICAN WATER COMPANY;
THE COUNTY COMMISSION OF MERCER COUNTY;
THE COUNTY COMMISSION OF SUMMERS COUNTY;
THE CITY OF HINTON, WEST VIRGINIA; and
OAKVALE ROAD PUBLIC SERVICE DISTRICT.

Application for a certificate of convenience and necessity to construct a new treatment plant and for approval of operating agreement incidental thereto.

COMMISSION ORDER

By Commission order entered October 28, 1994, the West Virginia American Water Company (WVAWC) was granted a contingent certificate to construct a raw water intake structure, related raw water line, a 5 mgd treatment plant and necessary lines, including a 24" main transmission line, to provide service to Hinton, Princeton, Pipestem State Park and unserved areas along the transmission mains at a total project cost of approximately \$27 million. The District was granted a contingent certificate to construct certain transmission and distribution lines through its territory and a 500,000 gallon storage tank at a total project cost of approximately \$5 million. The order further permitted the implementation of a surcharge, not to exceed \$10 a month for the average residential user, on the District's customers to be served by the project. Finally, the order adopted a joint stipulation filed by the parties which sets forth a methodology by which WVAWC may implement two rate surcharges to include in its rates the impact of its construction expenditures.

On May 16, 1995, WVAWC and the District filed with the Commission a further amendment and supplement to the Joint Application. On October 20, 1995, WVAWC and the District filed with the Commission a second amendment and supplement to the Joint Application. Through these amendments, the parties requested a reopening of this proceeding to permit modification of the contingent certificates to reflect changes in the division of responsibility of the facilities to be constructed. Generally, WVAWC will now construct the water storage tank and the District will construct and own the 24" transmission line. In addition, the parties requested approval to include the project transmission line. In addition, the parties requested approval to include in the project Phase II construction. These changes result in

modified total estimated project costs of \$23 million for WVAWC and \$21 million for the District. Further, the parties proposed to modify the project to eliminate the surcharge to the District's customers and implement a "joint use fee" to be paid to the District by WVAWC for WVAWC's use of the 24" transmission line. The payments made under the joint use fee will permit the District to meet the debt service related to the project funding. The amendment also requests approval of certain financing alternatives which may affect the incremental rate surcharges to be implemented by WVAWC.

By order entered December 19, 1995, the Commission reopened this proceeding and ordered WVAWC and the District to publish a notice of filing of the amended certificate as a Class I legal advertisement published in Mercer and Summers Counties. On January 2, 1996, WVAWC filed an affidavit reflecting publication of the notice of filing of amended certificate in the Bluefield Daily Telegraph, Mercer County, on December 20 and 26, 1995. On January 12, 1996, WVAWC filed affidavits reflecting publication of the notice of filing of amended certificate in the Hinton News, Summers County, on December 19 and 26, 1995, The Register-Herald, Raleigh County, on December 20 and 27, 1995, and the Princeton Times, Mercer County, on December 28, 1995. The 30 day protest period with regard to Notice expired on January 27, 1996. No protests were received.

On December 20, 1995, WVAWC filed a letter addressed to WVAWC from One Valley Bank (Bank) which reflected the Bank's commitment to provide a loan in an amount of up to \$12,600,000 to the District, to be guaranteed by WVAWC.

On January 16, 1996, WVAWC filed a Joint Stipulation and Agreement for Settlement signed by WVAWC, the District, the Consumer Advocate Division (CAD) and the Staff. The Joint Stipulation discusses, and presents a resolution to, the financing and rate issues existing in this proceeding.

On January 25, 1996, Staff filed a memorandum. Staff argued that the contingent certificate issued by order of October 28, 1994 for Phase I facilities be made final. Staff indicated that WVAWC and the District satisfied all of the requirements in the contingent certificates and that Staff has reviewed the additional information as required by the October 28, 1994 order and found it acceptable. Staff also supports the approval of the proposed modifications to the certificates which reallocate between WVAWC and the District the responsibility for certain construction.

Regarding Phase II of the project, Staff believes that the District's certificate application is incomplete in that it lacks final design plans, specifications and permits. Staff recommends that the certificate for Phase II be contingent on Commission receipt and review of final design plans, specifications and permits.

We have carefully reviewed the January 16, 1996 Joint Stipulation, the January 25, 1996 Staff memorandum and the remaining record. We agree with the Staff recommendations. The contingent certificate issued for Phase I should now be made final as modified to reflect the new responsibility between WVAWC and the District as reflected in the May 16, 1995 and October 20, 1995 filings. A contingent certificate should now issue for Phase II which is contingent upon Commission receipt and review of final design plans, specifications and all regulatory permits. We also agree that the Joint Stipulation submitted on January 16, 1996 by the parties should be approved by the Commission.

FINDINGS OF FACT

1. By order of October 28, 1994, the Commission issued a contingent certificate to WVAWC and the District for Phase I of the project.

2. The conditions on the contingent certificate have been met.

3. On January 16, 1996, the parties filed a Joint Stipulation resolving the remaining issues surrounding the project.

4. The District's certificate filing for Phase II is incomplete in that it lacks final design plans, specifications and all the regulatory permits.

CONCLUSIONS OF LAW

1. The contingent certificate issued by order of October 28, 1994 should be made final as modified to reflect the changes in responsibilities for construction between WVAWC and the District as outlined in the May 16, 1995 and October 20, 1995 filings.

2. The Joint Stipulation filed January 16, 1996 is reasonable and should be approved.

3. The District's certificate filing for Phase II is incomplete in that it lacks final design plans, specifications and all the regulatory permits so a contingent certificate should be issued contingent upon Commission receipt and approval of all final design plans, specifications and all regulatory permits.

ORDER

IT IS, THEREFORE, ORDERED that the contingent certificate issued October 28, 1994 is hereby made final as modified to reflect the changes in responsibilities for construction between WVAWC and the District as outlined in the May 16, 1995 and October 20, 1995 filings.

IT IS FURTHER ORDERED that the Joint Stipulation filed January 16, 1996 (attached) is hereby approved and adopted by the Commission.

IT IS FURTHER ORDERED that a contingent certificate is hereby granted to the District for Phase II of the project based upon the following conditions:

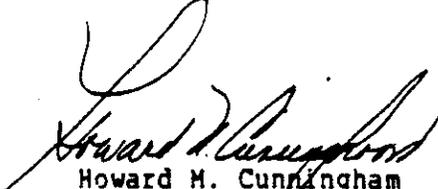
a. Commission review and approval of detailed final plans and specifications for all facilities including transmission and distribution lines; and

b. the District filing with the Commission all necessary permits.

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:

ARC
DT/940098.WF


Howard M. Cunningham
Executive Secretary

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 94-0098-W-PWD-PC-CN (Reopened)

WEST VIRGINIA-AMERICAN WATER COMPANY;
THE COUNTY COMMISSION OF MERCER COUNTY;
THE COUNTY COMMISSION OF SUMMERS COUNTY;
THE CITY OF HINTON, WEST VIRGINIA; THE
CITY OF PRINCETON, WEST VIRGINIA; AND
OAKVALE ROAD PUBLIC SERVICE DISTRICT.

Application for Certificates of
Convenience and Necessity to
Construct a New Treatment Plant
and for Approval of Operating
Agreement Incidental thereto.

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PUBLIC SERVICE COMMISSION

JOINT STIPULATION AND
AGREEMENT FOR SETTLEMENT

Pursuant to W. Va. Code § 24-1-9 and Rules 11 and 13.4 of the Commission's Rules and Practice and Procedure, West Virginia-American Water Company ("Company"); Mercer County, West Virginia, a political subdivision of the State of West Virginia, by and through The County Commission of Mercer County, West Virginia, a public corporation; Summers County, West Virginia, a political subdivision of the State of West Virginia, by and through The County Commission of Summers County, West Virginia, a public corporation; the City of Hinton, West Virginia, a municipal corporation; The City of Princeton, West Virginia, a municipal corporation; and the Oakvale Road Public Service District, a public service district created under the provisions of West Virginia § 16-13A-1 et seq. ("District") (collectively the "Joint Applicants"

herein); the Staff of the Public Service Commission of West Virginia ("Staff"); and the Consumer Advocate Division of the Public Service Commission ("CAD") join in this Joint Stipulation and Agreement for Settlement ("Joint Stipulation") and, in support thereof, respectfully represent:

Procedural Background

1. On February 14, 1994, the Joint Applicants filed a Joint Application for the Consent and Approval of the Public Service Commission ("Joint Application") seeking Certificates of Convenience and Necessity for the construction and installation of certain water utility assets, approval of an Operating Agreement between the Company and the District, and approval of the transactions and rate making treatments described in the Joint Application and the Operating Agreement.

2. The Joint Application related principally to the proposed construction by the Company of a new 5 MGD treatment plant and related structures to be located on and near the Bluestone Lake and the construction and installation by the Company and the District of transmission, distribution and storage facilities to be owned by the Company or the District (collectively the "Project") for the purpose of serving the geographic areas described in the Joint Application.

3. Because of the complexity and nature of the specific ratemaking treatment requested by the Company in the Joint Application and because the Company had alleged that the ratemaking treatment was an essential precondition to the commitment of the

Company and the other Joint Applicants in proceeding in the construction contemplated by the Joint Application, the parties held various prehearing conferences to discuss the possibility of resolving the threshold issue of the ratemaking treatment for the Company for the construction contemplated by the Joint Application.

4. As a result of those various prehearing conferences, the Company, the Staff and CAD presented a Partial Joint Stipulation which they believed addressed the ratemaking aspects of the proceeding. The parties filed the Partial Joint Stipulation with the Commission on May 31, 1994, and by Commission Order dated June 29, 1994, the Commission required public notice of the Partial Joint Stipulation and the estimated rate impact of the Partial Joint Stipulation and fixed a hearing on the proposed Partial Joint Stipulation and the related Joint Application. As a result of various subsequent pleadings and Commission Orders entered in this case, the Commission fixed and conducted a hearing on October 13, 1994, on issues related to Phase I of the Project and on the Partial Joint Stipulation.

5. At the hearing the Company indicated that the funding for the Company's share of the Project would come from a combination of internally generated funds, common equity infusion and short term borrowings (pending the issuance of the Company's General Mortgage Bonds) and estimated that the revised cost of the Company's portion of the Project would be approximately \$19.7 million. The Company also indicated that proposed bids on the

Company's portion of the Project would be submitted on or about October 18, 1994, shortly after the completion of the hearing.

6. The Company testified that if the bids submitted on the Project were substantially different from the estimated costs placed in evidence at the October 13, 1994 hearing, the Company would advise the Commission of those revised costs generated as a result of the bid process.

7. By letter dated October 26, 1994, the Company indicated that the bids received on October 18, 1994, for the Company's portion of the Project had originally shown the bid cost of the Bluestone Treatment Plant would be approximately \$31.8 million, but also indicated that the Company had met with the low bidder, its consulting engineers, Company engineers, and American Water Works System staff to attempt to alter or modify the Company's portion of the Project and reduce the cost of the Bluestone Treatment Plant while at the same time maintaining the purpose and scope of the Bluestone Treatment Plant. The Company in the October 26, 1994 letter and related attached Exhibits, indicated that the cost of the Project, based on bids, as modified, would be \$27 million and indicated by attachments and exhibits to that letter the impact on the customers of the ratemaking mechanism recommended in the Partial Joint Stipulation.

8. The Commission by Order dated October 28, 1994:

a. Recited that only issues related to Phase I of the Project were before the Commission, acknowledged receipt of the October 26, 1994, letter and related exhibits from the Company with the higher bid numbers, recited the background leading to the formulation of the Partial Joint Stipulation and the proposed ratemaking mechanism set forth in the Partial

Joint Stipulation, and adopted and approved the Partial Joint Stipulation;

b. Approved a surcharge of no more than \$10 per month as being reasonable, given the overall nature and scope of the Project, but indicated that the Commission was "less than comfortable" with this monthly surcharge and that the Commission would welcome a "mechanism to reduce this surcharge or even eliminate it by finding an additional source of public funding;"

c. Issued conditional Certificates of Convenience and Necessity to the Oakvale Road Public Service District and the Company to construct the portions of the Project detailed in the Order; and

d. Approved the Operating Agreement between the Company and the District.

9. Because of the increased cost of the Project and other changes which occurred after the filing of the Joint Application and the entry of the Commission's Order of October 28, 1994, the Company and the District altered the Project and changed somewhat the responsibilities of the parties for constructing certain portions of the Project. For instance, the Company assumed the responsibility for constructing and owning the 500,000 gallon storage tank originally to be constructed by the District under the Agreement. Further, as originally envisioned, the Company would also have been responsible for constructing a portion of the transmission mains necessary to provide service to the Company's Hinton and Princeton Districts; however, the construction of the transmission mains later became the responsibility of the District. Under the Operating Agreement which was finally executed between the Company and the District, the Company and the District agreed to construct the following facilities at the estimated costs indicated:

WEST VIRGINIA-AMERICAN WATER COMPANY
MERCER/SUMMERS COUNTY WATER SUPPLY PROJECT, BP 94-7

Detailed Cost Estimate

<u>ITEM</u>	<u>ESTIMATE</u>
Construction Contract Dated January 13, 1995 with Welding, Inc., as follows:	
• Approximately 8,000 feet of 20" raw waterline	\$ 860,000
• Approximately 11,400 feet of 8" finished waterline from treatment plant to US Route 20, immediately north of the Bluestone River	\$ 690,000
Construction Contract Dated February 1, 1995 with 3D Enterprises as follows:	
• Treatment plant	\$11,345,000
• Raw water intake and pump station	\$ 4,000,000
• Intermediate pump station	\$ 1,500,000
500,000 gallon water storage tank	\$ 500,000
Total Construction Cost:	\$18,895,000
ADMINISTRATIVE:	
Design	\$ 1,240,000
Permits	5,000
Land and Legal Fees	220,000
Bidding	13,000
Construction Administration	400,000
Materials Testing	80,000
Resident Observation	205,000
Preliminary Investigations	167,000
Water Company Equipment and Labor	130,000
Builder's Risk Insurance	70,000
Omissions and Contingencies	545,000
Interest	1,030,000
Total Project Cost	\$23,000,000
West Virginia-American Water Company:	\$23,000,000

OAKVALE ROAD PUBLIC SERVICE DISTRICT
MERCER/SUMMERS COUNTY WATER SUPPLY PROJECT

Detailed Cost Estimate

<u>ITEM</u>	<u>ESTIMATE</u>
24" DI Transmission (114,900 x 72.74)	\$ 8,300,000
8" DI Transmission (16,400 x 33.54)	550,000
8" Distribution (155,200 x 31.80)	4,935,200
6" (61,500 x 25.00)	1,537,500
2" (29,000 x 15.00)	435,000
1" and 3/4" Service Lines (52,000 x 21.00)	1,092,000
Fire Hydrants (200 x 2,000.00)	400,000
Meter Settings (1,300 x 350.00)	<u>455,000</u>

Total Construction Cost: \$17,704,700

Administration	\$ 229,000
Land/Right-of-Way	190,404
Archeological Survey	80,000
Legal/Accountant	140,000
Engineering - Basic	956,126
Engineering - Inspection	637,798
Engineering - Soils	35,000
Engineering - Special	74,000
Engineering - Record Draw	11,000
Bond Counsel	60,000
Interim Financing	165,000
Contingency, Errors, Etc.	248,782
Cost of Financing	<u>1,218,475</u>

Total Project Cost

Oakvale Road Public Service District: \$21,750,285

10. On May 16, 1995, the Company and the District filed a Further Amendment and Supplement to the Joint Application ("Further Joint Application") with the Commission in which the Company and the District (i) provided the final executed copy of the Operating Agreement; (ii) described the status of the Project and changes in the proposed construction of the public and private portions of the Project; and (iii) addressed certain problems confronting the Company and the District in obtaining and

maintaining the original commitments or additional commitments of the various funding agencies for the public portion of the Project. In addition, in the Further Joint Application the Company and the District discussed the efforts to obtain funding by the District under the Infrastructure and Jobs Development Act ("Infrastructure Act") and the steps taken to secure that funding.

11. For instance, on January 25, 1995, the District, with the support and backing of the Company, filed an extensive Funding Application with the Infrastructure Council ("Council") proposing several options to the Council and seeking funding from the Council in order to put in place the last piece of the funding necessary to make the Project financially feasible. A copy of that Funding Application to the Infrastructure Council was incorporated by reference in the Further Joint Application. The Staff and the Commission received a copy of the Funding Application as a result of participating in Council deliberations and meeting

12. The Company indicated in the Further Joint Application that during the pendency of this proceeding it had continued to examine the cost of constructing the Company's portion of the Project and had bids in hand which would permit the construction of the Bluestone Treatment Plant within the estimated cost of \$23 million and thus make available an income stream through a "Joint Use" payment to the District to service the loans to be obtained by the District to construct its portion of the Project.

13. In the Further Joint Application (see, ¶¶'s 16 through 33 of the Further Joint Application) and in the Funding Application to the Council, the District advanced three different funding scenarios using a "Joint Use" concept previously approved for use by the Company in other cases before the Commission, such as proposals between the Company and the Cumberland Public Service District and the Company and the District.

14. Only Alternatives A and C, which contemplate that all of the transmission pipeline (except for some portion of the lines adjoining the Company's Princeton distribution system near the southern terminus of the Project) would be constructed and owned by the District, permit the construction of the public portion of the Project, yet kept the total rate impact within the total amount of \$3.517 million approved by the Commission in the Order of October 28, 1994 (see, Exhibit 5 to Second Supplement discussed at ¶ 18 below).

15. Under this type of "Joint Use" proposal, the Company, in addition to entering into the other provisions of the general form of Operating Agreement approved by the Commission in its Order of October 28, 1994, would commit as a part of the Operating Agreement with the District to pay the District a certain annual payment for the right to benefit from and use portions of the Project constructed and owned by the District in order to provide service to the Company's customers in Hinton, Princeton and elsewhere under the Project.

16. Payments under this "Joint Use" provision will also provide the District with a source of funds to pay for the cost of certain replacements of facilities on those portions of the Project owned by the District and will enable the District and the Company to eliminate the \$10.00 per month surcharge which the Commission questioned in its Order of October 28, 1994.

17. The proceeds from the Joint Use payment made by the Company to the District will also provide the funds to service a loan from the Infrastructure Council, which loan, along with certain other grants made to the District for the Project as described in the Further Joint Application, will be sufficient to secure and assure the construction of the portion of the Project to be constructed by the District.

18. On October 20, 1995, the Company and the District filed a Second Amendment and Supplement to the Joint Application ("Second Supplement"). The Second Supplement was filed (i) to keep the Commission fully aware of the on-going status of the Project, (ii) to reflect certain interim obstacles to the funding of the Project resulting from judicial challenges to the Infrastructure Improvement Amendment to the Constitution of West Virginia ("Infrastructure Amendment"), and (iii) to provide and discuss the alternative funding scenarios in the light of the judicial challenge to the Infrastructure Amendment or if for some other reason Infrastructure funding would not be available.

19. In the Second Supplement, the Company and District indicated that in all respects the total scope of the Project

remains as described in paragraph 9 above, although the Phase I and Phase II construction scenarios have been combined, and the parties now contemplate completing virtually all of the construction simultaneously, assuming the financing outlined in the Second Supplement is approved by the Commission.

20. On November 7, 1995, the CAD filed a response to the Second Supplement and indicated that it opposed some of the proposed financing options related to the Project and described in the Second Supplement. Further, on November 29, 1995, Staff filed a memorandum recommending that the proceeding be reopened to consider the proposed modifications and changes to the Project.

21. The Commission by Order dated December 19, 1995, reopened the proceeding and required that notice of the reopening and the changes be published as a Class I legal notice in the Counties in which the customers of the District will be served, to wit: Mercer and Summers Counties. The Company and the District effected publication as required.

22. In the Second Supplement, the Company and the District indicated that one of the principal problems which continued to face the Joint Applicants was the uncertainty for financing the Project through the Infrastructure Council as a result of the judicial challenge to the Infrastructure Amendment (see, ¶¶'s 5 through 11 of the Second Supplement for a full description of that judicial challenge).

23. On August 31, 1995, the Circuit Court of Kanawha County entered an Order and found that the publication of the

summary of purpose, rather than the full text of the Infrastructure Amendment, constituted substantial compliance with the constitutional and statutory requirements regarding constitutional amendments.

24. Unfortunately, this decision by the Circuit Court of Kanawha County did not end the litigation. The financial market cannot, and would not, accept the decision of the Circuit Court as definitive on the uncertainty created by the judicial challenge of the Infrastructure Amendment, and an appeal of the Circuit Court's Decision was taken to the West Virginia Supreme Court of Appeals in order to clarify, and add certainty to, the decision by the Circuit Court of Kanawha County. That appeal was filed by the Infrastructure Council on September 13, 1995; accepted by the Supreme Court on September 21, 1995; and decided by the Supreme Court in State ex rel. Thornton Cooper v. Honorable Gaston Caperton et al, Case No. 23059 (W.Va. December 14, 1995). The Supreme Court upheld the constitutionality of the Infrastructure Amendment.

25. On December 21, 1995 (following the entry of the Supreme Court ruling), the parties, including the Company, the Staff, the CAD, the District, and various representatives of the Intergovernmental Group met in a prehearing conference to discuss the status of the Project, the bidding procedures and timetable for the bidding and construction of the public portion of the Project, and the proposed funding options for the construction of the public portion of the Project.

26. At that prehearing conference, the parties reviewed the status and likelihood of the various funding options available to the District and the Company described in the Second Supplement, the status of bidding, the necessity to move the construction of the public portion of the Project along as rapidly as possible, and the need to expedite relief from the Commission.

27. Based on those discussions, the Commission's Order of October 28, 1994, and the record to date as reflected in the verified Further Joint Application and the Second Supplement, the parties agreed upon a proposed settlement of all outstanding issues in this proceeding and to recommend that settlement to the Commission.

Discussion and Recommended Resolution
for the Funding and Construction of the Project

28. Subject to the limitations expressed below, the Joint Applicants, the Staff and the CAD agree that the public convenience and necessity will be served by the construction and installation of the above-described transmission and distribution facilities by the District and that given the scope, complexity, and need for the construction of these facilities, the funding options described below are fair and reasonable. Specifically, the Joint Applicants, the Staff and CAD agree that:

a. In light of the delay occasioned by the judicial challenge to the Infrastructure Amendment and the continued delay likely while the judicial challenge reaches its final conclusion (when all Petitions for Reconsideration and appeal periods have been exhausted or abandoned), the parties propose and request that the Commission approve the Interim Financing for the Project contemplated under Option II of the Second Supplement (see, ¶ 18 of the Second Supplement and Exhibit 1

attached to and incorporated in this Joint Stipulation) and as evidenced by the commitment letter from One Valley Bank, N.A., in the total amount of \$12.6 million filed with the Commission by letter from the Company dated December 20, 1995;

b. The Interim Financing contemplated under Option II is fair and reasonable and should be approved pending final decision by the Infrastructure Council on whether to fund the Project to the full extent of \$14.7 million reflected in Option I (see, ¶ 17 of the Second Supplement);

c. In the event the Infrastructure Council decides for whatever reason not to fund the public portion of the Project, the District should be authorized to fund the public portion of the Project by borrowing \$12.6 million at an estimated rate of 7% as provided under Option III under the Second Supplement (see, ¶ 19 and Exhibit 2 of the Second Supplement, which is also attached to and incorporated in this Joint Stipulation as Exhibit 2). Under Option III, the Company's revenue requirement will not exceed \$3,600,000;

d. The parties further agree that in the event the funding contemplated and provided under this Joint Stipulation proves inadequate to complete the public portion of the Project, the Company and the District understand and agree that they will be limited to expending the amounts set forth in those funding options unless they first obtain the further consent and approval of the Commission; and

e. The parties agree that the \$10.00 per month surcharge previously approved by the Commission in the October 28, 1994 Order shall not be required and shall not be used as a rate for customers of the District.

29. Option II and Option III result in revenue requirements for the Company of \$3,286,000 and \$3,595,000, respectively. The revenue requirement previously approved by the Commission as a result of the Commission Order of October 28, 1994, was \$3,517,000. That revenue requirement was outlined in the attachment to the Company's letter of October 26, 1994, referred to

by the Commission in the Order and is also attached as Exhibit 5 to the Second Supplement.

30. This Joint Stipulation has been executed by the Joint Applicants, the Staff and the CAD because of the unusual scope and complexity of the Project, the need to provide some degree of certainty about the financing of the Project and to permit the Joint Applicants to obtain and retain commitments for other funding, and the impact of the Project on the Company and its future budgeted construction.

Acceptance by the Commission

31. This Joint Stipulation is entered into subject to the acceptance and approval of the Commission. It results from a review of the Joint Application, the Further Joint Application and Second Supplement and supporting exhibits and schedules thereto, the familiarity of the Staff and CAD with the operation and construction plans of the Company and the Project, and the discussions and conferences between the parties. The Joint Stipulation reflects compromises by the Company, the Staff and the CAD and is being proposed to expedite and simplify the treatment of this case by the Commission, to avoid protracted and expensive litigation over the certification of the public portion of the Project, and to enable the Company and the District to complete the Project and provide service to customers within the affected areas as promptly as possible. This Joint Stipulation is made without admission or prejudice to any positions which any party might adopt

during subsequent litigation, including any further litigation in this case.

32. The parties adopt this Joint Stipulation as being in the public interest, without agreeing that any of the positions set forth herein shall be applicable to future proceedings. The parties acknowledge that it is the Commission's prerogative to accept, reject, or modify any stipulation or partial stipulation. However, in the event that this Joint Stipulation is rejected or modified by the Commission, it is expressly understood by the parties that they are not bound to accept this Joint Stipulation as modified or rejected, and may avail themselves of whatever rights are available to them by law and the Commission's Rules of Practice and Procedure, and may pursue fully all issues and positions herein, as if no proposed Joint Stipulation existed.

WHEREFORE, the parties, on the basis of all of the foregoing, respectfully request that the Commission make appropriate Findings of Fact and Conclusions of Law adopting and approving this Joint Stipulation, approving the proposed interim and permanent financing of the public portion of the Project as set forth and described in this Joint Stipulation and the other filings in this case, granting a final certificate of convenience and necessity for the construction of Phase I of the Project, granting a certificate of convenience and necessity for the construction of Phase II of the Project contingent upon the Commission's receipt and review of the final plans and specifications and applicable permits for the construction of Phase II, approving the ratemaking

STAFF OF THE PUBLIC SERVICE
COMMISSION OF WEST VIRGINIA

By Counsel

Susan J. Riggs

Susan J. Riggs, Esq.
Public Service Commission
201 Brooks Street
P. O. Box 812
Charleston, West Virginia 25323

CONSUMER ADVOCATE DIVISION OF
THE PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA

By Counsel

Billy Jack Gregg (EG)

Billy Jack Gregg, Esquire
Consumer Advocate
Public Service Commission
700 Union Building
723 Kanawha Boulevard, East
Charleston, WV 25301

ABB05A17



EXHIBIT 1

**Option II - Assumes Bridge
Loan of \$12.6 Million to be
Replaced by \$14.7 Million
Permanent Financing from
Infrastructure Council**

**WEST VIRGINIA-AMERICAN WATER COMPANY
ESTIMATED REVENUE REQUIREMENT FOR THE MERCER/SUMMERS
COUNTY PROJECT (RATEMAKING STEP RATE)**

		<u>Contract Estimate*</u> (000)
<u>Increase in 1995</u>		
Estimated CWIP	CWIP @10-31-95	\$10,272
Overall return		x 9.20%
		\$ 945
Revenue conversion factor		x 1.34
Estimated revenue requirement		<u>\$1,286</u>
Percent Increase	Srchg. Eff. 12-15-95	<u>2.2%</u>
<u>1996 Step Rate Based on Contract Estimate</u>		
Estimated CWIP @ 4-30-96		\$18,885
Overall return		x 9.20%
		\$ 1,737
Revenue conversion factor		x 1.34
Estimated revenue requirement (effective on or about 7-1-96)		<u>\$ 2,328</u>
Percent increase		<u>4.0%</u>
Estimated revenue requirement at completion of project		
<u>Increase in 1996</u> (assuming 9-30-96 in service date)		
Estimated total cost		\$21,984
Add: AFUDC		<u>1,016</u>
Total Project Cost		\$23,000
Less: First year depreciation expense (1.79% annual rate or estimated 55.9 year life)		<u>412</u>
		\$22,588
Less: Deferred taxes (7.38% - 1.79% = 5.59% x \$2,317 = \$1,286 x 35%)		<u>450</u>
		22,138
Overall return		x 9.20%
		\$ 2,037
Revenue conversion factor		x 1.34
		\$ 2,729
Add: Depreciation expense		412
Less: Revenues new customers (1,300 x \$270) Pipestem		351
		174
Add: Leased line expense (\$14.7 million from public sector)		<u>670</u>
Estimated revenue requirement	Est. rates eff. 1-1-97	<u>\$ 3,286</u>
Percent Increase		<u>5.4%</u>
*Includes AFUDC		

Option III - Assumes Public
Sector Borrows \$12.6 Million
at Market Rate of 7%

**WEST VIRGINIA-AMERICAN WATER COMPANY
ESTIMATED REVENUE REQUIREMENT FOR THE MERCER/SUMMERS
COUNTY PROJECT (RATEMAKING STEP RATE)**

		<u>Contract Estimate*</u> (000)
<u>Increase in 1995</u>		
Estimated CWIP	CWIP @10-31-95	\$10,272
Overall return		<u>x 9.20%</u>
		\$ 945
Revenue conversion factor		<u>x 1.34</u>
Estimated revenue requirement		<u>\$1,266</u>
Percent Increase	Srchg. Eff. 12-15-95	<u>2.2%</u>

1996 Step Rate Based on Contract Estimate

Estimated CWIP @ 4-30-96		\$18,885
Overall return		<u>x 9.20%</u>
		\$ 1,737
Revenue conversion factor		<u>x 1.34</u>
Estimated revenue requirement (effective on or about 7-1-96)		<u>\$ 2,328</u>
Percent increase		<u>4.0%</u>

Estimated revenue requirement at completion of project

Increase in 1996

(assuming 9-30-96 in service date)

Estimated total cost		\$21,984
Add: AFUDC		<u>1,016</u>
Total Project Cost		\$23,000
Less: First year depreciation expense (1.79% annual rate or estimated 55.9 year life)		<u>412</u>
		\$22,588
Less: Deferred taxes (7.38% - 1.79% = 5.59% x \$2,317 = \$1,286 x 35%)		<u>450</u>
		22,138
Overall return		<u>x 9.20%</u>
		\$ 2,037
Revenue conversion factor		<u>x 1.34</u>
		\$ 2,729
Add: Depreciation expense		412
Less: Revenues new customers (1,300 x \$270) Pipestem		351 174
Add: Leased line expense (\$12.6 million from public sector)		<u>979</u>
Estimated revenue requirement	Est. rates eff. 1-1-97	<u>\$ 3,595</u>
Percent Increase		<u>5.9%</u>

*Includes AFUDC

Public Service Commission

Richard E. Hitt, General Counsel



201 Brooks Street, P.O. Box 812
Charleston, West Virginia 25323

Phone: (304) 340-0317
FAX: (304) 340-0372

February 13, 1996

Vincent A. Collins, Esquire
Steptoe & Johnson
Sixth Floor, Bank One Center
P.O. Box 2190
Clarksburg, WV 26302-2190

Re: Case No. 94-0098-W-PWD-PC-CN (Reopened)
West Virginia American Water Company and Oakvale Road
Public Service District

Dear Vince:

As you know, on February 5, 1996, the Public Service Commission of West Virginia (Commission) entered a Final Order in the above-referenced proceeding which grants West Virginia American Water Company and Oakvale Road Public Service District final certificates for Phase I of the subject project.

William S. Winfrey, II, Counsel for Oakvale Road Public Service District, requested the Staff of the Public Service Commission (Staff) to indicate by letter whether it intended to appeal the Commission's Order to the Supreme Court of Appeals of West Virginia.

The Staff is of the opinion that it does not have the statutory authority to appeal a final order of the Commission to the Supreme Court of Appeals. Therefore, the Staff will not appeal the subject Order to the Supreme Court of Appeals.

If you have any questions regarding this matter, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Susan Riggs".

Susan J. Riggs
Staff Attorney
(304) 340-0337

SJR/s

cc: Howard M. Cunningham
William S. Winfrey, II, Esquire



Public Service Commission
Of West Virginia

21 Brooks Street, P. O. Box 812
Charleston, West Virginia 25323



August 28, 1996

Phone: (304) 340-0300
FAX: (304) 340-0325

Michael A. Albert, Esq.
Jackson & Kelly
P. O. Box 553
Charleston, WV 25322

William S. Winfrey, II, Esq.
1608 Main Street West
P. O. Box 1159
Princeton, WV 24740

Billy Jack Gregg, Esq.
Consumer Advocate Division
7th Floor, Union Building
723 Kanawha Boulevard, East
Charleston, WV 25301

8/29
TO SA SHERT
BSC MR F NPR
HAVE BEEN INCLUDED IN
CENTRAL BU

Re: Case No. 94-0098-W-PWD-PC-CN
WEST VIRGINIA-AMERICAN WATER COMPANY
THE COUNTY COMMISSION OF MERCER COUNTY
THE COUNTY COMMISSION OF SUMMERS COUNTY
THE CITY OF HINTON, THE CITY OF PRINCETON, and
OAKVALE ROAD PUBLIC SERVICE DISTRICT

Gentlemen:

Pursuant to Rule 2 of the Commission's Rules of Practice and Procedure, we are enclosing a copy of staff recommendations in the above proceeding.

Sincerely,

Pamela J. Hicks
Acting Executive Secretary

PJH/esk
Enclosure



FURTHER JOINT STAFF MEMORANDUM

TO: PAMELA J. HICKS
Acting Executive Secretary

DATE: August 19, 1996

FROM: CASSIUS H. TOON
Staff Attorney

SUBJECT: CASE NO. 94-0098-W-PWD-PC-CN
WEST VIRGINIA AMERICAN WATER COMPANY,
THE COUNTY COMMISSION OF MERCER COUNTY,
THE COUNTY COMMISSION OF SUMMERS COUNTY,
THE CITY OF HINTON, THE CITY OF PRINCETON, and
OAKVALE ROAD PUBLIC SERVICE DISTRICT

REC'D
53 AUG 21 PM 1:49
SECRETARY'S OFFICE

For the reasons set forth in the attached Further Final Memorandum of David A. Hippchen, Staff Engineer for the Public Service District Division, Staff is of the opinion that the District has satisfied the Commission order of February 5, 1996 and should be authorized to proceed as set forth herein.

CHT/ljk
Attachment

REH CH
ALS CH

960098.WPD

PUBLIC SERVICE COMMISSION OF WEST VIRGINIA**FURTHER FINAL MEMORANDUM**RECEIVED
25 AUG 16 AM 8:33
LEGAL DIVISION

DATE: August 15, 1996

TO: Cassius H. Toon, Staff Attorney
Legal Division

FROM: David A. Hippchen, Staff Engineer
Public Service District Division

RE: Case No. 94-0098-W-PWD-PC-CN
West Virginia American Water Company;
The County Commission of Mercer County;
The County Commission of Summers County;
The City of Hinton; The City of Princeton; and
Oakvale Road Public Service District.

Pursuant to the Commission Order of February 5, 1996 the District has submitted the following additional information for Phase II of the joint project:

1. Construction plans for the distribution lines and services for EDA Contract 1 (Indian Ridge, Broadway, and Gravelly Point Roads) and New Pisgah Road Contract 3.
2. Specifications and bid documents for the two construction contracts.
3. Bid tabulations for the EDA Contract 1.
4. Project budget comments from Stafford Consultants, in regard to the New Pisgah Road contract, dated October 25, 1995.
5. Office of Environmental Health Services Permit No. 12,892, dated 6-3-96, granting approval to construct both the EDA and New Pisgah Road contracts.
6. Preliminary plans for Bent Mountain Road and the Corps of Engineers demonstration contracts. These plans are not final at this time.

The EDA contract was bid on June 19, 1996 and, as the attached budget summary shows, the low bid was well below the available funding level. Accordingly, the full amount of the EDA grant previously committed to the project may be made available for line extension change orders to serve additional customers. The low bid on this contract is binding for 90 days (until September 17) unless a written extension is obtained from the contractor.

Cassius H. Toon
Case No. 94-0088-W-PWD-PC-CN
August 15, 1996
Page 2

The New Pisgah Road contract will be advertised for bids around September 1 with the completion of work on minor permit applications. The budgeted funding source for this contract is the IJDC debt issuance, which at this stage fully funds the proposed construction. An updated budget will be available after bids are received.

Work on the remaining two contracts is still in the preliminary stages at this time. Design work on Bent Mountain Road will resume August 19 based on the board's authorization to proceed. The other contract is on hold pending, among other items, a decision by the Corps of Engineers to accept a permit from the Division of Highways [which it routinely issues] instead of a highway easement [which the Division does not grant].

Based on my review of the information submitted to date, I am of the opinion the District has satisfied the Commission order of February 5, 1996 and should be allowed to award the EDA contract and advertise [and subsequently award] the NPR contract. I am requesting the following information to be filed, which I anticipate will be acceptable without further comment:

1. Revised project budget for Phases I and IIA, from Region I Planning and Development Council. [This budget is being developed as of this writing.]
2. Bid tabulations for New Pisgah Road, when available.

Final information for the other two contracts, including construction plans, should be filed when available. Upon review of this information, I will submit further comments and recommendations to close out Phase II of this project.

DAH/s

2-1

ATTACHMENT 1

**OAKVALE ROAD PUBLIC SERVICE DISTRICT
CASE NO. 94-0098-W-PWD-PC-CN
Phase IIA**

Project Budget

<u>Line Item</u>	<u>EDA</u>	<u>New Pisgah Road</u>
Construction	\$867,275** (\$1,081,151*)	\$490,895
Construction Contingency	47,464** (54,049*)	
Administration	24,000	40,105
Land and Rights of Way	17,000	25,000
Archeological Survey	10,000	2,000
Legal / Accountant	10,000	4,000
Engineering - Basic	83,200	8,000
Engineering - Inspection	65,900	51,050
Engineering - Special	13,500	42,000
Legal Ads	600	12,000
Permits	19,360	500
Bond Counsel	15,000	8,000
Interim Financing	15,000	7,000
Project Contingency	11,240	1,000
Cost of Financing	30,000	8,450
Audit	2,000	45,000
		2,000
Total	\$1,231,539** (\$1,452,000*)	\$747,000

Source: Region I Planning and Development Council, October 1995 project budget.

*Based on pre-bid estimate for EDA contract, as per October 1995 budget.

**Based on low bid, 6-19-96.





Casper

STATE OF WEST VIRGINIA
WATER DEVELOPMENT AUTHORITY

1201 DUNBAR AVENUE
DUNBAR, WV 25004
Telephone (304) 558-3812
Telecopier (304) 558-0299

May 4, 1995

RECEIVED

MAY 4 1995
REGIONAL PARTNERS AND
DEVELOPMENT COUNCIL

Mr. Ronnie Stump, Chairman
Oakvale Road Public Service District
P.O. Box 1061
Princeton WV 24740

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL
PRELIMINARY APPLICATION - OAKVALE ROAD PUBLIC SERVICE DISTRICT
(WATER PROJECT)

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

The Council's Funding Committee has determined that financing from local, state and federal agencies is not adequate to ensure reasonable user rates for the system and that financial assistance from the Infrastructure Fund may be needed.

A test case has been filed in the Circuit Court of Kanawha County questioning the constitutionality of the Infrastructure Improvement Amendment. Until these issues have been resolved and the Infrastructure General Obligation Bonds have been approved by the State Supreme Court of Appeals, the Governor cannot issue the bonds. The Council cannot predict if or when the Infrastructure General Obligation Bonds will be issued, and therefore, when moneys will be available in the Infrastructure Fund.

If, after considering how this delay will affect your project, you believe that you must try to proceed without financial assistance from the Infrastructure Fund, please notify the Council at the above address.

Daniel B. York

RUSSELL L. ISAACS - CHAIRMAN

Attachment



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Gaston Caperton
Governor

Gretchen O. Lewis
Secretary

MEMORANDUM

TO: Daniel B. Yonkosky, Director
Water Development Authority

FROM: William S. Herold, Jr., P.E.
Infrastructure Water Assessment Committee

DATE: February 10, 1995

RE: Mercer/Summers Regional Water Project Infrastructure
Preliminary Application, Mercer and Summers Counties

The Water Assessment Committee has determined the project to be technically feasible and recommends council approval. The WV Bureau for Public Health (BPH) has been kept informed of the progress of this major water project by the WV American Water Company and the consulting engineers for the public entities. Some parts of this project have been approved by the BPH and others are pending.

The WV Public Service Commission (PSC) has indicated that the certificate of convenience and necessity for this project will have to be re-opened due to changes in scope and funding as submitted in the preliminary certificate application. Also, the PSC is concerned that Phase II is now being projected to serve 367 customers instead of 705 customers as originally proposed.

This project will require permit(s) from the WV Bureau of Public Health, a Certificate of Convenience and Necessity from the WV PSC, and a NPDES permit(s) from the Division of Environmental Protection, prior to construction.

cc w/enclosure Daniel Yonkosky
w/o enclosure Joe Hatfield, Housing Development Fund
David Warner, Economic Development Authority
Fred Cutlip, WV Development Office
Boyce Griffith, Public Service Commission
Pat Parks, Ofc of Abandoned Mine Lands
Joseph P. Schock, Ofc of Env Health Services



THIS AGREEMENT is made as of this 8th day of May, 1995, by and between WEST VIRGINIA-AMERICAN WATER COMPANY, a West Virginia corporation (hereinafter "Water Company"), and OAKVALE ROAD PUBLIC SERVICE DISTRICT, a public corporation established under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (hereinafter "District").

W I T N E S S E T H:

WHEREAS, pursuant to Orders of the Public Service Commission of West Virginia ("Commission") entered on December 13, 1988 and January 3, 1989, in PSC Case No. 88-155-W-CN, the Commission approved an Agreement between District and Water Company relating to the operation of certain water distribution mains and related facilities in an area east of Princeton, West Virginia, known as Halls Ridge, constructed by the County Commission of Mercer County, West Virginia, and conveyed to District;

WHEREAS, pursuant to an Intergovernmental Agreement dated April 22, 1993, between and among District, the County Commission of Mercer County, the County Commission of Summers County, the City of Princeton, and the City of Hinton (hereinafter collectively sometimes referred to as the "Intergovernmental Group"), District has agreed with the Intergovernmental Group to accept certain responsibilities with respect to receipt of bids, awarding of contracts, construction of certain water transmission and distribution mains and the ownership of those facilities to be constructed with public funds; and

GA

WHEREAS, under the Intergovernmental Agreement and this Agreement, District and the Intergovernmental Group agree to construct certain Phase I facilities at an estimated cost of approximately \$16.746 million in order to serve approximately 600 potential customers within the expanded service area of District, all as generally shown in gray on a schematic prepared by Water Company dated May, 1995, and captioned "Region I Planning and Development Council, Mercer/Summers Water Project" ("District Plan"), a copy of which is attached to and incorporated in this Agreement as Exhibit A; and

WHEREAS, District has requested Water Company to provide District with a supply of potable water from the new Treatment Plant to be constructed by Water Company at True, West Virginia ("Bluestone Treatment Plant"), along with a raw water Intake Structure and Raw Water Line and related pumping and storage facilities described in more detail in this Agreement, in order to permit Water Company and District to provide water service to those customers to be served under an overall project between the Intergovernmental Group and Water Company described generally as the "Mercer/Summers County Water Supply Project" (hereinafter "Mercer/Summers County Water Supply Project" or "Project"), it having been determined by District that Water Company is the best available source of potable water for that area; and

WHEREAS, Water Company and District, in order to provide District with a supply of potable water, propose to design and construct a Raw Water Intake Structure, Raw Water Line, the

Bluestone Treatment Plant and transmission and distribution mains and other facilities more fully described below; and

WHEREAS, Water Company, upon completion of the Bluestone Treatment Plant, will have sufficient treatment and storage capacity to supply the estimated needs of all of the existing or proposed customers to be served by the Mercer/Summers County Water Supply Project, including the customers of Water Company currently receiving service from Water Company's Hinton and Princeton Treatment Plants; and

WHEREAS, District, as a result of the arrangements contemplated by this Agreement and the Intergovernmental Agreement and certain funds available to the Intergovernmental Group, will be able to obtain the construction of water transmission and distribution facilities to serve certain residents under the Project; and

WHEREAS, Company proposes to construct and own any storage facilities provided under Phase I or Phase II of the Mercer/Summers County Water Supply Project; and

WHEREAS, District believes it is in the best interest of District and its proposed customers for Water Company to operate, maintain, repair and replace the water transmission and distribution facilities owned by District after their construction; and

WHEREAS, District and Water Company desire to provide adequate potable water to District customers and to provide

assistance in the operation, maintenance, repair and replacement of the distribution and transmission facilities of District.

NOW, THEREFORE, for and in consideration of the premises, which are hereby made an integral part of this Agreement and which are not to be construed as mere recitals, the covenants and agreements contained herein and other good and valuable considerations, the receipt and sufficiency of all of which are hereby acknowledged, Water Company and District agree:

I. Construction of Water Facilities.

After the conditions precedent described in Section XIII have been satisfied, the parties shall proceed promptly and diligently to construct the following facilities:

A. Proposed Construction Funded and Owned by Water Company.

Under Phase I of the Project, Company will construct a Raw Water Intake Structure and related Raw Water Line and construct the Bluestone Treatment Plant, a 5 MGD facility, at True, West Virginia and the related storage facility and piping to provide service to Company's Hinton and Princeton Districts, Pipestem State Park and unserved areas along the transmission mains. Under Phase I of the Project, the estimated total cost of Company's construction is approximately \$23,000,000. All of Water Company's proposed construction shall be hereinafter collectively referred to as "Water Company Facilities," and the approximate locations of Water Company Facilities are shown in blue on Exhibit A to this Agreement.

B. District Proposed Construction.

Under Phase I, District, in cooperation with the Intergovernmental Group and in furtherance of this Agreement, shall, at its sole cost and expense, design, purchase and install the following transmission and distribution lines at the estimated cost indicated:

<u>Public Construction</u>	<u>Estimated Cost of Construction</u>
Transmission Mains	\$ _____
Distribution Mains	_____
<u>Total Cost to Intergovernmental Group</u>	<u>\$ 16,746,285</u>

These facilities in Phase I will initially serve approximately 600 customers in the District service area, the District service area being shown on the schedule attached as Exhibit A to this Agreement. In addition, under Phase II of the Project, the Intergovernmental Group has agreed to construct approximately an additional \$5,004,000 of distribution mains, all as generally shown in yellow on Exhibit A. All of District's proposed construction shall be hereinafter collectively referred to as "District Facilities."

C. Estimated Cost of Construction. It is estimated that the total cost of construction of Phase I of Water Company Facilities and Phases I and II of the District Facilities will be \$44,750,285. Water Company will pay the approximate cost of \$23,000,000 for Water Company Facilities, and District and the Intergovernmental Group will pay the cost of \$16,746,285 to construct Phase I, all as set forth below. District and

Intergovernmental Group will pay the estimated cost of \$5,004,000 for Phase II of District Facilities.

MERCER/SUMMERS REGIONAL WATER SUPPLY PROJECT
PHASE I
PRELIMINARY PROJECT COST/SOURCE OF FUNDS

SOURCE OF FUNDS:

WEST VIRGINIA-AMERICAN WATER CO.	\$ 23,000,000
INFRASTRUCTURE/WDA LOAN - "JOINT USE"	\$ 7,303,084
SMALL CITIES BLOCK GRANT	\$ 3,000,000
ARC GRANT	\$ 990,318
CORPS OF ENGINEERS GRANT	\$ 2,100,000
EDA GRANT	\$ 990,000
INFRASTRUCTURE COUNCIL LOAN	<u>\$ 7,366,083</u>
TOTAL ESTIMATED COST OF PROJECT	\$ <u>44,750,285</u>

II. Supply of Water to Customers of District.

A. Upon completion of construction of Water Company Facilities and District Facilities, Water Company agrees to provide to District customers served from District Facilities, subject to the terms, conditions, undertakings, agreements and limitations provided in this Agreement, the total water requirements of the customers of District, said water delivered to District's customers to be of the same quality as that supplied to Water Company's customers in its Princeton and Hinton Districts. Water Company will be paid for the water supplied to District customers in the manner set forth in Section VI of this Agreement at the rates of Water Company from time to time established pursuant to Chapter 24 of the West Virginia Code, as amended.

B. Water Company shall monitor the water quality and be responsible for compliance with all state and federal standards for furnishing water to the public.

C. If at any time during construction of Water Company Facilities or District Facilities, Water Company agrees to provide water to a portion of the customers served from District Facilities, such water shall also be provided by Water Company, as agent for District, and paid for by District's customers in the manner set forth in this Agreement. Water Company agrees to use reasonable efforts to coordinate its construction with that of District in order to supply water as set forth above.

D. In the event of an extended shortage of water, or if the supply of water from Water Company is otherwise diminished or impaired, the supply of water to the customers of District shall be reduced or diminished in approximately the same proportion as the supply of the water to customers of Water Company's Hinton and Princeton Districts is reduced or diminished. Any notification given to Water Company's Hinton or Princeton District customers of any anticipated shortage of water shall also be given to customers of District.

III. Term of this Agreement.

The term of this Agreement shall extend for forty (40) years from the date hereof and thereafter may continue in effect from year to year after the 40-year term of the Agreement by mutual consent of the parties.

IV. Plans and Specifications for District Facilities.

A. The Intergovernmental Group has retained the services of the consulting engineering firm of Stafford Consultants, Inc., P.O. Box 5849, Princeton, West Virginia 24740 to prepare the necessary plans and specifications and to prepare estimates of the cost of construction of District Facilities. Prior to preparation of the necessary bidding documents, District will submit the plans and specifications for District Facilities to Water Company for approval.

B. Water Company shall have the right, but not the obligation, to inspect the construction of District Facilities. District shall have the obligation to provide a full time, qualified resident project representative to assist District in determining that construction under this Agreement is conducted in accordance with the District Plan. In the event an inspection by Water Company or such District inspector during construction of District Facilities or of the construction techniques or methods employed by, or for, District or its contractor during construction reveals that construction of District Facilities is not proceeding according to the Plan, Water Company shall, within 15 days of any inspection by Water Company or within 15 days of being advised of such deficiencies in construction by the District inspector, give written notice thereof to District, with a copy of such notice to the County Commissions of Summers and Mercer County, and District hereby agrees that it will correct, or cause its contractor to correct, such discrepancy within 45 days of receipt of such notice.

C. Water Company and District are participating in the U.S. Army Corps of Engineers ("Corps of Engineers") demonstration project grant as a part of Phase II of the Project, and Water Company and District agree that they will accept the completed Corps of Engineers project water lines upon completion of that portion of the Project.

D. In the event District or its contractor refuses to correct such discrepancy, then Water Company, at its sole option, shall have the right to be reimbursed for the cost and expense of making any installations, relocations, replacements, maintenance or repairs on such discrepancy and to treat such discrepancy as provided in Section VI hereof.

E. In the event this Agreement becomes null and void under this Section IV, Water Company shall not be liable for any costs or damages as a result thereof.

V. Operation and Maintenance of District Facilities by Water Company for District.

A. Except as otherwise provided in this Agreement, Water Company hereby agrees, at its expense, to operate, maintain, repair and replace (i) District Facilities described in Section IB of this Agreement, and (ii) all other water lines or other facilities added thereto with the written approval of Water Company and District. The obligation of Water Company to operate, maintain, and repair District Facilities at its own expense shall be limited to routine operation, maintenance and repair of District Facilities; provided, however, Water Company's obligation to

operate, maintain, and repair the District Facilities shall not include the obligation to install, relocate or replace any "unit of property" within District Facilities or hereafter constructed and included within this Agreement as defined in the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners ("NARUC"), nor shall Water Company be under any obligation to maintain, repair or replace at its expense, any condition, defect or malfunction arising from the installation of District Facilities which fail to meet the standards of Water Company, if such discrepancy in installation is reported in writing by Water Company to District and to the County Commissions of Mercer and Summers Counties within 15 days of discovery as provided in Section IV.

B. In the event Water Company, under the terms of this Agreement, is required to install, relocate or replace any "unit of property" within District Facilities or hereafter constructed and included within this Agreement as defined in the Uniform System of Accounts of the National Association of Regulatory Utility Commissioners ("NARUC"), Water Company shall make such installation, relocation or replacement at the cost of the District.

C. In the event that it becomes necessary to install, relocate or replace any unit of property or any condition, defect or malfunction arising from faulty installation for which notice as hereinabove set forth has been given to District by Water Company, such installation, replacement or relocation shall be made by a

contractor selected by the PSD or by Water Company upon notification by District using funds advanced by Water Company for which Water Company shall be reimbursed under the billing procedures set forth in Section VI below.

VI. Reading Meters, Billing of Customers and Payments to District for Surcharges to District Customers.

A. All customers served directly from District Facilities under this Agreement shall be the customers of District. In addition, Water Company and District agree that any customers served from the 8-inch water line from the Bluestone Treatment Plant to the north side of the Bluestone Lake shall also be customers of District. Water Company shall, at its expense, read all meters of the customers of District and render bills to those customers as agent for and on behalf of District in a manner consistent with the meter reading and billing practices of Water Company employed in billing its own customers, such bills to be rendered and collected by Water Company on behalf of District and to be computed based on the usage of each District customer at the rates of District from time to time established pursuant to Chapter 24 of the West Virginia Code, as amended.

B. The bills delivered by Water Company to each customer of District on behalf of District shall reflect the amount due for the water used (such amount to be determined by applying the rates of District to the consumption of water by District's customers as determined by monthly or estimated meter readings). The bills delivered to the customers of District shall be delivered

by, and shall be payable to, Water Company as agent for District.

C. Water Company, in consideration of the respective rights, duties, obligations, agreements and undertakings of the parties under this Agreement, shall be entitled to receive from District an amount which will be the total of each customer's bill based on the consumption of each individual District customer at Water Company rates from time to time established pursuant to Chapter 24 of the West Virginia Code, as amended. Water Company shall prepare and deliver a monthly statement to District which shall reflect the total amount collected by Water Company as agent for District and the total amount retained by Water Company for the water service provided to customers of District at the respective rates of District and Water Company. A customer of District shall be charged a municipal B & O surcharge on usage only if that customer resides within a municipality which imposes such a surcharge. In addition, the monthly statement to be provided to District by Water Company will also include the costs of any installations, relocations, replacements, maintenance or repairs that have been made by Water Company at the cost of District pursuant to Section IV, any additions or extensions, and related refunds, made at the cost of District under Section VIII, and the cost of any fire hydrants under Section XI installed at the cost of District.

D. In addition to such other obligations, duties and responsibilities set forth in this Agreement, as amended, Water

Company also agrees to pay directly to vendors the reasonable costs of the following five items on behalf of District, up to maximum aggregate amount for all five items of \$12,000 in each calendar year during the term hereof, upon the receipt of an invoice for such costs from the vendor, which has been approved by District for payment and forwarded by District to Water Company:

1. District Commissioner's Fees
2. Legal and Accounting Expenses
3. Liability Insurance and Bonds
4. Regulatory Commission Fees
5. Miscellaneous Supplies
6. Administrative and Travel Expenses related to the Project

District agrees that the \$12,000 provided under this Agreement shall be the total amount to be paid by Water Company to District under this or prior agreements between Water Company and District for such services, and shall not be in addition to any amounts provided under the prior agreement between Water Company and District. In the event that either Water Company or District believes that the maximum aggregate amount of \$12,000 is inadequate or excessive to pay the reasonable costs of the above-mentioned five items, then either party may petition the Utilities Division of the Public Service Commission of West Virginia to audit and review the costs incurred by District for such items and to fix the maximum aggregate amount for said items which Water Company will pay pursuant to this Subsection D.

E. As a part of the costs and expenses described in Subsection D of this Section VI, District agrees to have its accountants review, at least annually, at the expense of District,

the system of accounts maintained by Water Company for District and report the results of that review to District, Water Company and the County Commissions of Mercer and Summers County.

VII. Payment by Water Company for the Use of District Facilities:

In exchange for the benefits of having the Water Company's Bluestone Treatment Plant connected to the Water Company's Hinton and Princeton distribution systems through the District Facilities, Water Company will pay District \$670,000 per year but only until the debt of the District approved by the Infrastructure Council has been paid in full. This \$670,000 payment shall be paid either directly to the account of District or may be offset against amounts due Water Company from District, at the option of Water Company, and will be paid or offset on a monthly basis at the time of the other payments provided in paragraph VI hereof. Of the \$670,000 annual payment to District, \$660,000 shall be dedicated to service the principal and interest on any debt of District approved by the Infrastructure Council and used to finance the construction of the District Facilities and the remaining \$10,000 shall be used to meet any obligations of District to Water Company under this Agreement.

VIII. Future Additions to and Future Extensions of District Facilities.

Water Company and District are aware that there may be written requests by District for future additional use of water by customers of District and that there may be future approved

District additions and extensions made to District Facilities. In addition to the other requirements set forth in this Agreement, District and Water Company hereby specifically agree that such additional use, additions and extensions shall be made only if, in the opinion of Water Company, Water Company has sufficient treatment capacity and distribution and pumping facilities, including transmission and distribution mains, adequate to serve District's customers and if Water Company believes it otherwise economically feasible to meet the total then present and anticipated needs of both the customers of District and the other customers of Water Company's Hinton and Princeton Districts. Further, District and Water Company agree as follows:

A. Future Additions. All future additions to District Facilities constructed by District shall be subject to this Agreement; provided, however, that future additions to the system must be approved by both Water Company and District.

B. Future Extensions. Customer extensions from District Facilities and within District boundary lines may be installed by either District or Water Company. When District receives a request for a customer extension, District shall notify in writing Water Company within fifteen days of its receipt of said request whether District will install the customer extension or desires Water Company to make the installation.

(1) In the event District desires Water Company to install and own the customer extension, (i) Water Company shall contract on its own behalf with the customer requesting the

extension and make the installation pursuant to the Rules and Regulations of the Commission, (ii) all customers attaching to the customer extension shall be considered customers of Water Company for billing purposes at the rates of Water Company, and (iii) the customer extension shall be, without further cost or expenses of any kind, the property of Water Company.

(2) In the event District elects to install and own the customer extension, the construction for that customer extension by District shall be contracted to a contractor acceptable to Water Company, and all plans and specifications for that extension must be submitted to and approved by Water Company before becoming a part of District's system and being subject to this Agreement. When that extension is contracted to a contractor acceptable to Water Company, Water Company, on behalf of and as agent for District, shall contract directly with such contractor to provide the extension. Any extension deposits taken by Water Company on behalf of and as agent for District pursuant to the Rules and Regulations of the Public Service Commission of West Virginia ("Commission") shall be retained by Water Company and credited against the cost of the extension, and the balance of the deposit above the cost of the extension, if any, shall be returned to the contracting customer. Water Company on behalf of and as agent for District, shall make refunds to the contracting customers for the extensions pursuant to the Rules and Regulations of the Commission based on the rates of Water Company, using funds advanced to Water Company by District.

(3) Refunds made pursuant to the Rules and Regulations of the Commission to customers contracting directly with Water Company pursuant to subparagraph VIII B(1) shall be the sole responsibility of Water Company, and the cost of such extensions, to the extent refunded or reimbursed to customers pursuant to the Commission's Rules and Regulations, shall be properly includable in Water Company's depreciable utility plant in calculating Water company's cost of service and resulting rates.

IX. Installation of Domestic Services:

District shall install and own services and meter installations for the 1,300 customers to be served under this Agreement. The Company will install and own the meters to serve those 1,300 customers. Thereafter, and after the proposed construction of Water Company Facilities and District Facilities provided for this Agreement have been completed, Water Company shall install, in accordance with the Rules and Regulations of the Commission, domestic services lines, including the tap on District Facilities and the service line from District Facilities to the established curb line or within the public right of way nearest the main. This installation shall include the meter setting. All such service lines from District Facilities to District customer's property line, meter settings and taps shall be constructed and installed by Water Company and shall be the property of Water Company. Water Company shall install all meters at its cost, shall own the meters, and shall assume the obligation to repair, maintain and replace the meters.

X. Payment to Water Company Upon Termination of the Agreement.

A. Upon the termination of this Agreement, Water Company will be entitled to receive payment for all water delivered to District customers through the termination date of this Agreement in accordance with the provisions of Section VI of this Agreement, and all water meters installed on District's distribution system at Water Company's expense at the time of such termination will be removed by Water Company. District agrees that it will either replace those meters, install nipples in place of those meters or buy the meters from Water Company at the depreciated original cost of those meters as provided in Subsection C of this Section IX.

B. Upon termination of the Agreement, District also agrees that it will purchase from Water Company, at the depreciated original cost of those items, all utility plant installed at Water Company's expense under Section IX.

C. Upon termination of the Agreement, Water Company shall, within thirty (30) days of such termination, provide District (i) the total cost of all such items described in subparagraphs A and B of this Section X installed at the cost of Water Company and (ii) the total depreciation accrued on all of such items. District agrees that it shall pay to Water Company the total net depreciated cost (original cost less depreciation) of such items over a three year period with such payments to be made in thirty-six (36) equal monthly payments of principal, plus

accrued interest at the "Prime Rate," as defined below, commencing forty-five (45) days after termination of the Agreement. The Prime Rate shall be the prime rate as shown in The Wall Street Journal being defined therein as the "base rate on corporate loans at large U.S. money center commercial banks" and reported as the "PRIME RATE" under the heading "Money Rates," as those terms shall be from time to time changed. The Prime Rate shall change not more often than the first day of each calendar quarter, and for each calendar quarter it shall be determined on the last day of the preceding calendar quarter on which The Wall Street Journal is published with the aforesaid prime rate quotation. In the event that The Wall Street Journal ceases to publish such rates, the Prime Rate shall be the prime rate established by One Valley Bank, National Association, of Charleston, West Virginia, from time to time.

XI. Installation of Private Fire Protection Services.

After the proposed construction provided for in this Agreement has been completed, additional fire services, approved by District, may be installed by Water Company from District Facilities, but only in accordance with the Rules and Regulations of the Commission. Fire service shall be installed by Water Company at the expense of the applicant and shall be billed by Water Company to the applicant and paid by the applicant directly to Water Company at a rate equal to the then approved Water Company's private protection rate.

XII. Installation of Fire Hydrants.

After the original construction provided for in this Agreement has been completed, public fire protection facilities approved by District may be installed on District Facilities covered by this Agreement at the request of an appropriate governmental unit, and installation shall be made pursuant to the Rules and Regulations of the Commission.

XIII. Water Service Franchise Territories.

It is expressly understood and agreed by Water Company and District that:

A. Water Company shall be permitted to install and maintain Water Company Facilities and other facilities within the water service franchise area of District as are necessary to enjoy and fulfill its rights and obligations under this Agreement, subject to the terms and conditions set forth in this Agreement.

B. Except as otherwise provided in this Agreement, all persons served from extensions or additions constructed at the Water Company's expense as described in Section VIII, and served, either at present or in the future, by Water Company shall be considered customers of Water Company.

C. Water Company and District agree that, as part consideration for undertaking this Agreement, Water Company shall have the right at no cost to Water Company, even after termination of this Agreement, to transfer water through District Facilities, and all future additions and future extensions thereto, and to serve customers who may be connected, directly or indirectly, to

Water Company water mains, whether inside or outside District's service area as customers of Water Company.

XIV. Conditions Precedent to Effectiveness of Agreement.

Water Company and District understand and agree that this Agreement, and the obligations of each of them hereunder, are expressly conditioned upon the following, each of which is a condition precedent to the validity and enforceability of this Agreement:

A. The Intergovernmental Group shall have received a firm commitment for the necessary grants and other funding to enable it to carry out its obligations under Section I of this Agreement.

B. The Commission shall have granted a certificate of convenience and necessity for the construction of Water Company Facilities and District Facilities.

C. The Commission shall have approved the rates requested by District in the Joint Application and any and all amendments or supplements to the Joint Application (hereinafter "Joint Application, as amended") filed with the Commission seeking approval of this Agreement, which Joint Application shall be the responsibility of Water Company.

D. District and Water Company shall have acquired all necessary permits from all applicable State and Federal agencies and shall provide evidence to each other, satisfactory to counsel for Water Company and District, that each of them has all of the necessary rights of way, easements, licenses or permits necessary

for the installation of Water Company Facilities and District Facilities; provided, however, that in the event that it is later discovered that District does not have a right of way or easement for a portion of District Facilities this condition precedent shall be deemed satisfied if District acquires such right of way or easement, and the related right of entry, by eminent domain at no cost to Water Company.

E. The Commission shall have approved the Joint Application, as amended, and this Agreement, including all of the terms, conditions, undertakings, agreements, limitations, and transactions under the Joint Application, as amended, and this Agreement, and shall have approved the specific ratemaking treatments and provisions sought by Water Company in this Agreement or in the Joint Application, as amended, prepared and submitted to the Commission seeking approval of this Agreement and the Mercer/Summers County Water Supply Project. Specifically, and without in any way limiting the generality of this condition, the Order approving the Agreement and the transactions contemplated thereby shall:

(1) Authorize the inclusion in depreciable utility plant of Water Company any amounts expended by Water Company [for the cost of installing, replacing or relocating any water lines or facilities on the District system which are defined as a "unit of property," in the NARUC Uniform System of Accounts and which are relocated or replaced by Water Company at its cost pursuant to Section V of this

Agreement] to install service lines, meter settings and taps on the District system pursuant to Section IX;

(2) Authorize Water Company to include in depreciable utility plant an amount equal to the tax expense associated with the obligations assumed by Water Company under the Agreement to the extent that the construction of District Facilities and other facilities undertaken by District, or the undertaking by Water Company to operate, maintain, repair or replace District Facilities under this Agreement, cause the cost of such District construction, or any part thereof, to constitute taxable income or otherwise to generate tax expense for Water Company;

(3) Except to the extent necessary to reflect the increased cost of the Project described in the Joint Application, as amended, not change or modify the rate making treatment contained in the Partial Joint Stipulation between and among the Water Company, the Staff, Consumer Advocate Division and the Intergovernmental Group dated and previously approved by the Commission in its Order of October 28, 1994; and

(4) Grant the other rate relief requested by the Water Company in the Joint Application, as amended.

F. The Commission shall not have attached to its Order any terms, conditions or limitations which, in the sole discretion of either Water Company or District, shall adversely affect this

Agreement or the economic feasibility of this project between the parties or require Water Company, District or the Intergovernmental Group to take any action or refrain from taking any action which, in the opinion of their respective counsel, might require them, or any of them, to breach any of their obligations under any Mortgage Indenture, as supplemented, or any other agreement to which any of them might be a party.

XV. Representations and Warranties.

A. District represents and warrants to Water Company as follows:

- (1) The execution, delivery and performance of this Agreement by District have been duly authorized, and this Agreement constitutes a valid and binding obligation of District enforceable in accordance with its terms; and
- (2) The execution and performance of this Agreement in accordance with its terms by District will not violate any provisions of law or violate the terms or conditions of any grants or loans made to District or any of the Intergovernmental Group for construction of District Facilities.

B. Water Company represents and warrants to District as follows:

- (1) The execution, delivery and performance of this Agreement by Water Company have been duly authorized, and this Agreement constitutes a valid and binding obligation

of Water Company enforceable in accordance with its terms; and

(2) The execution and performance of this Agreement in accordance with its terms by Water Company will not violate any provisions of Water Company's indentures.

XVI. Assignability.

This Agreement shall be binding upon the successors and assigns of the respective parties hereto.

XVII. Notice.

Any notice, demand or request given hereunder shall be deemed sufficient if in writing and sent by certified mail, postal charges prepaid, to West Virginia-American Water Company, Attention: President, P. O. Box 1906, Charleston, West Virginia 25327, and to District addressed to Oakvale Road Public Service District, c/o Mercer County Commission, Attention: County Administrator, Princeton, West Virginia 24740, or to such address as the parties shall indicate by written notice to the other party.

XVIII. Captions.

The captions preceding the text of the subsections of this Agreement are inserted solely for convenience and reference and shall not be used to construe, interpret or affect any provision of this Agreement.

IN WITNESS WHEREOF, West Virginia-American Water Company, a corporation, and Oakvale Road Public Service District, a public corporation, have caused this Agreement to be signed, by their

proper officers thereunto duly authorized, all as of the day and year first above written.

WEST VIRGINIA-AMERICAN WATER
COMPANY

Witness:

Judy L. Judy

By

Michael A. Miller
Michael A. Miller
Its Vice President

OAKVALE ROAD PUBLIC SERVICE
DISTRICT

Witness:

Willie H. H.

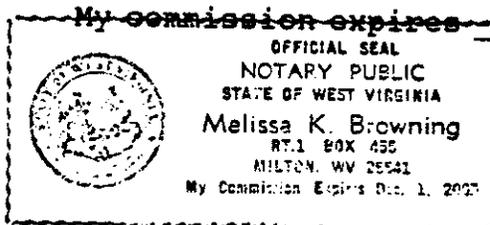
By

Rennie H. H.
Its Chairman

ABB04A0B

STATE OF WEST VIRGINIA,
COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this 8th day of May, 1995, by Michael A. Miller, Vice President of West Virginia-American Water Company, a West Virginia corporation, on behalf of said corporation.



December 1, 2003.

Melissa K. Browning
Notary Public

STATE OF WEST VIRGINIA,
COUNTY OF MERCER, to-wit:

The foregoing instrument was acknowledged before me this 11 day of May, 1995, by Bonnie Steump, Chairman of Oakvale Road Public Service District, a public corporation, on behalf of said corporation.

My commission expires Jan 5, 2005.

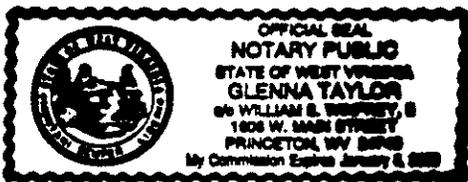
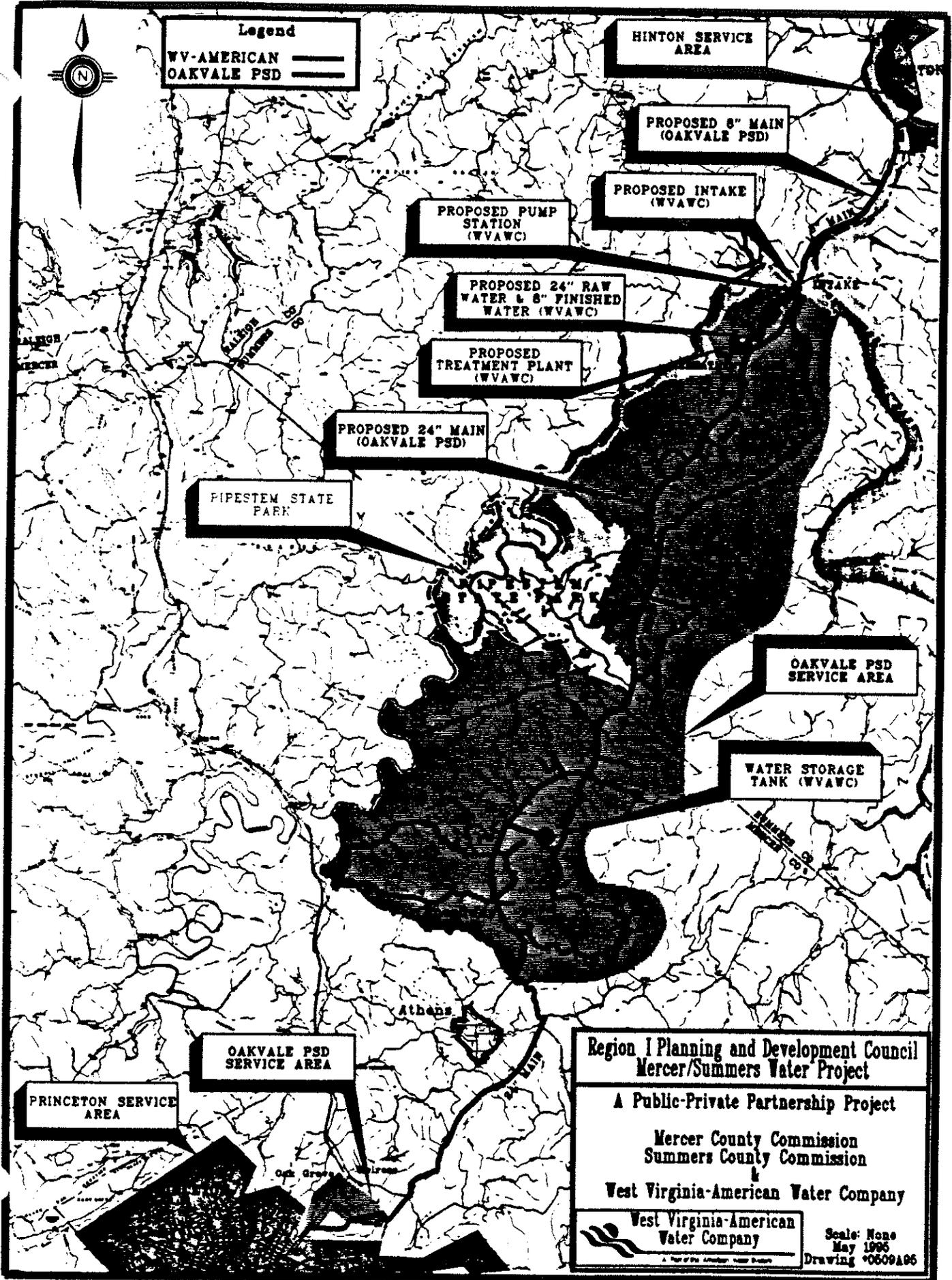


ABB04A0B

Glenna Taylor
Notary Public

EXHIBIT A



Region I Planning and Development Council
Mercer/Summers Water Project

A Public-Private Partnership Project

Mercer County Commission
Summers County Commission

West Virginia-American Water Company

West Virginia-American
Water Company

Scale: None
May 1996
Drawing #0609A96

This AMENDMENT TO AGREEMENT made as of the 4th day of December, 1996, by and between WEST VIRGINIA-AMERICAN WATER COMPANY, a West Virginia corporation (hereinafter "Water Company") and the OAKVALE ROAD PUBLIC SERVICE DISTRICT, a public corporation established under the provisions of Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (hereinafter "District").

WITNESSETH:

WHEREAS, Water Company and District entered into an agreement dated as of the 8th day of May, 1995 (the "Agreement"), pursuant to which the Water Company undertook to take certain actions relating to the operation and maintenance of certain water transmission and distribution facilities, more completely described therein;

WHEREAS, under Article III of the Agreement, the term thereof was for a period of 40 years from May 8, 1995;

WHEREAS, the District has entered into certain financial arrangements with the West Virginia Infrastructure and Jobs Development Council (the "Council") pursuant to which the Council has loaned the District significant amounts of money, the debt service on which will be paid from payments made by the Water Company to or on behalf of the District under the Agreement;

WHEREAS, the financing for the District will run for a period of 40 years with the last payment due December 1, 2036; and

WHEREAS, it is the intention of the parties that the Agreement be coterminous with the period of the financing for the District.

NOW, THEREFORE, for and in consideration of the premises, which are hereby made an integral part of the Agreement and which are not to be construed as mere

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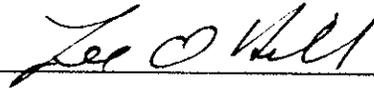
recitals, the covenants and agreements contained herein and other good and valuable considerations, the receipt and sufficiency of all of which are hereby acknowledged, the parties agree as follows:

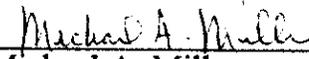
1. That the term of the Agreement shall be extended to December 1, 2036.
2. That except as amended and modified herein, the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, West Virginia-American Water Company, a corporation, and Oakvale Road Public Service District, a public corporation, have caused this Agreement to be signed, by their proper officers thereunto duly authorized, all as of the day and year first above written.

WEST VIRGINIA-AMERICAN WATER
COMPANY

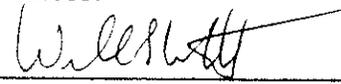
Witness:

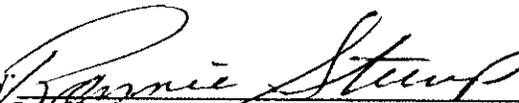


By: 
Michael A. Miller
Its Vice President

OAKVALE ROAD PUBLIC SERVICE
DISTRICT

Witness:

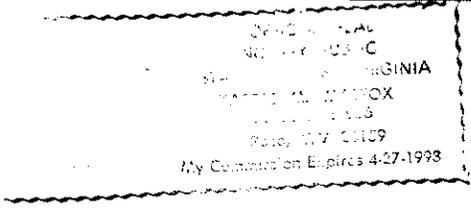


By: 
Its Chairman

STATE OF WEST VIRGINIA,
COUNTY OF KANAWHA, to-wit:

The foregoing instrument was acknowledged before me this 17th day of December, 1996, by Michael A. Miller, Vice President of West Virginia-American Water Company, a West Virginia corporation, on behalf of said corporation.

My commission expires April 27, 1998.

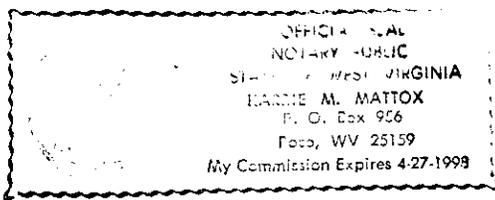


Hattie M. Mattox
Notary Public

STATE OF WEST VIRGINIA,
COUNTY OF MERCER, to-wit:

The foregoing instrument was acknowledged before me this 4th day of December, 1996, by Ronnie Stump, Chairman of Oakvale Road Public Service District, a public corporation, on behalf of said corporation.

My commission expires April 27, 1998.



Hattie M. Mattox
Notary Public

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One Valley Bank
One Valley Square, P.O. Box 1793
Charleston, WV 25326
(304) 348-7000

**ONE VALLEY
BANK**

Our Letter of Credit No. 96064

Issuance Date: December 4, 1996

Amount: Up to \$1,093,391.20
(One million ninety three
thousand three hundred
ninety one and 20/100 dollars)

Expiration Date: December 4, 1999

Name & Address of Beneficiary:

West Virginia Water Development Authority
on behalf of the West Virginia Infrastructure
and Jobs Development Council
1201 Dunbar Ave.
Dunbar, WV 25064

Name & Address of Account Party:

Oakvale Road Public Service District
P.O. Box 1061
Princeton, WV 24740

Name & Address of Applicant:

West Virginia-American Water Company
P.O. Box 1906
Charleston, WV 25327

Dear Beneficiary:

We hereby establish our irrevocable Letter of Credit (the "**Credit**") in your favor for the account of the Account Party named above, at the request of the Applicant, for not to exceed the amount stated above (the "**Credit Amount**"), subject to the following terms and conditions:

1. The Credit Amount is available only upon our receipt of:
 - (a) Your draft or drafts drawn at sight on One Valley Bank, National Association, bearing on its or their face the above number of the Credit, together with the original of the Credit and all amendments thereto.
 - (b) Your signed statement reading: "Oakvale Road Public Service District is in monetary default of those certain Oakvale Road Public Service District Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund) dated 12/4/96 (the "Bonds") due to its failure to pay principal and interest on the Bonds as and when due, and payment has not been received from any other source. The amount of this draw on your Letter of Credit # 96064 does not exceed the amount of such monetary default."
 - (c) In the event of a draw on the Credit under the provisions of paragraph 4 hereinbelow, and only in that event, Beneficiary's written statement as set forth in paragraph 1. (b) above shall not be required.

7A

2. This Credit may not be transferred or assigned.
3. Multiple draws are permitted. If multiple draws occur, the unused balance of the Credit Amount will be available until the above-stated Expiration Date.
4. The Expiration Date is subject to extension as follows: The Credit shall be automatically extended for periods of one year from the stated Expiration Date or each subsequent Expiration Date, unless we give Beneficiary not less than 60 days prior written notification of our intention not to so extend the Credit, in which case Beneficiary shall have the right to draw not more than \$546,695.60 of the Credit Amount. Notwithstanding any provision hereof to the contrary, in no event shall this Credit be extended beyond December 4, 2006, and Beneficiary shall not have the right to draw on the Credit as a result of the Credit not have been extended beyond December 4, 2006.

This Credit is issued in Charleston, West Virginia, and all references herein to time limits, including the Expiration Date, are to Charleston local time. We hereby agree with you that each draft drawn under and in accordance with the terms of this Credit will be duly honored upon presentation for negotiation and delivery of documents as specified herein at our counters at One Valley Square (Summers & Lee Sts.) in Charleston, West Virginia, on or before the close of our business on the Expiration Date. All correspondence related to this Credit must be sent to the attention of Mark Bias, Commercial Banking Division, One Valley Bank, National Association, Summers & Lee Sts., P.O. Box 1793, Charleston, WV 25326 and must refer to the number of the Credit.

This Credit is subject to the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce, Paris, France, as in effect on the date of this Credit, and, to the extent not governed thereby, to the laws of the State of West Virginia.

Very truly yours,



J. Mark Bias
Vice President and
Senior Commercial Banker

▼
One Valley Bank
One Valley Square, P.O. Box 1793
Charleston, WV 25326
(304) 348-7000

December 4, 1996

Ronnie R. Stump, President
Oakvale Road Public Service District
P.O. Box 1061
Princeton, West Virginia 24740

ONE VALLEY
BANK

Michael A. Miller, Vice President
West Virginia American Water Company
P. O. Box 1906
Charleston, West Virginia 25327

Re: **Oakvale Road Public Service District Project - Commitment to issue Letters of Credit**

Gentlemen:

Please be advised that, subject to the terms and conditions set forth below, we (the "Bank") have agreed to issue and you have agreed to accept the obligations under the applications, notes and other agreements relating to two letters of credit that the Bank will issue for the account of Oakvale Road Public Service District (the "Borrower"), upon the application of West Virginia American Water Company ("WVAWC"). The two letters of credit are to serve in lieu of a funded interest reserve in connection with the issuance of bonds by Borrower (sometimes referred to collectively herein as the "Letters of Credit"), subject to the terms and conditions set forth below. The issuance of the bonds by Borrower to the West Virginia Water Development Authority ("WDA") on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council") will occur in two series, Series 1996, in the principal amount of \$12,700,000, to be issued December 4, 1996 and Series 1997, in the principal amount of \$2,000,000, to be issued in the summer of 1997 (the "Series 1996 Bonds" and "Series 1997 Bonds," respectively). The beneficiary of the Letters of Credit will be the WDA on behalf of the Infrastructure Council. The first letter of credit will be issued December 4, 1996, in connection with the Series 1996 Bonds, upon the terms and conditions set forth herein, in the amount of up to \$1,093,391.20 (referred to as the "Series 1996 Letter of Credit"). It is anticipated that the second letter of credit will be issued in connection with the issuance by Borrower of the Series 1997 Bonds and the amount will not exceed \$205,000 (referred to as the "Series 1997 Letter of Credit").

1. **Account Party/Applicant.** The Account Party on the Letters of Credit will be Oakvale Road Public Service District, a public corporation and political subdivision of the State of West Virginia (the "Borrower"). WVAWC will be the Applicant and will execute the notes required by the applications submitted in connection with the Letters of Credit.

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Ronnie R. Stump, President
Michael A. Miller, Vice President
December 4, 1996
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2. The Letters of Credit. The Beneficiary will have the right to request draws against the Letters of Credit, under the terms thereof, in one or more increments up to the maximum amount available under the Letters of Credit. The Letters of Credit will each be available for an initial term of three (3) years, with automatic annual renewal provisions for seven additional years, unless the Bank gives the Beneficiary not less than sixty (60) days' notice of nonrenewal, in which case the Beneficiary will be entitled to draw an amount equal to one year's debt service, as provided in the Letters of Credit.

3. Fees. There will be an annual letter of credit fee equal to one and one quarter percent of the maximum amount of each of the Letters of Credit, payable in advance, with the first year's payment on the Series 1996 Letter of Credit, equal to \$13,667.39 payable in full at the time of, and as a condition of, issuance.

4. Preparation of Documents. All documents for the Letters of Credit will either be prepared by our counsel or will be subject to their review and approval as to substance and form.

5. Conditions for Issuance of the Letters of Credit. The obligation of the Bank to issue the Letters of Credit is subject to the receipt by the Bank, or the occurrence, of the following, all of which must be in form and substance acceptable to the Bank:

(a) As to the Series 1996 Letter of Credit, the issuance of the Series 1996 Bonds, the closing of the transactions contemplated in the Amended Commitment of the Bank dated December 4, 1996, including the payment in full of the Series 1996 Notes of Borrower. The Amended Commitment provides for a line of credit facility to Borrower pursuant to the terms and conditions thereof, the Bond and Note Resolution, as amended, the Substitute Note and related documents, all as defined in the Amended Commitment. As to the Series 1997 Letter of Credit, the issuance of the Series 1997 Bonds and the payment in full of the Substitute Note.

(b) The execution and delivery of all agreements relating to the Letters of Credit, including but not limited to the applications and notes.

(c) The receipt of the annual letter of credit fee.

(d) Evidence of all necessary approvals of the Letters of Credit by the Public Service Board of the Borrower, the board of directors of WVAWC and by all third-parties whose approval or consent, in the Bank's reasonable judgment, is necessary or desirable.

Ronnie R. Stump, President
Michael A. Miller, Vice President
December 4, 1996
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(e) Opinions of counsel for the Borrower and counsel for WVAWC concerning such aspects of the issuance of the Letters of Credit as the Bank may reasonably require.

(f) All other agreements and requirements reasonably requested by Bank will be complied with even though not specifically set forth herein.

9. Representations and Warranties. To induce the Bank to enter into this Commitment and to issue the Letters of Credit, each of the Borrower and WVAWC, as appropriate, represent and warrant to the Bank solely with respect to such party that:

(a) The Borrower and WVAWC are each duly authorized to execute and deliver this Commitment and the documents which will ultimately evidence their respective obligations under the Letters of Credit. All necessary corporate and other action to authorize the amended execution and delivery of this Commitment has been properly taken and the Borrower and WVAWC are and will continue to be duly authorized to perform all the terms and conditions of this Commitment and the other documents evidencing their respective obligations under the Letters of Credit.

(b) This Commitment has been duly and validly executed and delivered by the Borrower and WVAWC and constitutes a valid and legally binding agreement of each, enforceable in accordance with its terms, and the documents related to the Letters of Credit, when duly executed and delivered by the Borrower and WVAWC, as appropriate, pursuant to the provisions hereof, will constitute valid and binding obligations of each, enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, moratorium or other laws of general application to creditors.

(c) Neither the execution and delivery of this Commitment nor compliance with the terms, conditions and provisions hereof, or of the documents to be executed in connection herewith, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, the organizational documents of Borrower or WVAWC, or of any law or regulation, order, writ, injunction or decree of any court or governmental agency, or of any agreement by which the Borrower or WVAWC is bound, and does not and will not require any approval or consent of any federal, state or local governmental body that has not been obtained and which remains in full force and effect on the date hereof.

(d) No legal actions or proceedings are pending or, to the knowledge of the Borrower and WVAWC, threatened against or affecting the Borrower or WVAWC, before any court or governmental department or agency, the result of which might substantially impair the

Ronnie R. Stump, President
Michael A. Miller, Vice President
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Borrower or WVAWC's operations, or the financial condition of the Borrower or WVAWC, or the ability of WVAWC to repay any advances under the Letters of Credit.

11. Other Conditions and Provisions.

(a) Regardless of whether the Letters of Credit are issued, the Borrower will pay all of the Bank's expenses in connection therewith, including the fees of Bank's counsel.

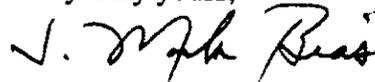
(b) A draw against the Letters of Credit shall constitute an additional Event of Default under the Commitment, the Amended Commitment, the amended Bond and Note Resolution and the Substitute Note.

(c) All documents, conditions or requirements of Borrower or WVAWC which may reasonably be requested by the Bank or its counsel will be complied with even though not specifically set forth herein.

Please evidence your acceptance of an agreement to the terms of this Commitment by signing and returning a duplicate hereof on or before December 4, 1996; otherwise this Commitment will expire.

Thank you for the opportunity to be of service to Oakvale Road Public Service District and West Virginia-American Water Company. If you have any questions, please call me at 348-7368.

Very truly yours,



J. Mark Bias, Vice President

Accepted and Agreed:
OAKVALE ROAD PUBLIC SERVICE DISTRICT

By: Ronnie Stump

Its: Chairman

WEST VIRGINIA AMERICAN WATER COMPANY

By: Michael A. Miller

Its: V.P.'s Treasurer

APPLICATION AND AGREEMENT FOR STANDBY
LETTER OF CREDIT

ONE VALLEY
BANK

One Valley Bank, National Association
One Valley Square
P.O. Box 1793
Charleston, WV 25326

Date: December 4, 1996

Telephone (304) 348-7279
Facsimile (304) 341-1037

Gentlemen:

Please issue an irrevocable Standby Letter of Credit in accordance with this application for our account (or for the account of the party indicated in the Special Instructions below) in favor of the Beneficiary. In issuing the Standby Letter of Credit you are expressly authorized to make such changes from the terms set forth below as you in your sole discretion may deem advisable, provided that no such changes shall vary the principal terms hereof.

Letter of Credit Number: 96064

Applicant: West Virginia-American Water Co.
P.O. Box 1906
Charleston, WV 25327

Beneficiary (Name and Address):

West Virginia Water Development Authority
on behalf of the West Virginia Infrastructure
and Jobs Development Council
1201 Dunbar Ave.
Dunbar, WV 25064

Maximum Amount

In Words: up to One Million Ninety Three Thousand
In Figures: \$ Three Hundred Ninety One & 20/100 Dollars:
1,093,391.20

Expiration Date: December 4, 1999

subject to extension as set forth below

Any drawings must be accompanied by the following document(s):

(a) Beneficiary's draft(s) drawn at sight on One Valley Bank, National Association, bearing on its face the number of the Letter of Credit and otherwise in conformity with the Letter of Credit, together with the original of Letter of Credit No. 96064 and all amendments thereto.

(b) Beneficiary's signed statement reading: "Oakvale Road Public Service District is in monetary default of those certain Oakvale Road Public Service District Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund) dated 12/4/96 (the "Bonds") due to its failure to pay principal and interest on the Bonds as and when due, and payment has not been received from any other source. The amount of this draw on your Letter of Credit #96064 does not exceed the amount of such monetary default."

(c) Other: In the event of a draw on the Credit under the provisions of the Special Instructions hereinbelow, and only in that event, Beneficiary's written statement as set forth in paragraph (b) above shall not be required.

Transferability: The Letter of Credit may not be transferred unless the following box is checked .

Multiple Drawings: Multiple drawings are not permitted unless the following box is checked . If multiple drawings are permitted, the unused balance of the Letter of Credit will remain available until the Expiration Date.

Special Instructions: The Expiration Date is subject to extension as follows: The Credit shall be automatically extended for periods of one year from the stated Expiration Date or each subsequent Expiration Date, unless Bank gives Beneficiary not less than 60 days prior written notification of its intention not to so extend the Credit, in which case Beneficiary shall have the right to draw not more than \$546,695.60 of the Credit Amount. Notwithstanding any provision hereof to the contrary, in no event shall the Credit be extended beyond December 4, 2006, and Beneficiary shall not have the right to draw on the Credit due to the Credit not being extended beyond December 4, 2006.

Delivery of Letter of Credit: When issued, the Letter of Credit is to be delivered to the Beneficiary at the address above unless other instructions are stated in the following blank: To Applicant

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**TERMS AND CONDITIONS OF
APPLICATION AND AGREEMENT FOR STANDBY LETTER OF CREDIT**

To induce the issuance of the Letter of Credit, we agree to the provisions set forth on the first page hereof and as follows:

1. (a) To pay you, in lawful United States funds at your office, the amount of each draft under the Letter of Credit (the "Credit"), on demand or, at your request, in advance.

(b) To pay you at your office in lawful United States funds the amount of each draft under the Credit, on demand, together with interest on such amount at a rate per annum calculated as follows: Wall Street Journal Prime Rate (the "Applicable Rate"). If used herein, "Prime Rate" refers to that interest rate so denominated and set by you from time to time as an interest rate basis for borrowings.

(c) To pay to you, on demand, your commissions, all charges and expenses paid or incurred by you (including expenses of collection hereunder, or of exercise of your rights hereunder as to security or otherwise, and reasonable attorneys' fees), any correspondents' charges, together with interest thereon at a rate per annum equal to the Applicable Rate.

(d) To pay you a fee equal to 25% per annum, calculated on the basis of a 360-day year, applied to the maximum amount of the Credit, for the actual number of days the Credit is available prior to the Expiration Date stated above and in any renewal period. This provision implies no obligation to renew the Credit. If there is a minimum fee, it is \$_____.

(e) To execute and deliver to you, at your request, a promissory note and such other agreements and opinions of counsel as you may require to further evidence or confirm our obligation under this agreement.

Telegraphic or mail advice from your correspondents of payments or other action effected under the Credit shall be presumptive evidence of the facts therein stated and of our liability to you hereunder.

2. (a) This agreement shall be governed by the laws of the State of West Virginia. Any provision hereof that may be held unenforceable shall not affect the validity of any other provision. Except as otherwise provided herein or as you and we may otherwise agree with regard to and prior to issuance of the Credit, the Uniform Customs and Practice for Documentary Credits, International Chamber of Commerce, Paris, France, which is in effect on the issue date of the Credit shall in all respects be deemed a part hereof as fully as if incorporated herein and shall apply to the Credit.

(b) You and your branches, affiliates and/or correspondents shall not be liable or responsible in any respect for any (i) error, omission, interruption or delay in transmission, dispatch or delivery of any one or more messages or advices in connection with the Credit, whether transmitted by cable, radio, telegraph, mail or otherwise and despite any cipher or code which may be employed, (ii) errors in translation or errors in interpretation of technical terms or consequences arising from causes beyond your or their control, (iii) action, inaction or omission which may be taken or suffered by you or them in good faith or through inadvertence in identifying or failing to identify any beneficiary or otherwise in connection with the Credit, or (iv) any failure by you or them to pay any draft under the Credit resulting from any censorship, law, control or restriction rightfully or wrongfully exercised by any de facto or de jure domestic or foreign government or agency or from any cause beyond your or their control.

(c) To indemnify and hold you harmless from all loss, damage, liability or expense by reason of any act or omission pursuant to our instructions or otherwise arising from or in connection with the Credit, and the occurrence of any one or more of the contingencies set forth in 2(b) above shall not affect or impair your rights and powers hereunder or our obligation to reimburse you hereunder.

3. (a) To pledge, and we do hereby pledge to you as security for any and all obligations hereunder any and all of our property or the property of any one or more of us, now or at any time hereafter in your possession or control (inclusive of such property as may be in transit by mail or carrier to or from you), or that of any third party acting in your behalf, whether for the express purpose of being used by you as collateral or for safekeeping or any other different purpose, a lien being hereby given you upon any and all such property for the aggregate amount of such obligations. You are hereby authorized, at your option, and without obligation to do so, to transfer to and/or register in the name(s) of your nominee(s) all or any part of the property which may be held by you as security at any time hereunder, and with or without notice to us or any of us. We hereby authorize you, acting in your discretion at any time and whether or not any property then held by you as collateral security hereunder is deemed by you to be adequate, to hold as additional collateral security any and all monies now or hereafter with you on deposit or otherwise to the credit of or belonging to us or any one or more of us, and then or thereafter to apply, in whole or in part, the monies so held upon all or any of the aforesaid obligations.

(b) The word "property" as used in this agreement includes goods and merchandise (as well as any and all documents relative thereto), securities, funds, monies (whether United States Currency or otherwise), choses in action and any and all other forms of property, whether real, personal or mixed and any right or interest which we, or any one of us, have therein or thereon, including without limitation the property described or referred to in subparagraph (c) of this paragraph 3. We hereby agree to file upon your request, and you are authorized at your option to file, financing statement(s) without our signature with respect to any of the property and we agree to pay the cost of any such filing and to sign upon request any instruments, documents or other papers which you may require to perfect your security interest in the property.

(c) Our obligations under this agreement are secured as follows:

(i) To further secure any and all obligations under this agreement, we do hereby grant you a security interest under the Uniform Commercial Code of West Virginia (the "Code") in the following described property:

Unsecured

(ii) Our obligations under this agreement are secured by a deed of trust or credit line deed of trust dated _____, 199____, executed by _____, as grantors, to _____, as trustees, in which case our obligations under this agreement are evidenced by our promissory note payable to your order.

(d) Whenever you deem it necessary for your or our protection, or after an Event of Default specified in Section 4, or other default, you may exercise all of the rights and remedies of a secured party under the Code, and you may realize upon (by sale, assignment, setoff, application or otherwise) all or any part of such property, in each case without advertisement, notice to, tender, demand or call of any kind upon us or any other person. Any such sale or assignment may be public, private or upon any broker's board of exchange, for cash, on credit or for future delivery, and at such price and upon such terms and conditions as you deem appropriate. You may acquire all or any part of such property. The purchaser of such property shall hold same free from any equity of redemption or other claim or right on our part, which are hereby specifically waived and released. You may discount, settle, compromise or extend any obligations constituting such property, and sue thereon in your or our name. Any demands, tenders, calls or notices to us shall be deemed duly made or given as of the time delivered to our last known address, or mailed, telegraphed, telephoned, or otherwise sent to such address. Seven days' written notice to us at the last address shown in your records of any public sale or of the date after which any private sale of the property may be held shall constitute commercially reasonable notice of such sale, if notice is otherwise required under the Code. No advertising, notice, tender, demand or call at any time given or made shall be a waiver of your right to proceed in the same or other instances without any further action.

(e) Proceeds of any such property shall be applied, without any marshalling of assets, in such manner or order as you may deem proper, to any one or more of our obligations, whether or not due, and you may retain any amounts necessary, in your sole judgment, to meet any contingent obligations.

(f) No receipt of, realization upon, release or substitution of, or other dealing with, any such property shall affect your rights or liens hereunder.

(g) If our obligations under this agreement are secured by a deed of trust, you shall also have all the rights and remedies provided for therein.

4. If we fail to perform any of our monetary obligations or material non-monetary obligations to you, any other creditor or the Beneficiary; if any of our representations or warranties made to obtain credit or any extension thereof are or appear to you to be false; if we default under any evidence of indebtedness issued, assumed or guaranteed by us under any security agreement or other agreement with respect thereto; if we suspend transaction of our usual business or are expelled or suspended from any exchange; if any judgment creditor applies for an order directing you to pay over or deliver property; if we die or dissolve; if we become insolvent or commit any act of insolvency or bankruptcy, or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by or against us; if a petition or proceeding is filed or instituted by or against us for relief under any bankruptcy, insolvency, reorganization, readjustment of debt or other law for relief of debtors, or for dissolution or liquidation; if any governmental authority takes possession of any substantial part of our property or assumes control of our affairs or operations; or if a receiver, trustee or liquidator is appointed for any part of our assets or a writ or order of attachment or garnishment is issued against us; then, unless you shall otherwise elect, in any such event (herein called an "Event of Default") all our obligations shall become due and payable without presentment, demand, protest or other notice of any kind, all of which we hereby expressly waive. We hereby waive our right to trial by jury and consent to the venue and jurisdiction of the Circuit Court of Kanawha County, West Virginia, in any civil action you may institute in respect to this agreement.

5. You may assign or transfer this Agreement or any instrument evidencing all or any of the aforesaid obligations and/or liabilities, and may deliver all or any of the property then held as security therefor, to the transferee, who shall thereupon become vested with all the powers and rights in respect thereto given you herein or in the instrument transferred, and you shall thereafter be forever relieved and fully discharged from any liability or responsibility with respect thereto, but you shall retain all rights and powers hereby given with respect to any and all instruments, rights or property not so transferred.

6. Failure to exercise and/or delay in exercising on your part, any other right, power or privilege hereunder or under any trust receipt or security agreement (including the right to accounting) shall not constitute a waiver thereof, nor shall any single or partial exercise of any thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. No provision hereof shall be deemed to have been waived unless you or your authorized agent shall have signed such waiver in writing, nor shall any such waiver, unless otherwise expressly stated therein be applicable to any matters occurring subsequent to the date thereof or to any continuation of the matters waived after such date. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

7. In case of any extension or renewal of the Credit, increase or other modifications of its terms, or the further financing or refinancing for us of any transaction effected under the Credit as, for example, on a temporary advance, banker's acceptance, loan or other financing basis, with or without further documentation or agreement, this agreement shall continue to be binding upon us in all respects with regard to the Credit as so extended, increased, or modified and to any transaction so financed or refinanced.

8. If we are a corporation or partnership, we represent that (i) we are duly organized, validly existing and in good standing under the laws of the state of our incorporation or formation, (ii) we have all requisite corporate or partnership power to own our assets and carry on our business as now or proposed to be carried on; (iii) we are duly authorized to execute and deliver this agreement and that all necessary corporate or partnership and other action to authorize the execution and delivery of this agreement has been properly taken, and (iv) this agreement has been duly and validly executed and delivered and constitutes our valid and legally binding agreement enforceable in accordance with its terms.

9. This agreement shall be binding upon us, our heirs, executors, administrators, successors and assigns, and shall inure to the benefit of and be enforceable by you, your successors, transferees and assigns. If this agreement should be terminated or revoked by operation of law as to us, or any of us, we will indemnify and save you harmless from any loss which may be suffered or incurred by you in acting hereunder prior to the receipt by you, or your transferees or assigns, of notice in writing of such termination or revocation. If this agreement is signed by two or more parties, it shall be the joint and several agreement of such parties and whenever used herein, the singular number shall include the plural, and the plural the singular.

10. If, as a result of any law, regulation, treaty or directive, or any change therein, or in the interpretation or application thereof or your compliance with any request or directive (whether or not having the force of law) from any court or governmental authority, agency or instrumentality, any reserve, premium, special deposit, special assessment or similar requirements against your assets, deposits with you or for your account or credit extended by you, are imposed, modified or deemed applicable and you determine that, by reason thereof, the cost to you of issuing or maintaining the Credit is increased, we agree to pay you upon demand (which demand shall be accompanied by a statement setting forth the basis for the calculation thereof) an additional amount or amounts as will compensate you for such additional cost. Determinations by you for purposes of this paragraph of the additional amounts required to compensate you in respect of the foregoing shall be conclusive, absent manifest error. We further agree to pay any applicable levies or other taxes imposed in connection with the Credit other than net income taxes payable by you, and otherwise comply with all domestic and foreign laws and regulations applicable to all transactions under or in connection with the Credit.

Applicant:

West Virginia American Water Company

(Name of Corporation or Partnership)

By: Michael A. Mullen V.P. & Treasurer
(Authorized Signature and Title)

(Individual)

(Individual)

NOTE AND SECURITY AGREEMENT—BUSINESS PURPOSE

SF5

BORROWER: West Virginia-American Water Company
P.O. Box 1906
Charleston, WV 25327-1906

Charleston, WV December 4, 1996
Borrower is a [X] Corporation
[] Partnership
[] Individual
[] Other (specify)

For value received, the undersigned (whether one or more, "Borrower") jointly and severally promises to pay to the order of One Valley Bank, National Association ("Bank"), at its banking house in the City of Charleston, West Virginia, or at any of Bank's branches, the principal sum of One Million Ninety Three Thousand Three Hundred Ninety-One and 20/100

Dollars (\$ 1,093,391.20)

PRINCIPAL PAYABLE AS FOLLOWS:

INTEREST PAYABLE AS FOLLOWS:
(Minimum finance charge \$25.00)

- [X] On demand. (The fact that this Note includes Events of Default does not detract from the demand feature of this Note.)
- [] Due in full _____ days after date.
- [] Due in full on _____
- [] Borrower shall have the right to borrow and repay and reborrow from time to time.

- [X] Monthly or [] quarterly; beginning on see below (date) and continuing on the same day of each period.
- [] On maturity of principal.
- [X] Other: Interest monthly beginning on the first day of the month following a draw on Bank's Letter of Credit No. 96064

[] PRINCIPAL AND INTEREST PAYABLE in _____ installments of \$ _____ each, beginning _____ and continuing on the same day of each consecutive _____ (month or quarter or other) until paid in full (except as hereinafter provided); interest accrues on the unpaid principal balance and each payment, when received will first be applied to accrued interest and the remainder to principal. The actual amount of the final payment will depend upon Bank's payment records and any interest rate fluctuations. Whenever a scheduled installment is not sufficient to pay accrued interest, an amount equal to accrued interest shall be paid. Any permitted partial prepayments will be applied to installments in inverse order of maturity and will not allow Borrower to defer installments as scheduled.

- [] This note requires a balloon payment consisting of all remaining principal and interest to be paid on _____
- [] OTHER PAYMENT PROVISIONS: _____

A prepayment fee will be calculated as follows: _____

Unless the blank in the preceding sentence is completed, this note may be prepaid in whole or in part without penalty.

A late charge of the greater of 5% of the payment due or \$25.00 will be assessed on each payment overdue for more than ten (10) days.

INTEREST TO BE COMPUTED AS FOLLOWS:

Interest shall be computed based on the actual number of days elapsed on the basis of a 360 day year.

- [] FIXED RATE: _____ % per annum.
- [X] VARIABLE RATE: The interest rate shall fluctuate simultaneously with changes in the below designated index or (if specified) on the N/A day of each N/A (month or quarter or other) and the interest rate shall be computed at the equivalent of _____ the index. The interest rate will never exceed the maximum rate allowed by law. Borrower's interest rate shall fluctuate without limitations unless a maximum rate of N/A % or a minimum rate of N/A % is hereby indicated.

- INDEX:
[] The Prime Rate of Bank, which is defined as the annual rate of interest periodically established by Bank as Bank's Prime Rate for the guidance of its officers, whether or not such rate is published.
- [X] Other: The highest rate published as the Prime Rate in the Wall Street Journal for the benefit of the financial market

USE OF LOAN PROCEEDS: The proceeds of the loan evidenced by this note will be used for business purposes exclusively. If this note evidences a line of credit, the proceeds will be used solely for [] working capital or [] other _____

COLLATERAL:

- [X] THIS NOTE IS UNSECURED.
- [] THIS NOTE IS SECURED BY A DEED OF TRUST, dated _____ and executed by _____ to _____, as Trustees.

[] THIS NOTE IS SECURED BY THE FOLLOWING SECURITY AGREEMENT: Borrower hereby grants to Bank a security interest under The Uniform Commercial Code of West Virginia (the "Code") in the following property to secure the payment of this note (the "Note"), and any and all renewals and extensions of the Note, however changed in form, manner or amount, and to secure all other now outstanding and future direct and indirect indebtedness of Borrower to Bank:

The security interest hereby granted includes all tools, equipment, furniture, proceeds, substitutions, repairs and improvements now on or later added to, parts or replacements made or used with, the above described property, all increases to value including interest, distributions, and dividends upon corporate securities (whether in money, stock or otherwise) and all property or securities at any time coming into Bank's possession, and, if accounts or inventory is described above as collateral, all after-acquired accounts and inventory (all of which is sometimes collectively called the "Collateral")

ADDITIONAL PROVISIONS:

- Borrower, jointly and severally, hereby warrants, represents and agrees as follows:
1. **Ownership of Collateral:** Borrower (or any other party providing Collateral) is the lawful owner of the Collateral, and the Collateral is free from any other lien, security interest or encumbrance or other right, title or interest of any other party. Borrower shall defend the Collateral against all claims and demands adverse to Bank's interest.
2. **Insurance:** Borrower shall insure the Collateral at all times against fire and other hazards as designated by Bank and maintain full liability coverage in amounts and with an insurer acceptable to Bank. All policies shall name Bank as an additional insured and loss payee or mortgagee, and shall provide for at least 20 days' written notice of cancellation to Bank. Borrower shall promptly provide evidence of such coverage to Bank. Bank shall have the option to apply any proceeds of the insurance toward repair or replacement of Collateral or payment of the Note. Borrower assigns to Bank any monies that may become payable under the insurance. Bank is hereby appointed Borrower's agent in fact to make, adjust and settle claims under such insurance, to endorse any checks or drafts for proceeds or unearned premiums, and upon the occurrence of an event of Default hereunder, to cancel such insurance. Bank shall have option (but no obligation) to obtain insurance at Borrower's expense if Bank deems insurance inadequate.
3. **Agreements Respecting Collateral and Real Estate:** Borrower agrees (a) to keep the Collateral in good condition and repair at all times; (b) not to sell, lease or otherwise transfer control of the Collateral without Bank's written consent; (c) not to grant any security interest in Collateral without Bank's written consent; (d) to permit Bank to inspect the Collateral at any time wherever it is located; (e) if Collateral is ever attached to realty, Borrower shall furnish Bank with written waiver or subordination of lien signed by all parties having rights in said realty; (f) to immediately apply for any certificates of title required for the Collateral, record Bank as lienholder and deliver the title to Bank within fourteen days of the date of the Note; (g) that Bank shall have the right to vote all stock pledged as Collateral and to exercise all rights and franchises of the record owner; (h) that Bank shall have the right to demand additional collateral if the market value of the Collateral declines or if Bank deems the Collateral inadequate; (i) to promptly pay all registration and license fees required for the operation of the Collateral, all taxes and assessments against the Collateral and any other costs necessary to maintain the value and collectibility of the Collateral; (j) to deliver to Bank all items of Collateral for which possession by the secured party is required to perfect a security interest; (k) that in the event Borrower should fail to perform any of the agreements herein contained regarding the Collateral, including without limitation Borrower's agreements to insure, pay taxes on or otherwise preserve or protect the Collateral, Bank shall have the right, without any obligation, to perform such agreements, and all amounts so advanced will be payable by Borrower on demand and will be evidenced and secured by the Note; (l) that if the Collateral includes accounts, instruments, chattel paper, or general intangibles, Bank may at its option notify any account debtor or obligor thereon to make payments directly to Bank; (m) that Borrower's principal place of business is at the address set forth at the beginning of the Note; and (n) that Borrower will maintain all its real property in compliance with all applicable environmental laws and with the applicable provisions of the Americans with Disabilities Act, and will

7D



OAKVALE ROAD PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

CROSS-RECEIPT FOR BONDS AND BOND PROCEEDS

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

1. On the 4th day of December, 1996, the Authority received the Oakvale Road Public Service District Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), issued in the principal amount of \$12,700,000, as a single, fully registered Bond, numbered R-1 and dated December 4, 1996 (the "Bonds").
2. At the time of such receipt of the Bonds upon original issuance, the Bonds had been executed by the Chairman and the Secretary of the Issuer, by their respective manual signatures, and the official seal of the Issuer had been affixed upon the Bonds.
3. The Issuer has received and hereby acknowledges receipt from the Authority, as the original purchaser of the Bonds, of \$8,507,286.40, being a portion of the principal amount of the Bonds. The balance of the principal amount of the Bonds will be advanced by the Authority to the Issuer as acquisition and construction of the Project progresses.

WITNESS our respective signatures on this 4th day of December, 1996.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

Barbara B. Meadows
Authorized Representative

OAKVALE ROAD PUBLIC SERVICE DISTRICT

Ronnie Stief
Chairman

12/03/96
OVJ.E3
667990/96001

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OAKVALE ROAD PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

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

Ladies and Gentlemen:

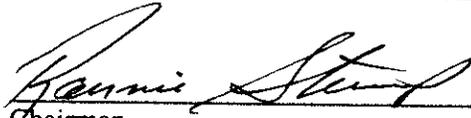
There are delivered to you herewith:

- (1) Bond No. R-1, constituting the entire original issue of the Oakvale Road Public Service District Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), in the principal amount of \$12,700,000, dated December 4, 1996 (the "Bonds"), executed by the Chairman and Secretary of Oakvale Road Public Service District (the "Issuer") and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond Resolution and a Supplemental Resolution, both duly adopted by the Issuer on December 4, 1996 (collectively, the "Bond Legislation");
- (2) A copy of the Bond Legislation authorizing the above-captioned Bond issue, duly certified by the Secretary of the Issuer;
- (3) Executed counterparts of a loan agreement dated December 4, 1996, by and between the West Virginia Water Development Authority (the "Authority") and the Issuer (the "Loan Agreement");
- (4) A copy of the executed Letter of Credit No. 96064, issued December 4, 1996, in the stated amount of \$1,093,391.20 by One Valley Bank, National Association, Charleston, West Virginia; and
- (5) An executed opinion of nationally recognized bond counsel regarding the validity of the Loan Agreement and the Bonds.

You are hereby requested and authorized to deliver the Bonds to the Authority upon payment to the Issuer of the sum of \$8,507,286.40, representing a portion of the principal amount of the Bonds. Prior to such delivery of the Bonds, you will please cause the Bonds to be authenticated and registered by an authorized officer, as Bond Registrar, in accordance with the form of Certificate of Authentication and Registration thereon.

Dated this 4th day of December, 1996.

OAKVALE ROAD PUBLIC SERVICE DISTRICT


Chairman

12/03/96
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Page 2

Page 3

(SPECIMEN BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
OAKVALE ROAD PUBLIC SERVICE DISTRICT
WATER REVENUE BOND, SERIES 1996
(WEST VIRGINIA INFRASTRUCTURE FUND)

No. R-1

\$12,700,000

KNOW ALL MEN BY THESE PRESENTS: That Oakvale Road Public Service District, a public corporation and political subdivision of the State of West Virginia in Mercer and Summers Counties 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 TWELVE MILLION SEVEN HUNDRED THOUSAND DOLLARS (\$12,700,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 1997, as set forth on the "Schedule of Annual Debt Service" attached as EXHIBIT B hereto and incorporated herein by reference, with interest on the unpaid principal balance at the rate per annum set forth on said EXHIBIT B. The interest on this Bond shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 1997, as set forth on EXHIBIT B attached hereto.

On February 20, 1997, the Authority will determine the amount of principal advanced hereunder, will calculate the quarterly installments of principal of and interest hereon to be paid on June 1, September 1 and December 1, 1997, and will attach a new EXHIBIT B reflecting such amounts, hereto. On December 20, 1997, the Authority will redetermine the amount of principal advanced hereunder, will recalculate the quarterly installments of principal of and interest hereon to be paid on March 1, 1998, and each quarter thereafter, until the maturity hereof and will attach a new EXHIBIT B reflecting such amounts, hereto. If not previously paid, all principal of and interest on this Bond shall be payable on December 1, 2036.

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

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This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority, and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, dated December 4, 1996.

This Bond is issued (i) to refund a portion of the Issuer's Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996, dated February 15, 1996 (the "Notes"), heretofore issued to temporarily finance a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); (ii) to pay a portion of the costs of acquisition and construction of the Project not previously paid from proceeds of the Notes; and (iii) to pay certain costs of issuance hereof and related costs. The existing public waterworks system of the Issuer, the Project, and any further extensions, 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 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on December 4, 1996, and a Supplemental Resolution duly adopted by the Issuer on December 4, 1996 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Series 1996 Bonds under the Bond Legislation.

This Bond is payable only from and secured by a pledge of the Net Revenues (as defined in the Bond Legislation) to be derived from the operation of the System, unexpended proceeds of the Bonds and proceeds of the Letter of Credit No. 96064, issued December 4, 1996, in the stated amount of \$1,093,391.20, by One Valley Bank, National Association, Charleston, West Virginia, for the benefit of the Authority. (the "Letter of Credit"). 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 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, unexpended proceeds of the Bonds and proceeds of the Letter of Credit. 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 not otherwise paid, and to leave a balance each year equal to at least 100% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues prior to or on a parity with the Bonds. The Issuer has entered into certain further covenants with the registered owners of the Bonds for the terms of which reference is made to the Bond Legislation. Remedies provided the registered owners of the Bonds are exclusively

as provided in the Bond Legislation, to which reference is here made for a detailed description thereof.

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

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

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

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and 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 Net Revenues of the System has been pledged to and will be set aside into said special fund by the Issuer for the prompt payment of the principal of and interest on this Bond.

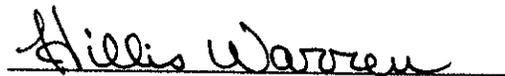
All provisions of the Bond Legislation, resolutions and statutes under which this Bond is issued shall be deemed to be a part of the contract evidenced by this Bond to the same extent as if written fully herein.

IN WITNESS WHEREOF, OAKVALE ROAD 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 December 4, 1996.

[SEAL]


Chairman

ATTEST:

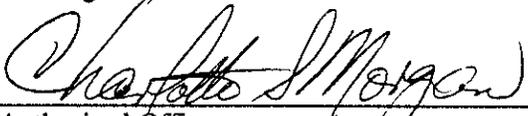

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 1996 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: December 4, 1996.

ONE VALLEY BANK,
NATIONAL ASSOCIATION,
as Registrar



Authorized Officer

EXHIBIT B

SCHEDULE OF ANNUAL DEBT SERVICE

INFRASTRUCTURE FUND
1996 SERIES B

Oakvale Road PSD \$12,700,000.00 3% interest				
DEBT SERVICE SCHEDULE				
DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
6/01/1997	73,173.90	3.00000%	63,500.00	136,673.90
9/01/1997	41,972.70	3.00000%	94,701.20	136,673.90
12/01/1997	42,287.50	3.00000%	94,386.40	136,673.90
3/01/1998	42,604.65	3.00000%	94,069.24	136,673.89
6/01/1998	42,924.19	3.00000%	93,749.71	136,673.90
9/01/1998	43,246.12	3.00000%	93,427.78	136,673.90
12/01/1998	43,570.46	3.00000%	93,103.43	136,673.89
3/01/1999	43,897.24	3.00000%	92,776.65	136,673.89
6/01/1999	44,226.47	3.00000%	92,447.42	136,673.89
9/01/1999	44,558.17	3.00000%	92,115.73	136,673.90
12/01/1999	44,892.36	3.00000%	91,781.54	136,673.90
3/01/2000	45,229.05	3.00000%	91,444.85	136,673.90
6/01/2000	45,568.27	3.00000%	91,105.63	136,673.90
9/01/2000	45,910.03	3.00000%	90,763.87	136,673.90
12/01/2000	46,254.35	3.00000%	90,419.54	136,673.89
3/01/2001	46,601.26	3.00000%	90,072.63	136,673.89
6/01/2001	46,950.77	3.00000%	89,723.12	136,673.89
9/01/2001	47,302.90	3.00000%	89,370.99	136,673.89
12/01/2001	47,657.67	3.00000%	89,016.22	136,673.89
3/01/2002	48,015.11	3.00000%	88,658.79	136,673.90
6/01/2002	48,375.22	3.00000%	88,298.68	136,673.90
9/01/2002	48,738.03	3.00000%	87,935.86	136,673.89
12/01/2002	49,103.57	3.00000%	87,570.33	136,673.90
3/01/2003	49,471.85	3.00000%	87,202.05	136,673.90
6/01/2003	49,842.89	3.00000%	86,831.01	136,673.90
9/01/2003	50,216.71	3.00000%	86,457.19	136,673.90
12/01/2003	50,593.33	3.00000%	86,080.56	136,673.89
3/01/2004	50,972.78	3.00000%	85,701.11	136,673.89
6/01/2004	51,355.08	3.00000%	85,318.82	136,673.90
9/01/2004	51,740.24	3.00000%	84,933.66	136,673.90
12/01/2004	52,128.29	3.00000%	84,545.60	136,673.89
3/01/2005	52,519.26	3.00000%	84,154.64	136,673.90
6/01/2005	52,913.15	3.00000%	83,760.75	136,673.90
9/01/2005	53,310.00	3.00000%	83,363.90	136,673.90
12/01/2005	53,709.82	3.00000%	82,964.07	136,673.89
3/01/2006	54,112.65	3.00000%	82,561.25	136,673.90
6/01/2006	54,518.49	3.00000%	82,155.40	136,673.89
9/01/2006	54,927.38	3.00000%	81,746.52	136,673.90
12/01/2006	55,339.34	3.00000%	81,334.56	136,673.90
3/01/2007	55,754.38	3.00000%	80,919.52	136,673.90
6/01/2007	56,172.54	3.00000%	80,501.36	136,673.90
9/01/2007	56,593.83	3.00000%	80,080.06	136,673.89
12/01/2007	57,018.29	3.00000%	79,655.61	136,673.90
3/01/2008	57,445.92	3.00000%	79,227.97	136,673.89
6/01/2008	57,876.77	3.00000%	78,797.13	136,673.90

Oakvale Road PSD
 \$12,700,000.00
 3% interest

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
9/01/2008	58,310.84	3.00000%	78,363.05	136,673.89
12/01/2008	58,748.18	3.00000%	77,925.72	136,673.90
3/01/2009	59,188.79	3.00000%	77,485.11	136,673.90
6/01/2009	59,632.70	3.00000%	77,041.19	136,673.89
9/01/2009	60,079.95	3.00000%	76,593.95	136,673.90
12/01/2009	60,530.55	3.00000%	76,143.35	136,673.90
3/01/2010	60,984.53	3.00000%	75,689.37	136,673.90
6/01/2010	61,441.91	3.00000%	75,231.99	136,673.90
9/01/2010	61,902.72	3.00000%	74,771.17	136,673.89
12/01/2010	62,367.00	3.00000%	74,306.90	136,673.90
3/01/2011	62,834.75	3.00000%	73,839.15	136,673.90
6/01/2011	63,306.01	3.00000%	73,367.89	136,673.90
9/01/2011	63,780.80	3.00000%	72,893.09	136,673.89
12/01/2011	64,259.16	3.00000%	72,414.74	136,673.90
3/01/2012	64,741.10	3.00000%	71,932.79	136,673.89
6/01/2012	65,226.66	3.00000%	71,447.24	136,673.90
9/01/2012	65,715.86	3.00000%	70,958.04	136,673.90
12/01/2012	66,208.73	3.00000%	70,465.17	136,673.90
3/01/2013	66,705.30	3.00000%	69,968.60	136,673.90
6/01/2013	67,205.59	3.00000%	69,468.31	136,673.90
9/01/2013	67,709.63	3.00000%	68,964.27	136,673.90
12/01/2013	68,217.45	3.00000%	68,456.45	136,673.90
3/01/2014	68,729.08	3.00000%	67,944.82	136,673.90
6/01/2014	69,244.55	3.00000%	67,429.35	136,673.90
9/01/2014	69,763.88	3.00000%	66,910.01	136,673.89
12/01/2014	70,287.11	3.00000%	66,386.78	136,673.89
3/01/2015	70,814.27	3.00000%	65,859.63	136,673.90
6/01/2015	71,345.37	3.00000%	65,328.52	136,673.89
9/01/2015	71,880.46	3.00000%	64,793.43	136,673.89
12/01/2015	72,419.57	3.00000%	64,254.33	136,673.90
3/01/2016	72,962.71	3.00000%	63,711.18	136,673.89
6/01/2016	73,509.93	3.00000%	63,163.96	136,673.89
9/01/2016	74,061.26	3.00000%	62,612.64	136,673.90
12/01/2016	74,616.72	3.00000%	62,057.18	136,673.90
3/01/2017	75,176.34	3.00000%	61,497.55	136,673.89
6/01/2017	75,740.16	3.00000%	60,933.73	136,673.89
9/01/2017	76,308.22	3.00000%	60,365.68	136,673.90
12/01/2017	76,880.53	3.00000%	59,793.37	136,673.90
3/01/2018	77,457.13	3.00000%	59,216.76	136,673.89
6/01/2018	78,038.06	3.00000%	58,635.84	136,673.90
9/01/2018	78,623.35	3.00000%	58,050.55	136,673.90
12/01/2018	79,213.02	3.00000%	57,460.88	136,673.90
3/01/2019	79,807.12	3.00000%	56,866.78	136,673.90
6/01/2019	80,405.67	3.00000%	56,268.22	136,673.89
9/01/2019	81,008.71	3.00000%	55,665.18	136,673.89

Oakvale Road PSD
 \$12,700,000.00
 3% interest

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
12/01/2019	81,616.28	3.00000%	55,057.62	136,673.90
3/01/2020	82,228.40	3.00000%	54,445.49	136,673.89
6/01/2020	82,845.11	3.00000%	53,828.78	136,673.89
9/01/2020	83,466.45	3.00000%	53,207.44	136,673.89
12/01/2020	84,092.45	3.00000%	52,581.45	136,673.90
3/01/2021	84,723.14	3.00000%	51,950.75	136,673.89
6/01/2021	85,358.57	3.00000%	51,315.33	136,673.90
9/01/2021	85,998.76	3.00000%	50,675.14	136,673.90
12/01/2021	86,643.75	3.00000%	50,030.15	136,673.90
3/01/2022	87,293.58	3.00000%	49,380.32	136,673.90
6/01/2022	87,948.28	3.00000%	48,725.62	136,673.90
9/01/2022	88,607.89	3.00000%	48,066.01	136,673.90
12/01/2022	89,272.45	3.00000%	47,401.45	136,673.90
3/01/2023	89,941.99	3.00000%	46,731.90	136,673.89
6/01/2023	90,616.56	3.00000%	46,057.34	136,673.90
9/01/2023	91,296.18	3.00000%	45,377.71	136,673.89
12/01/2023	91,980.90	3.00000%	44,692.99	136,673.89
3/01/2024	92,670.76	3.00000%	44,003.14	136,673.90
6/01/2024	93,365.79	3.00000%	43,308.11	136,673.90
9/01/2024	94,066.03	3.00000%	42,607.86	136,673.89
12/01/2024	94,771.53	3.00000%	41,902.37	136,673.90
3/01/2025	95,482.32	3.00000%	41,191.58	136,673.90
6/01/2025	96,198.43	3.00000%	40,475.46	136,673.89
9/01/2025	96,919.92	3.00000%	39,753.97	136,673.89
12/01/2025	97,646.82	3.00000%	39,027.08	136,673.90
3/01/2026	98,379.17	3.00000%	38,294.72	136,673.89
6/01/2026	99,117.02	3.00000%	37,556.88	136,673.90
9/01/2026	99,860.39	3.00000%	36,813.50	136,673.89
12/01/2026	100,609.35	3.00000%	36,064.55	136,673.90
3/01/2027	101,363.92	3.00000%	35,309.98	136,673.90
6/01/2027	102,124.15	3.00000%	34,549.75	136,673.90
9/01/2027	102,890.08	3.00000%	33,783.82	136,673.90
12/01/2027	103,661.75	3.00000%	33,012.14	136,673.89
3/01/2028	104,439.22	3.00000%	32,234.68	136,673.90
6/01/2028	105,222.51	3.00000%	31,451.39	136,673.90
9/01/2028	106,011.68	3.00000%	30,662.22	136,673.90
12/01/2028	106,806.77	3.00000%	29,867.13	136,673.90
3/01/2029	107,607.82	3.00000%	29,066.08	136,673.90
6/01/2029	108,414.88	3.00000%	28,259.02	136,673.90
9/01/2029	109,227.99	3.00000%	27,445.91	136,673.90
12/01/2029	110,047.20	3.00000%	26,626.70	136,673.90
3/01/2030	110,872.55	3.00000%	25,801.35	136,673.90
6/01/2030	111,704.10	3.00000%	24,969.80	136,673.90
9/01/2030	112,541.88	3.00000%	24,132.02	136,673.90
12/01/2030	113,385.94	3.00000%	23,287.96	136,673.90

Oakvale Road PSD
 \$12,700,000.00
 3% interest

DEBT SERVICE SCHEDULE

DATE	PRINCIPAL	COUPON	INTEREST	DEBT SERVICE
3/01/2031	114,236.33	3.00000%	22,437.56	136,673.89
6/01/2031	115,093.11	3.00000%	21,580.79	136,673.90
9/01/2031	115,956.31	3.00000%	20,717.59	136,673.90
12/01/2031	116,825.98	3.00000%	19,847.92	136,673.90
3/01/2032	117,702.17	3.00000%	18,971.72	136,673.89
6/01/2032	118,584.94	3.00000%	18,088.96	136,673.90
9/01/2032	119,474.33	3.00000%	17,199.57	136,673.90
12/01/2032	120,370.38	3.00000%	16,303.51	136,673.89
3/01/2033	121,273.16	3.00000%	15,400.73	136,673.89
6/01/2033	122,182.71	3.00000%	14,491.19	136,673.90
9/01/2033	123,099.08	3.00000%	13,574.82	136,673.90
12/01/2033	124,022.32	3.00000%	12,651.57	136,673.89
3/01/2034	124,952.49	3.00000%	11,721.41	136,673.90
6/01/2034	125,889.63	3.00000%	10,784.26	136,673.89
9/01/2034	126,833.81	3.00000%	9,840.09	136,673.90
12/01/2034	127,785.06	3.00000%	8,888.84	136,673.90
3/01/2035	128,743.45	3.00000%	7,930.45	136,673.90
6/01/2035	129,709.02	3.00000%	6,964.87	136,673.89
9/01/2035	130,681.84	3.00000%	5,992.05	136,673.89
12/01/2035	131,661.96	3.00000%	5,011.94	136,673.90
3/01/2036	132,649.42	3.00000%	4,024.48	136,673.90
6/01/2036	133,644.29	3.00000%	3,029.61	136,673.90
9/01/2036	134,646.62	3.00000%	2,027.27	136,673.89
12/01/2036	135,656.47	3.00000%	1,017.42	136,673.89
TOTAL	12,700,000.00	-	9,031,149.54	21,731,149.54

YIELD STATISTICS

Accrued Interest from 04/01/1997 to 04/01/1997...	-
Average Life.....	23.704 YEARS
Bond Years.....	301,038.32
Average Coupon.....	3.0000000%
Net Interest Cost (NIC).....	3.0000000%
Bond Yield for Arbitrage Purposes.....	3.0112892%
True Interest Cost (TIC).....	3.0112892%
Effective Interest Cost (EIC).....	3.0112892%

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

STEP TOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

BANK ONE CENTER

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

December 4, 1996

Oakvale Road Public Service District
Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

SEVENTH FLOOR, BANK ONE CENTER
P. O. BOX 1588
CHARLESTON, W. VA. 25320-1588
(304) 353-8000
FACSIMILE (304) 353-8180

1000 HAMPTON CENTER
P. O. BOX 1616
MORGANTOWN, W. VA. 26507-1616
(304) 598-8000
FACSIMILE (304) 598-8116

126 EAST BURKE STREET
P. O. BOX 2629
MARTINSBURG, W. VA. 25401-5429
(304) 263-6991
FACSIMILE (304) 263-4765

104 WEST CONGRESS STREET
P. O. BOX 100
CHARLES TOWN, W. VA. 25414-0100
(304) 725-1414
FACSIMILE (304) 725-1913

THE BRYAN CENTRE
P. O. BOX 570
82 WEST WASHINGTON STREET, FOURTH FLOOR
HAGERSTOWN, MARYLAND 21740-0570
(301) 739-8600
FACSIMILE (301) 739-8742

FOURTH FLOOR - RILEY BUILDING
P. O. BOX 150
14TH AND CHARLINE STREETS
WHEELING, W. VA. 26003-0020
(304) 233-0000
FACSIMILE (304) 233-0014

THE PMC BUILDING, SUITE 101
P. O. BOX 628
417 GRAND PARK DRIVE
PARKERSBURG, W. VA. 26102-0628
(304) 422-6463
FACSIMILE (304) 422-6462

WRITER'S DIRECT DIAL NUMBER

West Virginia Infrastructure and Jobs
Development Council
1320 One Valley Square
Charleston, West Virginia 25301

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Oakvale Road Public Service District (the "Issuer"), a public service district and public corporation and political subdivision created and existing under the laws of the State of West Virginia, of its \$12,700,000 Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), dated the date hereof (the "Bonds").

We have examined the law and certified copies of proceedings and other papers relating to the authorization of a loan agreement, dated December 4, 1996, including all schedules and exhibits attached thereto (the "Loan Agreement"), between the Issuer and the West Virginia Water Development Authority (the "Authority") and the Bonds, which are to be purchased by the Authority in accordance with the provisions of the Loan Agreement. The Bonds are originally issued in the form of one bond, registered as to principal and interest to the Authority, with interest at the rate of 3.0% per annum, and with interest and principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 1997, and ending December 1, 2036, all as set forth in "Schedule X," attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) refunding a portion of the Issuer's Waterworks Facilities Bond and Grant Anticipation

//

Notes, Series 1996, dated February 15, 1996 (the "Notes"), heretofore issued to temporarily finance a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); (ii) paying a portion of the costs of acquisition and construction of the Project not previously paid from proceeds of the Notes; and (iii) paying certain costs of issuance and related costs.

We have also examined an executed Letter of Credit No. 96064 (the "Letter of Credit") issued December 4, 1996, in the stated amount of \$1,093,391.20, by One Valley Bank, National Association.

We have also examined the applicable provisions of the Act, the Bond Resolution duly adopted by the Issuer on December 4, 1996, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 4, 1996 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement.

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

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

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

3. The Letter of Credit and issuance thereof have been duly approved by the Issuer.

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

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

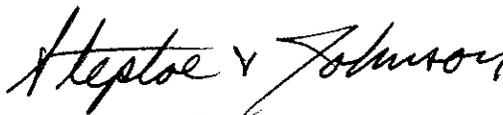
6. The Bonds are, under the Act, exempt from taxation by the State of West Virginia, and the other taxing bodies of the State, and the interest on the Bonds is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.

West Virginia Infrastructure and Jobs
Development Council, et al.
Page 3

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreement, the Bond Legislation and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

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

Very truly yours,


STEPTOE & JOHNSON

12/03/96
OVJ.G3
667990/96001

LAW OFFICES

WILLIAM S. WINFREY, II

1608 MAIN STREET WEST

POST OFFICE BOX 1159

PRINCETON, W. VA. 24740

FILE NO.

TELEPHONE
304-487-1887

TELECOPIER
304-425-7340

93-073

December 4, 1996

Oakvale Road Public Service District
Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

West Virginia Infrastructure and Jobs
Development Council
1320 One Valley Square
Charleston, West Virginia 25301

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25064

Steptoe & Johnson
Post Office Box 2190
Clarksburg, West Virginia 26302

Ladies and Gentlemen:

I am counsel to Oakvale Road Public Service District, a public service district in Mercer and Summers Counties, West Virginia (the "Issuer"). As such counsel, I have examined copies of the approving opinion of Steptoe & Johnson, as bond counsel, a loan agreement dated December 4, 1996, including all schedules and exhibits attached thereto, by and between the West Virginia Water Development Authority (the "Authority") and the Issuer (the "Loan Agreement"), the Bond Resolution duly adopted by the Issuer on December 4, 1996, as supplemented by the Supplemental Resolution duly adopted by the Issuer on December 4, 1996 (collectively, the "Bond Legislation"), the Agreement, dated May 8, 1995, by and between the Issuer and West Virginia-American Water Company (the "Company"), as amended (the "Agreement") and other documents, papers, agreements, instruments and certificates relating to the above-captioned Bonds of the Issuer (the "Bonds") and orders of The County Commission of Mercer County relating to the Issuer and the appointment of members of the Public Service Board of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Legislation and the Loan Agreement when used herein.

I am of the opinion that:

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

West Virginia Infrastructure Jobs
and Development Council, et al.

December 4, 1996

Page 2

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

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

4. The Letter of Credit and the issuance thereof have been duly approved by the Issuer.

5. 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.

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

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

8. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the creation and existence of the Issuer, the issuance of the Bonds, the acquisition and construction of the Project, the entry into the Agreement, the operation of the System and the imposition of rates and charges, including, without limitation, all requisite orders, certificates and approvals from The County Commission of Mercer County, the West Virginia Infrastructure and Jobs Development Council and the Public Service Commission of West Virginia, and the Issuer has taken any other action required for the imposition of such rates and charges, including, without limitation, the adoption of a resolution prescribing such rates and charges. The Issuer has received the Orders of the Public Service Commission of West Virginia entered on October 28, 1994, and February 5, 1996, in Case No. 94-0098-W-PWD-PC-CN, approving and consenting to the issuance of the Bonds, and entry into the Agreement, approving the Issuer's water rates and charges and granting to the Issuer a certificate of public convenience and necessity for construction of the Project. The time for appeal of such Orders has expired prior to the date hereof without any appeal. The Issuer has also received the Further Final Memorandum of the Public Service Commission of West

West Virginia Infrastructure Jobs
and Development Council, et al.

December 4, 1996

Page 3

Virginia Staff, dated August 15, 1996, approving the acquisition and construction of additional waterworks facilities not included in the original Orders of the Public Service Commission.

9. I have ascertained that the contractors have made adequate provisions for insurance and payment and performance bonds and that such insurance policies or binders and such bonds have been verified for accuracy.

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

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

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

Yours very truly,



William S. Winfrey, II

WSW/als
OVJ.H3
667990/96001

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December 4, 1996

**West Virginia-American Water Company
Charleston, West Virginia**

**One Valley Bank, National Association
Charleston, West Virginia**

**Oakvale Road Public Service District
Princeton, West Virginia**

**West Virginia Water Development Authority
Charleston, West Virginia**

**West Virginia Infrastructure and
Jobs Development Council
Charleston, West Virginia**

**Re: Oakvale Road Public Service District Water Revenue Bonds, Series
1996 (West Virginia Infrastructure Fund)**

Ladies and Gentlemen:

We have served as counsel to West Virginia-American Water Company, a West Virginia corporation (the "Company"), in connection with an Agreement dated May 8, 1995, by and between Oakvale Road Public Service District (the "Issuer") and the Company, as amended (the "Agreement"), whereby the Company has agreed to make payments to the Issuer in amounts and at times sufficient to permit the Issuer to pay the principal of and interest on the above-captioned Bonds (the "Bonds"). The Bonds are being issued by the Issuer under Chapter 16, Article 13A and Chapter 31, Article 15A of the West Virginia Code of 1931, as amended (collectively, the "Act"), and a Bond Resolution duly adopted by the Issuer on December 4, 1996, as supplemented by the Supplemental Resolution duly adopted by the Issuer on December 4, 1996 (collectively, the "Bond Resolution"), for the purposes of (i) refunding the Issuer's Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996, dated February 15, 1996 (the "Notes"), heretofore issued to temporarily finance a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system of the Issuer (the

West Virginia-American Water Company
Oakvale Road Public Service District
West Virginia Infrastructure and Jobs
Development Council
One Valley Bank, National Association
West Virginia Water Development Authority
December 4, 1996
Page 2

“Project”); (ii) paying a portion of the costs of acquisition and construction of the Project not previously paid from proceeds of the Notes; and (iii) paying certain costs of issuance and related costs. Capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Bond Resolution when used herein.

The Bonds have been sold to the West Virginia Water Development Authority on behalf of the West Virginia Infrastructure and Jobs Development Council (the “Authority”), pursuant to a Loan Agreement dated December 4, 1996. The Bonds are to be paid from Net Revenues derived from the operation of the System. Such Net Revenues consist solely of payments to be made by the Company to the Issuer under the Agreement. The Bonds are further secured by letter of credit No. 96064 issued December 4, 1996, by One Valley Bank, National Association, for the account of the Issuer (the “Letter of Credit”) that may be drawn upon by the Authority in the event Net Revenues are insufficient or unavailable to pay the Bonds when due.

In connection with this opinion, we have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of the Articles of Incorporation, a Certificate of Good Standing and the By-laws of the Company, and all amendments thereto, the Agreement and such other records, instruments, agreements, certificates (including, without limitation, certificates of public officials and of officers of the Company) and other documents (collectively, the “Documents”), and have conducted such investigations of law, as we have deemed necessary for purposes of rendering this opinion. We have assumed the authenticity of the Documents submitted to us as originals and the conformity to originals of the Documents submitted to us as copies. We have assumed due authorization, execution and delivery of the Documents by the other parties thereto, if any. As to factual matters necessary for our opinion rendered herein, we have relied upon certificates of the Company with respect thereto without independently verifying the same.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Company is a corporation duly created, validly existing and in good standing under the laws of the State of West Virginia, is qualified to do business in the State

West Virginia-American Water Company
Oakvale Road Public Service District
West Virginia Infrastructure and Jobs
Development Council
One Valley Bank, National Association
West Virginia Water Development Authority
December 4, 1996
Page 3

of West Virginia, and has full power and authority to execute and deliver the Documents to which the Company is a party and to undertake and perform its obligations thereunder.

2. The Documents to which the Company is a party have been duly authorized, executed and delivered by the Company, are valid and binding upon the Company, and are legally enforceable against the Company in accordance with the respective terms thereof so as to provide to the other respective parties the substantial enjoyment of the rights and benefits provided for therein, except as may be limited by the laws of bankruptcy, reorganization or other similar laws relating to or affecting the enforcement of creditors' rights generally, by the application of public policy or by the exercise of judicial discretion.

3. To our knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, against or affecting the Company, wherein an unfavorable decision, ruling or finding would materially adversely affect the Company or the financial condition or operations of the Company, or the transactions contemplated by the Documents to which the Company is a party, or which would materially adversely affect the Documents to which the Company is a party.

4. To our knowledge, the execution, delivery and performance of and compliance with the provisions of the Documents to which the Company is a party do not and will not violate, conflict with, or constitute or result in a breach of or default under, the Articles of Incorporation or By-laws of the Company or any material agreement, instrument, document, indenture, mortgage, deed of trust, lease, contract, law, judgment, decree, order, statute, rule or regulation to which the Company is a party, by which the Company or its properties are bound or which may otherwise be applicable to the Company.

Very truly yours,


JACKSON & KELLY

JACKSON & KELLY

ATTORNEYS AT LAW

1600 LAIDLEY TOWER

P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

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PARKERSBURG, WEST VIRGINIA 26101
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December 4, 1996

West Virginia-American Water Company
Charleston, West Virginia

One Valley Bank, National Association
Charleston, West Virginia

Oakvale Road Public Service District
Princeton, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and
Jobs Development Council
Charleston, West Virginia

Re: Oakvale Road Public Service District Water Revenue Bonds, Series
1996 (West Virginia Infrastructure Fund)

Ladies and Gentlemen:

We have served as counsel to West Virginia-American Water Company, a West Virginia corporation (the "Company"), in connection with the issuance by One Valley Bank, National Association (the "Bank"), of its letter of credit No. 96064, dated December 4, 1996 (the "Letter of Credit") in an amount up to \$1,093,391.20, for the account of the Oakvale Road Public Service District (the "Issuer") relating to payment of the above-captioned Bonds (the "Bonds").

The Bonds have been sold to the West Virginia Water Development Authority (the "Purchaser") on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Council"). The Purchaser is the beneficiary of the Letter of Credit. The Company has entered into an Application and Agreement for Standby Letter of Credit with Bank dated December 4, 1996 (the "LOC Agreement") and has executed a Note and Security Agreement dated December 4, 1996 (the "Note") in favor of Bank.

West Virginia-American Water Company
Oakvale Road Public Service District
West Virginia Infrastructure and Jobs
Development Council
One Valley Bank, National Association
West Virginia Water Development Authority
December 4, 1996
Page 2

In connection with this opinion, we have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of the Articles of Incorporation, a Certificate of Good Standing and the By-laws of the Company, and all amendments thereto, the LOC Agreement, the Note, and such other records, instruments, agreements, certificates (including, without limitation, certificates of public officials and of officers of the Company) and other documents (collectively, the "Documents"), and have conducted such investigations of law, as we have deemed necessary for purposes of rendering this opinion. We have assumed the authenticity of the Documents submitted to us as originals and the conformity to originals of the Documents submitted to us as copies. We have assumed due authorization, execution and delivery of the Documents by the other parties thereto, if any. As to factual matters necessary for our opinion rendered herein, we have relied upon certificates of the Company with respect thereto without independently verifying the same.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Company is a corporation duly created, validly existing and in good standing under the laws of the State of West Virginia, is qualified to do business in the State of West Virginia, and has full power and authority to execute and deliver the Documents to which the Company is a party and to undertake and perform its obligations thereunder.

2. The Documents to which the Company is a party have been duly authorized, executed and delivered by the Company, are valid and binding upon the Company, and are legally enforceable against the Company in accordance with the respective terms thereof so as to provide to the other respective parties the substantial enjoyment of the rights and benefits provided for therein, except as may be limited by the laws of bankruptcy, reorganization or other similar laws relating to or affecting the enforcement of creditors' rights generally, by the application of public policy or by the exercise of judicial discretion.

3. To our knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, against or affecting the Company, wherein an unfavorable decision, ruling or

West Virginia-American Water Company
Oakvale Road Public Service District
West Virginia Infrastructure and Jobs
Development Council
One Valley Bank, National Association
West Virginia Water Development Authority
December 4, 1996
Page 3

finding would materially adversely affect the Company or the financial condition or operations of the Company, or the transactions contemplated by the Documents to which the Company is a party, or which would materially adversely affect the Documents to which the Company is a party.

4. To our knowledge, the execution, delivery and performance of and compliance with the provisions of the Documents to which the Company is a party do not and will not violate, conflict with, or constitute or result in a breach of or default under, the Articles of Incorporation or By-laws of the Company or any material agreement, instrument, document, indenture, mortgage, deed of trust, lease, contract, law, judgment, decree, order, statute, rule or regulation to which the Company is a party, by which the Company or its properties are bound or which may otherwise be applicable to the Company.

Very truly yours,


JACKSON & KELLY

LOH/tp
55132

**BOWLES RICE
McDAVID GRAFF & LOVE**

ATTORNEYS AT LAW

600 QUARRIER STREET
POST OFFICE BOX 1386
CHARLESTON, WEST VIRGINIA 25325-1386
TELEPHONE 304-347-1100
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WRITER'S DIRECT DIAL NUMBER
(304) 347-1124
(304) 343-3058 ★ Fax

December 4, 1996

E-MAIL
dsink@bowlesrice.com

Oakvale Road Public Service District
Princeton, West Virginia

West Virginia-American Water Company
Charleston, West Virginia

West Virginia Water Development Authority
1201 Dunbar Avenue
Dunbar, West Virginia 25604

Ladies and Gentlemen:

We have served as counsel to One Valley Bank, National Association (the "Bank") in connection with the issuance by the Bank of its Letter of Credit, No. 96064 in the amount of \$1,093,391.20 (the "Letter of Credit"), for the account of Oakvale Road Public Service District (the "District"), a public service district, public corporation and political subdivision created and existing under the laws of the State of West Virginia, the beneficiary of which Letter of Credit is West Virginia Water Development Authority, on behalf of the West Virginia Infrastructure and Jobs Development Council.

The Letter of Credit is provided in lieu of a funded debt service reserve and secures the payment of up to two (2) years' debt service on the District's Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), dated December 4, 1996, in the principal amount of \$12,700,000. The Letter of Credit has been delivered by the Bank pursuant to an Application and Note and Security Agreement, dated December 4, 1996 (collectively, the "Application").

In connection with this opinion, we have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of the Letter of Credit, the Application and such other documents and certificates and have conducted such investigations of law, as we have deemed necessary for purposes of rendering this opinion. We have assumed the authenticity of all documents and certificates submitted to us as originals, the conformity to originals of all documents and certificates submitted to us as copies, and the due authorization, execution and delivery of all such documents and certificates by other parties thereto, if any.

14

BOWLES RICE
MCDAVID GRAFF & LOVE

Oakvale Road Public Service District
West Virginia-American Water Company
West Virginia Water Development Authority
December 4, 1996
Page 2

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bank is a national banking association under the laws of the United States of America and qualified to do business in the State of West Virginia, with the power and authority to issue and deliver the Letter of Credit under applicable provisions of law.

2. The Letter of Credit has been duly authorized, executed and delivered by the Bank, and constitutes the valid and binding obligation of the Bank, enforceable upon the Bank in accordance with its terms, except as may be limited by the laws of the bankruptcy, receivership, or other similar laws affecting the enforcement of creditors' rights generally, by the application of public policy, or by the exercise of judicial discretion.

Very truly yours,

BOWLES RICE MCDAVID GRAFF & IOVE

By: 
Deborah A. Sink

DAS/bal

OAKVALE ROAD PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

GENERAL CERTIFICATE OF ISSUER AND ATTORNEY ON:

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

We, the undersigned CHAIRMAN and the undersigned SECRETARY of the Public Service Board of Oakvale Road Public Service District, in Mercer and Summers Counties, West Virginia (the "Issuer"), and the undersigned COUNSEL TO THE ISSUER, hereby certify in connection with the \$12,700,000 Oakvale Road Public Service District Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund) (the "Bonds"), dated the date hereof, 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 duly adopted December 4, 1996, and a Supplemental Resolution of the Issuer duly adopted December 4, 1996 (collectively, the "Bond Legislation").

2. **NO LITIGATION:** No controversy or litigation of any nature is now pending or threatened, restraining, enjoining or affecting in any manner the issuance, sale or delivery of the Bonds, the acquisition or construction of the Project, the operation of the System, the entry by the Issuer into the Agreement, the receipt of the Net Revenues, or in any way contesting or affecting the validity of the Bonds, or any proceedings of the Issuer

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

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

4. **NO ADVERSE FINANCIAL CHANGE; INDEBTEDNESS:** There has been no adverse change in the financial condition of the Issuer since the approval and execution and delivery by the Issuer of the Loan Agreement, and the Issuer has met all conditions prescribed in the Loan Agreement entered into between the Issuer and the Authority.

There are no outstanding bonds or obligations of the Issuer which will rank either prior to or on a parity with the Bonds as to liens, pledge, source of and security for payment. As of the date hereof, the Prior Notes and all interest accrued thereon have been paid in full. The Issuer has obtained a construction line of credit from a bank in an amount not to exceed \$3,000,000. Repayment of the line of credit will be made from proceeds of the Bonds, the Grants and proceeds of the Series 1997 Bonds anticipated to be issued in 1997.

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

Bond Resolution.

Supplemental Resolution.

Loan Agreement.

Public Service Commission Orders and Final Staff Memorandum.

Infrastructure and Jobs Development Council Approval.

Agreement.

Letter of Credit.

County Commission Orders Regarding Creation and Expansion of District.

County Commission Orders Appointing Current Boardmembers.

Oaths of Office of Current Boardmembers.

Rules of Procedure.

Affidavit of Publication on Borrowing.

Minutes of Current Year Organizational Meeting.

Minutes on Adoption of Bond Resolution and Supplemental Resolution.

Evidence of Small Cities Block Grant.

Evidence of Appalachian Regional Commission Grant.

Evidence of United States Economic Development Administration Grant.

Evidence of United States Army Corp of Engineers Funding.

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

<u>Name</u>	<u>Date of Commencement of Office</u>	<u>Date of Termination of Office</u>
Ronnie Stump	June 1, 1995	June 1, 2001
Hillis Warren	May 31, 1996	May 31, 2002
Richard Nowlin	December 31, 1995	December 31, 2001

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 1996 are as follows:

Chairman	-	Ronnie Stump
Secretary	-	Hillis Warren
Treasurer	-	Richard Nowlin

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

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

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

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

Agreement is in full force and effect. The System is not presently covered by policies of flood or business interruption insurance, but will be if such coverages are 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:** The Issuer has received the Orders of the Public Service Commission of West Virginia entered on October 28, 1994, and February 5, 1996, in Case No. 94-0098-W-PWD-PC-CN, approving the rates and charges for the services of the System, and has adopted a resolution prescribing such rates and charges. The time for appeal of such Orders has expired prior to the date hereof without any appeal.

12. **PUBLIC SERVICE COMMISSION ORDERS:** The Issuer has received the Orders of the Public Service Commission of West Virginia entered on October 28, 1994, and February 5, 1996, in Case No. 94-0098-W-PWD-PC-CN, among other things, granting to the Issuer a certificate of convenience and necessity for the Project, approving the Agreement and approving the financing for the Project. The time for appeal of such Orders has expired prior to the date hereof without any appeal.

13. **SIGNATURES AND DELIVERY:** On the date hereof, the undersigned Chairman did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond, numbered R-1, dated the date hereof, by his manual signature, and the undersigned Secretary did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by his manual signature, and the Registrar did officially authenticate and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreement. Said official seal is also impressed above the signatures appearing on this certificate.

14. **BOND PROCEEDS:** On the date hereof, the Issuer received \$8,507,286.40 from the Authority, being a portion of the principal amount of the Bonds, and more than a de minimis amount of the proceeds of the Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as design of the Project progresses.

15. 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, the issuance of the 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 Official West Virginia Code of 1931, as amended.

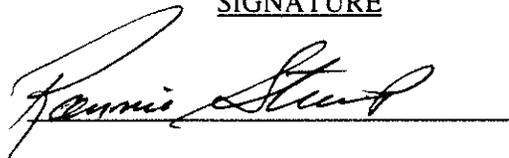
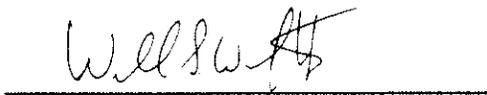
16. SPECIMEN BOND: Delivered concurrently herewith is a true and accurate specimen of the Bond.

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

18. GRANTS: As of the date hereof, the grant in the amount of \$990,318 from the Appalachian Regional Commission, the grant in the amount of \$3,000,000 from the United States Department of Housing and Urban Development (Small Cities Block Grant through the State of West Virginia), and the grant in the amount of \$990,000 from the United States Economic Development Administration, are committed and in full force and effect.

WITNESS our signatures and the official seal of OAKVALE ROAD PUBLIC SERVICE DISTRICT on this 4th day of December, 1996.

[CORPORATE SEAL]

<u>SIGNATURE</u>	<u>OFFICIAL TITLE</u>
 _____	Chairman
 _____	Secretary
 _____	Counsel to Issuer

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WEST VIRGINIA-AMERICAN WATER COMPANY

I, STEPHEN N. CHAMBERS, Secretary of the above-named Company, do hereby certify that the following is a true and correct copy of certain resolutions duly adopted by the Board of Directors of said Company, at a meeting thereof duly convened and held on the 20th day of July, 1995:

RESOLVED, that the authorization to borrow funds adopted by the Board of Directors of the Company at a meeting thereof duly convened and held on April 21, 1994 be, and hereby is, rescinded insofar as such authorization would relate to borrowings effected subsequent to June 30, 1995.

RESOLVED, that effective July 1, 1995, the President or any Vice President or the Treasurer or any Assistant Treasurer of the Company be, and hereby is, authorized to borrow from time to time in the name and on behalf of the Company sums which in the aggregate will not exceed \$34,831,000 outstanding at any one time, such loans to mature at such times and to bear interest at such rates as may be approved by the officer making the loans; and as evidence of such loans to make, execute and deliver one or more notes or other written obligations of the Company which shall be sufficiently executed by the Company if signed in its name by its President or one of its Vice Presidents or its Treasurer or one of its Assistant Treasurers.

RESOLVED, that the actions of the President or any Vice President or the Treasurer or any Assistant Treasurer of the Company in borrowing funds in the name and on behalf of the Company, and the execution and delivery of any notes or other written obligations of the Company in connection therewith, subsequent to June 30, 1995 and prior to the date of this meeting, be, and hereby are, approved and ratified as duly authorized acts of the Company.

IN WITNESS WHEREOF, I have hereunto affixed my signature and the corporate seal of said Company, this 4th day of December, 1996.


Secretary

(CORPORATE SEAL)

16A

OAKVALE ROAD PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

GENERAL CERTIFICATE OF WEST VIRGINIA-AMERICAN
WATER COMPANY ON:

1. INCUMBENCY AND SIGNATURES
2. DUE INCORPORATION AND GOOD STANDING
3. CERTIFICATION OF COPIES OF DOCUMENTS
4. AUTHORIZATION FOR EXECUTION AND DELIVERY OF DOCUMENTS
5. EXECUTION, DELIVERY AND VALIDITY OF DOCUMENTS
6. NO LITIGATION
7. AGREEMENTS AND OBLIGATIONS
8. NO CHANGE IN CONDITION

The undersigned PRESIDENT of WEST VIRGINIA-AMERICAN WATER COMPANY, a corporation located within and incorporated under the laws of the State of West Virginia (the "Company"), HEREBY CERTIFIES in connection with the authorization, execution and delivery of an Agreement, dated May 8, 1995, by and between Oakvale Road Public Service District (the "Issuer") and the Company, as amended (the "Agreement") whereby the Company has agreed to make certain payments to the Issuer to permit the Issuer to pay when due, the principal of and interest on its \$12,700,000 aggregate principal amount, Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund) (the "Bonds"), of to be issued to West Virginia Water Development Authority (the "Authority"), pursuant to a Bond Resolution of the Issuer adopted December 4, 1996, as supplemented by a Supplemental Resolution of the Issuer adopted December 4, 1996 (collectively, the "Bond Resolution"), all capitalized terms used herein and not otherwise defined herein to have the same meanings set forth in the Bond Resolution, as follows:

1. **INCUMBENCY AND SIGNATURES:** The undersigned is and was at all relevant times the duly elected, qualified and serving President of the Company, duly elected or appointed by the Board of Directors of the Company, and is familiar with the terms of the transactions described in the Documents, herein defined. Set forth below is my true and genuine signature.

2. **DUE INCORPORATION AND GOOD STANDING:** The Company is a corporation duly created, validly existing and in good standing under the laws of the State of West Virginia, duly authorized to conduct its affairs and transact business in the State of West Virginia, and is not prohibited by any provision of its Articles of

16B

Incorporation or By-Laws from conducting its business described in, or effectuating the transactions contemplated in, the Agreement and the other Documents, herein defined.

3. **CERTIFICATION OF COPIES OF DOCUMENTS:** The copies of the below-listed documents (the "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 or changed in any way unless modification appears from later documents also listed below:

Certified copy of Articles of Incorporation, including all Amendments.

Certified copy of Certificate of Good Standing.

Certified copy of Bylaws.

Resolution of Board.

Agreement.

4. **AUTHORIZATION FOR EXECUTION AND DELIVERY OF DOCUMENTS:** There are delivered herewith true, correct and complete copies of the resolution, duly and regularly adopted by the Board of Directors of the Company, at a meeting duly called and held pursuant to all required notice, which resolution has been adopted pursuant to the Articles of Incorporation and By-Laws of the Company and which resolution authorizes the execution and delivery of the Agreement, and all other documents, agreements, instruments and certificates in connection therewith, to which the Company is a party. The Company has full and all requisite right, power and authority to own and operate its properties, to carry on its business as now conducted, to execute, deliver and carry out and perform the terms, obligations and conditions set forth in the Documents. The resolution referred to in this paragraph has not been amended, modified, supplemented or repealed and is in full force and effect on the date hereof.

5. **EXECUTION, DELIVERY AND VALIDITY OF DOCUMENTS:** The Documents, to which the Company is a party, have been duly authorized, executed and delivered by the Company and on its behalf by duly chosen, qualified and acting officers of the Company, pursuant to the resolution herein described and the By-laws of the Company, have not been altered, modified or amended and are in full force and effect as of the date hereof. Each of the Documents, to which the Company is a party, constitutes a valid and legally binding agreement and obligation of the Company enforceable in accordance with its terms, except (i) as the same shall be subject to limitations upon the right to obtain judicial orders requiring specific performance or granting injunctive relief, (ii) as may be limited by the laws of bankruptcy, reorganization or other similar laws relating to or affecting the enforcement of creditors' rights generally, and (iii) as

enforceability of indemnity provisions contained therein may be limited under applicable laws or may be against public policy. The execution and delivery of the Documents by the Company and the compliance with the provisions thereof will not conflict with, result in a breach of the terms, conditions or provisions of or constitute a default under, or result in the creation or any imposition of any lien, charge or encumbrance upon any of the property or assets of the Company pursuant to, the Articles of Incorporation or By-laws of the Company or the terms of any indenture, mortgage, deed of trust, loan agreement, undertaking or other agreement, document or instrument to which the Company is a party or bound or to which any of the property or assets of the Company are subject, nor will such action conflict with, result in a material breach of, constitute a default under or result in a violation of any statute, law, ordinance, judgment, ruling, decree, order, rule or regulation to which the Company is subject or to which any of its properties are subject or which is applicable to the transactions described herein; and no consent, certificate, approval, authorization, order, registration, exemption or qualification of or with any court or any regulatory authority or any governmental authority or body is required for the execution and delivery of the Documents by the Company or in connection with the Project, the Documents or the transactions contemplated thereby, except those already obtained.

6. **NO LITIGATION:** No litigation, proceeding, suit, inquiry, action or investigation at law or in equity is pending or, to the knowledge of the undersigned, threatened (or is there any basis therefor), against or affecting the Company in or before or by any court, public board or administrative body, which would restrain or enjoin the execution or delivery of any of the Documents or the performance of any obligations of the Company contained therein or matters in connection therewith, or in any way contesting or affecting any of the Documents, or attempting to limit, restrain, enjoin or prevent the Company from functioning and making the guaranty under the Guaranty, or which questions the validity of the Documents or any documents or the transactions contemplated thereby, or contesting the corporate existence of the Company, or wherein an unfavorable decision, ruling or finding would have a material adverse effect upon the financial condition of the Company, the validity or enforceability of the Documents to which the Company is a party, the Company's ability to perform its obligations under the Documents or the corporate existence or powers of the Company. There is no action or proceeding pending or threatened looking toward liquidation or dissolution of the Company.

7. **AGREEMENTS AND OBLIGATIONS:** All agreements, covenants, arrangements and conditions to be complied with or satisfied and all obligations to be performed by the Company pursuant to or in connection with the Documents or the transactions contemplated thereby on or prior to the date of such documents have been complied with, satisfied and performed and there are no defaults or events of default under the Documents which have occurred and are continuing.

8. **NO CHANGE IN CONDITION:** There have been no undisclosed material adverse changes in the financial condition of the Company since the offer by the Authority to purchase the Bonds.

IN WITNESS WHEREOF, I have hereunto set my hand on this 4th day of
December, 1996.

WEST VIRGINIA-AMERICAN WATER
COMPANY



President

ATTEST:



Secretary

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WEST VIRGINIA-AMERICAN WATER COMPANY

NET EARNINGS CERTIFICATE AS OF DECEMBER 4, 1996

We, C. E. Jarrett, President, and M. A. Miller, Vice President and Treasurer, of West Virginia-American Water Company (the "Company"), pursuant to Section 2.04 of the Indenture of Mortgage dated as of October 1, 1976, as supplemented (the "Indenture"), from the Company to Kanawha Valley Bank, N.A. (now One Valley Bank, National Association), as Trustee (the "Trustee"), hereby certify that to the best of our knowledge and belief after reasonable investigation, the information set forth in this Certificate is true and correct, and that the net income of the Company, calculated as provided in Paragraph 14 of Section XVI of the Indenture, for a period of twelve consecutive calendar months ending September 30, 1996, has been equal to at least one and one-half (1-1/2) times the aggregate annual interest charges on all Long Term Debt of the Company to be outstanding immediately after issuance of the \$11,000,000 of 6.81% General Mortgage Bonds, due December 1, 2006; that the Company has no moneys which have been irrevocably set aside by the Company or deposited with the Trustee or with any other holder of a mortgage or other lien securing any such Long Term Debt; and that the Company's net earnings provide coverage of approximately 2.40 times the annual interest charge on all Long Term Debt, such coverage being computed as follows:

Operating Revenues

As shown on the Company's Statement of Income and Retained Earnings ("Statement") for twelve months ended <u>September 30, 1996</u>		\$61,100,824
Operating Expenses Per Statement	\$45,921,696	
Less: Federal and State Income Taxes for twelve months ended <u>September 30, 1996</u>	<u>4,838,518</u>	<u>41,083,178</u>
Operating Income		\$20,017,646
Plus: Allowance for funds used during construction	\$ 1,051,116	
Plus: Loss on sale of property	-0-	
Minus: Gain on sale of property	<u>-0-</u>	<u>\$ 1,051,116</u>
Net Earnings		<u>\$21,068,762 (A)</u>

16C

	<u>Principal Amount</u>	<u>Annual Interest Charge</u>
Capital Lease	\$ 151,220	\$ -0-
Loan Agreement, 5.5163%	404,500	22,313
Promissory Note, 4%	335,313	13,413
Loan Guarantee, 7%*	3,000,000	210,000
General Mortgage Bonds		
8.55% Series	3,500,000	299,250
10% Series	13,000,000	1,300,000
9.08% Series	10,500,000	953,400
9.06% Series	13,000,000	1,177,800
7.18% Series	25,500,000	1,830,900
6.87% Series	11,500,000	790,050
8.19% Series	7,500,000	614,250
7.54% Series	11,000,000	829,400
6.81% Series (Proposed)	<u>11,000,000</u>	<u>749,100</u>
Totals	<u>\$110,391,033</u>	<u>\$8,789,876 (B)</u>

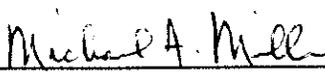
* The Company has guaranteed an interim loan (the "Loan") for Oakvale Road Public Service District (the "Borrower") as part of the Mercer/Summers Project. The initial term of the Loan ends December 31, 1996, subject to the right of the Borrower to extend the term of the Loan for up to one additional twelve-month period. The guarantee is expected to be released in mid 1997 when permanent financing is finalized for Oakvale Road Public Service District's portion of the Mercer/Summers Project. The Company has guaranteed the Loan in an amount not to exceed \$12.6 million. The Loan will be partially repaid from the proceeds of the permanent financing scheduled to occur in part on December 4, 1996. Thereafter, the Company will continue to provide a guaranty for the Loan in an amount not to exceed approximately \$3.0 million to cover the balance of the permanent financing which will likely close in July 1997.

Coverage (A) ÷ (B) = 2.40

IN WITNESS WHEREOF, we have hereunto set our hands and caused the corporate seal of West Virginia-American Water Company to be affixed hereto by its Secretary, all as of this 4th day of December, 1996.



 C. E. Jarrett
 President



 M. A. Miller
 Vice President and Treasurer

(CORPORATE SEAL)

WEST VIRGINIA-AMERICAN WATER COMPANY

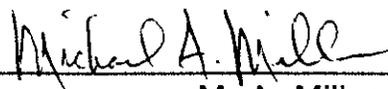
**CERTIFICATE AS TO STATEMENT OF TOTAL
CAPITALIZATION REQUIRED BY SECTION 2.04 OF
THE INDENTURE OF MORTGAGE OF THE COMPANY
DATED AS OF OCTOBER 1, 1976**

We, C. E. Jarrett, President, and M. A. Miller, Vice President and Treasurer, of West Virginia-American Water Company (the "Company"), pursuant to the provisions of Section 2.04 of the Indenture of Mortgage dated as of October 1, 1976, as supplemented (the "Indenture"), from the Company to Kanawha Valley Bank, N.A. (now One Valley Bank, National Association), as Trustee, hereby certify, that (i) to the best of our knowledge and belief after reasonable investigation, the attached "Statement of Total Capitalization" is true and correct as of the date hereof and that there have been no substantial changes affecting the figures set forth in said Statement of Total Capitalization between September 30, 1996 and December 4, 1996, and (ii) all terms used in such Statement of Total Capitalization are defined in Paragraph 13 of Article XVI of the Indenture and have been used in accordance with such definitions.

IN WITNESS WHEREOF, we have hereunto set our hands and caused the corporate seal of West Virginia-American Water Company to be affixed hereto by its Secretary, all as of this 4th day of December, 1996.



C. E. Jarrett
President



M. A. Miller
Treasurer

(CORPORATE SEAL)

WEST VIRGINIA-AMERICAN WATER COMPANY

STATEMENT OF TOTAL CAPITALIZATION AS OF SEPTEMBER 30, 1996

The following Statement of Total Capitalization was prepared in accordance with Paragraph 13 of Article XVI of West Virginia-American Water Company's Indenture of Mortgage dated as of October 1, 1976, as supplemented (the "Indenture"), and is based on the balance sheet of West Virginia-American Water Company (the "Company") as of September 30, 1996:

(A) (i)	Aggregate Principal Amount of All Long Term Debt	\$99,391,033	
(ii)	Total Par Value of All Outstanding Common Stock	1,714,917	
(iii)	Total Par Value of All Outstanding Preferred Stock	4,006,000	
(iv)	Total of All Paid In Surplus, Capital Surplus and Other Surplus Accounts	34,850,909	
(v)	Retained Earnings	<u>32,660,192</u>	
	Total Capitalization		\$172,623,051
(B)	Amount of the Bonds for which Authentication and Delivery is Requested of the Trustee		\$ 11,000,000
(C) (i)	Changes in Long Term Debt of the Company that have occurred between September 30, 1996 and December 4, 1996		-0-

(ii)	Changes in Common Stock of the Company that have occurred between September 30, 1996 and December 4, 1996	\$ 173,396
(iii)	Changes in Preferred Stock of the Company that have occurred between September 30, 1996 and December 4, 1996	(140,000)
(iv)	Changes in Surplus of the Company that have occurred between September 30, 1996 and December 4, 1996	\$ 6,826,604
(v)	Changes in Retained Earnings of the Company that have occurred between September 30, 1996 and December 4, 1996	(484,024)*
	Total Changes in Capitalization	\$ 7,344,024
(D)	Total Capitalization [Total of (A), (B) and (C) above]	<u>\$190,967,075</u>
(E)	Sixty-five Per Cent of Total Capitalization	<u>\$124,128,599</u>

*Estimated, Includes December Common Dividend Payment

Aggregate Principal Amount of Long Term Debt as of December 4, 1996, consisting of the total of Subparagraphs (A) (i), (B) and (C) (i)

\$110,391,033

WEST VIRGINIA-AMERICAN WATER COMPANY

NO DEFAULT CERTIFICATE AS OF DECEMBER 4, 1996

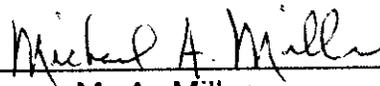
The undersigned, C. E. Jarrett, President, and M. A. Miller, Vice President and Treasurer of West Virginia-American Water Company (the "Company"), hereby certify with respect to the Indenture of Mortgage dated as of October 1, 1976, as supplemented (the "Indenture"), from the Company to Kanawha Valley Bank, N.A. (now One Valley Bank, National Association), that:

- (a) To the best of the knowledge and belief of the undersigned after reasonable investigation, no default, or event which with the passing of time or the giving of notice or both would constitute such a default, exists or would, after giving effect to the transaction in connection with which this Certificate is being delivered, exist on the part of the Company in the performance of any of the terms or covenants of the Indenture; and
- (b) All terms used in this Certificate which are defined in Paragraph 12 of Article XVI of the Indenture have been used in accordance with such definitions.

IN WITNESS WHEREOF, we have hereunto set our hands and caused the corporate seal of West Virginia-American Water Company to be affixed hereto by its Secretary, all as of this 4th day of December, 1996.



C. E. Jarrett
President



M. A. Miller
Vice President and Treasurer

(CORPORATE SEAL)

16E

WEST VIRGINIA-AMERICAN WATER COMPANY

Secretary's Certificate

I, Stephen N. Chambers, Secretary of West Virginia-American Water Company (the "Company"), do hereby certify as follows:

1. Attached hereto is a true and correct copy of the Company's Bylaws as in effect on October 21, 1992, and, that said Bylaws have not been amended or rescinded and are still in full force and effect on the date hereof.
2. There have been no amendments to the articles of incorporation, as amended, of said Company since May 19, 1995, that no proceedings for any amendment to the Articles of Incorporation, as amended, of said Company, are presently pending and that there are no proceedings pending by or against the Company, or to the knowledge of the undersigned, threatened by anyone else, in respect to the liquidation, dissolution, merger or consolidation of the Company, or the sale of all or substantially all of the property of the Company.
3. The Company is in good standing under the laws of the State of West Virginia on the date hereof.

IN WITNESS WHEREOF, I have hereunto affixed my signature and the seal of the Company as of this 4th day of December, 1996.


Stephen N. Chambers
Secretary

(CORPORATE SEAL)

BYLAWS
WEST VIRGINIA-AMERICAN WATER COMPANY
(as amended October 21, 1992)

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BYLAWS
OF
WEST VIRGINIA-AMERICAN WATER COMPANY
as amended October 21, 1992

ARTICLE I. OFFICES

The principal office of the corporation in the State of West Virginia shall be located in the City of Charleston, County of Kanawha. The corporation may have such other offices, either within or without the State of West Virginia, as the Board of Directors may designate or as the business of the corporation may require from time to time.

ARTICLE II. SHAREHOLDERS

Section 1. Annual Meeting. The annual meeting of the shareholders shall be held on the Friday following the third Thursday in the month of May in each year, beginning with the year 1977, for the purpose of electing directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of West Virginia, such meeting shall be held on the next succeeding business day. Unless the directors by resolution otherwise provide and give notice to the shareholders, the annual meeting shall begin at the hour of 10:00 A. M., Eastern Daylight Saving Time. If the election of directors shall not be held on the day designated herein for any annual meeting of the shareholders, or any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as conveniently may be.

Section 2. Special Meetings. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President and Secretary or by the Board of Directors, and shall be called by the President at the request of the holders of not less than one-tenth of all the outstanding shares of the corporation entitled to vote at the meeting.

Section 3. Place of Meeting. The Board of Directors may designate any place, either within or without the State of West Virginia, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the corporation in the State of West Virginia.

Section 4. Notice of Meeting. Written or printed notice stating the place, day and hour of the meeting, and in case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than five nor more than forty days before the date of the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote

at such meeting. Such notice may also be given to stockholders owning stock of a class or classes not entitled to vote if the directors, President or Secretary deem it desirable to do so. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the shareholder at his address as it appears on the stock transfer books of the corporation, with postage thereon prepaid.

Section 5. Closing of Transfer Books or Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or shareholders entitled to receive payment of any dividend, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, forty days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than forty days and, in case of a meeting of shareholders, not less than ten days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of shareholders entitled to notice of or to vote at a meeting of shareholders, or shareholders entitled to receive payment of a dividend, the date on which notice of the meeting is mailed or the date on which the resolution of the Board of Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

Section 6. Quorum. A majority of the outstanding shares of the corporation entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice. At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 7. Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or his duly authorized attorney in fact. Such proxy shall be filed with the Secretary of the corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless otherwise provided in the proxy.

Section 8. Voting of Shares. Subject to the provisions of Section 10 of this Article II, each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders.

Section 9. Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine.

Shares held by an administrator, executor, guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

Shares of its own stock belonging to the corporation shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

Section 10. Cumulative Voting. At each election for directors every shareholder entitled to vote at such election shall have the right to vote, in person or by proxy, the number of shares owned by him for as many persons as there are directors to be elected and for whose election he has a right to vote, or to cumulate his votes by giving one candidate as many votes as the number of such directors multiplied by the number of his shares shall equal, or by distributing such votes on the same principle among any number of candidates.

ARTICLE III. BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the corporation shall be managed by its Board of Directors, which, subject to the restrictions imposed by law, by the charter or by these bylaws, may exercise all of the corporate powers of the corporation.

Section 2. Number, Tenure and Qualifications. (as amended 10/21/92) The number of directors of the corporation shall be seven. Directors shall hold office from the date of their election until the next annual meeting of shareholders and until their successors have been elected and qualified. Directors need not be residents of West Virginia.

Section 3. Regular Meetings. A regular meeting of the Board of Directors shall be held without other notice than this bylaw immediately after, and at the same place as, the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of West Virginia, for the holding of additional regular meetings without further or other notice than such resolution.

Section 4. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of West Virginia, as the place for holding any special meeting of the Board of Directors called by them.

Section 5. Notice. Notice of any special meeting shall be given at least three days previously thereto by written notice delivered personally or mailed to each director at his business address, or by telegram. If mailed at least five days prior to the date of meeting, such notice shall be deemed to be delivered when deposited in the United States Mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any director may waive notice of any meeting. The attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

Section 6. Quorum. Subject to the provisions of Chapter 31, Article 1, Section 23 of the West Virginia Code, as amended, which provisions are adopted by reference as a part of this and the next following section of these bylaws, a majority of the number of directors as constituted for the time being under Section 2 of this Article III shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the directors present may adjourn the meeting from time to time without further notice.

Section 7. Manner of Acting. The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 8. Vacancies. Any vacancy occurring in the Board of Directors may be filled by the affirmative vote of a majority of the remaining directors though less than a quorum of the Board of Directors. A director elected to fill a vacancy shall be elected for the unexpired term of his predecessor in office. Any directorship to be filled by reason of an increase in the number of directors shall be filled by election at an annual meeting of shareholders.

Section 9. Compensation. By resolution of the Board of Directors, the directors may be paid their reasonable expenses, if any, incurred in connection with the performance of their duties, and may be paid a fixed sum for attendance at each meeting of the Board of Directors, or subcommittees thereof, or a stated salary as director. No such payment shall preclude any director from serving the corporation in any other capacity and receiving compensation therefor.

Section 10. Executive Committee. How Appointed. The Board of Directors may appoint from their number an Executive Committee of three or more members. The Executive Committee may make its own rules of procedure and shall meet where and as provided by such rules, or by a resolution of the Board of Directors. A majority shall constitute a quorum, and in every case the affirmative vote of a majority of all of the members of the Executive Committee shall be necessary to the adoption of any resolution.

Section 11. Powers of Executive Committee. During the intervals between the meetings of the Board of Directors, the Executive Committee shall have and exercise all the powers of the Board of Directors in the management of the business affairs of the corporation, including power to authorize the seal of the company to be affixed to all papers which may require it, in such manner as such committee shall deem best for the interests of the corporation, in all cases in which specific direction shall not have been given by the Board of Directors.

Section 12. Indemnification. (as amended 10/28/87)

(a). The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer or employee of the Corporation or a constituent Corporation absorbed in a consolidation or merger or is or was serving at the request of the Corporation or a constituent Corporation absorbed in a consolidation or merger, as a director, officer or employee of another Corporation, partnership, joint venture, trust or other enterprise, including an employee benefit plan, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding to the extent that such person is not otherwise indemnified and to the extent that such indemnification is not prohibited by applicable law. For this purpose the board of directors may, and on request of any such person shall be required to, determine in each case whether or not the applicable standards in any applicable statute have been met, or such determination shall be made by independent legal counsel if the board so directs or if the board is not empowered by statute to make such determination. Expenses incurred by an officer, director or employee of the Corporation in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding subject to the provisions of any applicable statute. The obligations of the

Corporation to indemnify a director, officer or employee under this Article III, including the duty to advance expenses, shall be considered a contract between the Corporation and such individual, and no modification or repeal of any provision of this Article III shall affect, to the detriment of the individual, such obligations of the Corporation in connection with a claim based on any act or failure to act occurring before such modification or repeal.

(b). The indemnification and advancement of expenses provided by this Article III shall not be deemed exclusive of any other right to which one indemnified may be entitled, both as to action in his official capacity and as to action in another capacity while holding such office, and shall inure to the benefit of the heirs, executors and administrators of any such person.

(c). The board of directors shall have the power to (i) authorize the Corporation to purchase and maintain, at the Corporation's expense, insurance on behalf of the Corporation and on behalf of others to the extent that power to do so has been or may be granted by statute, and (ii) give other indemnification to the extent permitted by law.

ARTICLE IV. OFFICERS

Section 1. Number. The officers of the corporation shall be a President, one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary, and a Treasurer, each of whom shall be elected by the Board of Directors. A Chairman of the Board of Directors and such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person, except the offices of President and Vice President.

Section 2. Election and Term of Office. The officers of the corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed in the manner hereinafter provided.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

Section 5. Chairman of the Board and President. The Chairman of the Board or the President, as the Board of Directors may from time to time determine, shall be the principal executive officer of the corporation. The principal executive officer of the corporation shall in general supervise and control all of the business and affairs of the corporation, subject to the control of the Board of Directors. He shall, when present, preside at all meetings of the shareholders and of the Board of Directors. Whether the Chairman of the Board or the President be designated as the principal executive officer of the corporation the other shall, in the absence or incapacity of the principal executive officer or by his authority may, exercise any of the powers of the principal executive officer. Either the Chairman of the Board or the President may sign, with the Secretary or any other proper officer of the corporation thereunto authorized by the Board of Directors, certificates for shares of the corporation, deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board or by these bylaws to some other officer or agent of the corporation, or shall be required by law to be otherwise signed or executed. The Chairman of the Board and the President shall each, in general, perform all duties incident to their respective offices and shall perform such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. The Vice Presidents. In the absence of the Chairman of the Board and the President or in the event of their death, inability or refusal to act, the Vice President (or in the event there be more than one Vice President, the Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the Chairman of the Board and President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the Chairman of the Board and President. Any Vice President may sign, with the Treasurer or an Assistant Treasurer, certificates for shares of the corporation; and shall perform such other duties as from time to time may be assigned to him by the principal executive officer of the corporation or by the Board of Directors.

Section 7. The Secretary. The Secretary shall: (a) keep the minutes of the shareholders' and of the Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these bylaws or as required by law; (c) unless otherwise provided by the Board of Directors, be custodian of the corporate records and of the seal of the corporation and see that the seal of the corporation is affixed to all documents the execution of which on behalf of the corporation under its seal is duly authorized; and (d) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the principal executive officer or by the Board of Directors.

Section 8. The Treasurer. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall: (a) have charge and custody of and be responsible for all funds and

securities of the corporation; receive and give receipts for moneys due and payable to the corporation from any source whatsoever, and deposit all such moneys in the name of the corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article V of these bylaws; (b) sign with the Chairman of the Board of Directors, the President, or a Vice President, certificates for shares of the corporation; and (c) in general perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the principal executive officer of the corporation or by the Board of Directors.

Section 9. Assistant Secretaries and Assistant Treasurers. The Assistant Treasurers, when authorized by the Board of Directors, may sign with the Chairman of the Board of Directors, the President or a Vice President certificates for shares of the corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the principal executive officer or the Board of Directors.

Section 10. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a director of the corporation.

ARTICLE V. CONTRACTS, LOANS, CHECKS AND DEPOSITS

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument and to affix the corporate seal thereto, in the name of and on behalf of the corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the corporation and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances. The Board of Directors may encumber and mortgage real estate and pledge, encumber and mortgage, stocks, bonds and other securities and other personal property of all types, tangible and intangible, and convey any such property in trust to secure the payment of corporate obligations.

Section 3. Checks, Drafts, etc. All checks, drafts or other orders for the payment of money, notes, or other evidences of indebtedness issued in the name of the corporation, shall be signed by such officer or officers, agent or agents of the corporation and in such manner as shall from time to time be determined by resolution by the Board of Directors.

Section 4. Deposits. All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such banks, trust companies, or other depositories as the Board of Directors may select.

ARTICLE VI. CERTIFICATES FOR SHARES AND THEIR TRANSFER

Section 1. Certificates for Shares. Certificates representing shares of the corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the Chairman of the Board of Directors, the President or a Vice President and by the Secretary or Treasurer or an Assistant Secretary or Assistant Treasurer. The Board of Directors may by appropriate resolution authorize the use of facsimile signatures. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the corporation. All certificates surrendered to the corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate a new one may be issued therefor upon such terms and indemnity to the corporation as the Board of Directors may prescribe, as provided in Section 3 of this Article.

Section 2. Transfer of Shares. Transfer of shares of the corporation shall be made only on the stock transfer books of the corporation by the holder of record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by power of attorney duly executed and filed with stock transfer agent of the corporation, and on surrender for cancellation of the certificate for such shares, with applicable documentary stamps affixed. The person in whose name shares stand on the books of the corporation shall be deemed by the corporation to be the owner thereof for all purposes.

Section 3. Lost Certificates. Any person claiming a certificate of stock to be lost or destroyed shall make an affidavit or affirmation of that fact, and if requested to do so by the directors of the company or by the Executive Committee shall advertise such fact in such manner as the Board of Directors may require, and shall give the company a bond of indemnity in such sum as the Board of Directors may direct, but not less than double the value of stock represented by such certificate, in form satisfactory to the Board of Directors and to the Transfer Agent and Registrar of the company, if any, and with or without sureties as the Board of Directors with the approval of such Transfer Agent and Registrar may prescribe; whereupon the President or a Vice President and the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary, may cause to be issued a new certificate of the same tenor and for the same number of shares as the one alleged to have been lost or destroyed, but always subject to the approval of the Board of Directors.

Section 4. Stock Transfer Books; Transfer Agents. The stock transfer books of the corporation may be kept by one or more transfer agents appointed by the Board of Directors and except as otherwise required by these bylaws or by law, shares shall be transferred under such regulations as may be prescribed by the Board of Directors.

ARTICLE VII. FISCAL YEAR

The fiscal year of the corporation shall be fixed and may be changed from time to time by resolution of the Board of Directors.

ARTICLE VIII. DIVIDENDS

The Board of Directors may from time to time declare, and the corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions permitted by law.

ARTICLE IX. SEAL

The Board of Directors shall provide a corporate seal which shall be circular in form and shall have inscribed thereon the name of the corporation and the words, "Corporate Seal."

ARTICLE X. WAIVER OF NOTICE

Whenever any notice is required to be given to any shareholder or director of the corporation under the provisions of these bylaws or under the provisions of the articles of incorporation or under the law of the state of incorporation, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XI. AMENDMENTS (as amended 6/19/65)

These bylaws may be altered, amended or repealed and new bylaws may be adopted by the affirmative vote of the holders of a majority of the capital stock of the corporation issued, outstanding and entitled to vote at any meeting of the shareholders. In addition, these bylaws may be amended, altered or supplemented by the affirmative vote of a majority of the Board of Directors.

OAKVALE ROAD PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

CERTIFICATE OF ENGINEER

I, Edward L. Shutt, Registered Professional Engineer, West Virginia License No. 7314, of Stafford Consultants, in Princeton, West Virginia, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of certain extensions, additions, betterments and improvements to the existing public waterworks system (the "Project") of Oakvale Road Public Service District (the "Issuer"), to be constructed primarily in Mercer and Summers Counties, West Virginia, which acquisition and construction are being financed in part by the proceeds of the above-captioned bonds (the "Bonds") of the Issuer. Capitalized terms used herein and not defined herein shall have the same meaning set forth in the Bond Resolution adopted by the Issuer on December 4, 1996, as supplemented by the Supplemental Resolution adopted by the Issuer on December 4, 1996, and the Loan Agreement, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), dated December 4, 1996.

2. The Bonds are being issued for the purposes of (i) refunding a portion of the Issuer's Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996, heretofore issued to temporarily finance a portion of the costs of acquisition and construction of the Project; (ii) paying a portion of the costs of acquisition and construction of the Project not previously paid from proceeds of the Notes; and (iii) paying costs of issuance and related costs.

3. The undersigned hereby certifies that (i) the Project will be constructed in accordance with the approved plans, specifications and designs prepared by my firm and as described in the application submitted to the Authority requesting the Authority to purchase the Bonds (the "Application") and any change orders approved by the Issuer 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 forty years, (iii) the Issuer has received bids for the acquisition and construction of the Project which are in an amount and otherwise compatible with the plan of financing described in the Application, (iv) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project, (v) the rates and charges for the System as adopted by the Issuer are sufficient to comply with the provisions of Subsection 4.1(b) of the Loan Agreement, (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 acquisition and construction of the Project as set forth in the Application.

and (vii) attached hereto as Exhibit A is the final amended "Schedule B - Final Total Cost of Project, Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature and seal on this 4th day of December, 1996.

[SEAL]

STAFFORD CONSULTANTS



Edward L. Shutt, P.E.
West Virginia License No. 7314

12/03/96
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667990/96001

WEST VIRGINIA INFRASTRUCTURE AND JOBS DEVELOPMENT COUNCIL

SCHEDULE B

NAME OF GOVERNMENTAL AGENCY: Oakvale Road Public Service District

PROJECT DESCRIPTION: Mercer/Summers Regional Water Project

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

A. COST OF PROJECT

1.	Construction (Based on Actual Bids)	\$	<u>14,181,106.00</u>
2.	Technical Services	\$	<u>1,348,918.00</u>
3.	Legal and Fiscal	\$	<u>50,577.00</u>
4.	Administrative	\$	<u>300,460.00</u>
5.	Site and Other Lands	\$	<u>202,000.00</u>
6.	Step I and/or Step II (Design) or Other Loan Repayment (Specify Type: _____)	\$	<u>-0-</u>
7.	Interim Financing Costs	\$	<u>356,000.00</u>
8.	Contingency	\$	<u>1,204,657.00</u>
9.	Total of Lines 1 through 8	\$	<u>17,643,718.00</u>

B. SOURCES OF FUNDS

10.	Federal Grants ¹ (Specify Sources):		
	<u>Appalach. Regional Comm.</u>	\$	<u>990,318.00</u>
	<u>Economic Develop. Admin.</u>	\$	<u>990,000.00</u>
11.	State Grants ¹ (Specify Sources):	\$	<u> </u>
	_____	\$	<u> </u>
12.	Other Grants ¹ (Specify Sources):	\$	<u> </u>
	<u>H.U.D. Small Cities Block Grant</u>	\$	<u>3,000,000.00</u>
13.	Any Other Source ² (Specify):	\$	<u> </u>
	_____	\$	<u> </u>
	_____	\$	<u> </u>
14.	Infrastructure Council Grant	\$	<u> </u>
15.	Total of Lines 10 through 14	\$	<u>4,980,318.00</u>
16.	Net Proceeds Required from Bond Issue (Line 9 less Line 15)	\$	<u>12,663,400.00</u>

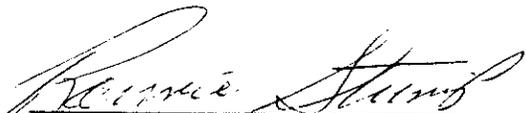
C. IF BOND ISSUE, COST OF FINANCING

17.	Funded Reserve Account ³	\$	<u>-0-</u>
18.	Other Costs ⁴	\$	<u>36,600.00</u>
19.	Total Cost of Financing (Lines 17 and 18)	\$	<u>36,600.00</u>
20.	Size of Bond Issue (Line 16 plus Line 19)	\$	<u>12,700,000.00</u>

SCHEDULE B

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

Additional or explanatory material may be provided on additional sheets attached to Schedule B. (See November 25, 1996, Revised Budget)



SIGNATURE OF APPLICANT

DATE: 11-27-96



SIGNATURE OF CONSULTING
ENGINEER

DATE: 11/26/96

MERCER/SUMMERS REGIONAL WATER PROJECT

TOTAL PUBLIC PROJECT BUDGET (PHASES I AND II)
3% INFRASTRUCTURE LOAN FOR 40 YEARS

LINE ITEM	PHASE I SCBG/ARC/ORPSD	PHASE IIA (EDA)	PHASE IID NEW PISGAH	TOTAL COST INFRASTRUCTURE BUDGET
1. CONSTRUCTION	\$12,768,129.00	\$867,275.00	\$545,702.00	\$14,181,106.00
8. CONSTRUCTION CONTINGENCY	\$638,319.00	\$180,063.05	\$54,298.00	\$872,680.05
4. ADMINISTRATION	\$120,000.00	\$24,000.00	\$25,000.00	\$169,000.00
5. LAND/RIGHT-OF-WAY	\$175,000.00	\$17,000.00	\$10,000.00	\$202,000.00
2. ARCHAEOLOGICAL SURVEY	\$31,664.00	\$10,000.00	\$4,000.00	\$45,664.00
3. LEGAL/ACCOUNTANT	\$32,577.00	\$10,000.00	\$8,000.00	\$50,577.00
2. ENGINEERING - BASIC	\$516,576.00	\$83,200.00	\$51,050.00	\$650,826.00
2. ENGINEERING - INSPECTION	\$441,043.00	\$65,900.00	\$42,000.00	\$548,943.00
2. ENGINEERING - SPECIAL	\$77,985.00	\$13,500.00	\$12,000.00	\$103,485.00
4. LEGAL ADS	\$1,000.00	\$600.00	\$500.00	\$2,100.00
4. PERMITS/WELL TESTING	\$90,000.00	\$19,360.00	\$8,000.00	\$117,360.00
7. BOND COUNSEL - INTERIM	\$35,000.00	\$3,000.00	\$2,000.00	\$40,000.00
7. INTERIM FINANCING	\$291,000.00	\$15,000.00	\$10,000.00	\$316,000.00
8. CONTINGENCY, ERRORS, ETC.	\$235,886.95	\$54,240.00	\$8,450.00	\$298,576.95
18. COST OF FINANCING	\$61,000.00	\$5,000.00	\$4,000.00	\$70,000.00
4. AUDIT	\$8,000.00	\$2,000.00	\$2,000.00	\$12,000.00

TOTAL PROJECT COST	\$15,523,179.95	\$1,370,138.05	\$787,000.00	\$17,680,318.00
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FUNDING SOURCES:	AMOUNT	AMOUNT		TOTAL
ARC	\$990,318.00	\$0.00	\$0.00	\$990,318.00
SCBG	\$3,000,000.00	\$0.00	\$0.00	\$3,000,000.00
EDA	\$0.00	\$990,000.00	\$0.00	\$990,000.00
C O.E.	\$0.00	\$0.00	\$0.00	\$0.00
PSD LOAN	\$11,532,861.95	\$380,138.05	\$787,000.00	\$12,700,000.00
TOTAL	\$15,523,179.95	\$1,370,138.05	\$787,000.00	\$17,680,318.00

1

2

December 4, 1996

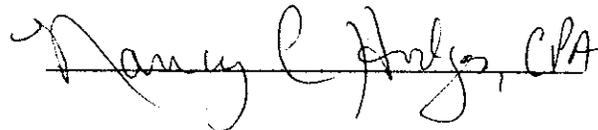
Oakvale Road Public Service District
Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

West Virginia Infrastructure and Jobs Development Council
1320 One Valley Square
Charleston, West Virginia 25301

Ladies and Gentlemen:

Based upon the agreed payments to be made by West Virginia-American Water Company (the "Company") to Oakvale Road Public Service District (the "District") under that certain Agreement dated as of May 8, 1995, by and between the Company and the District, as approved in the Final Order of the Public Service Commission of West Virginia entered February 5, 1996, in Case No. 94-0098-W-PWD-PC-CN, it is our opinion that such payments will be sufficient to provide revenues which, together with other revenues of the waterworks system (the "System") of the District will be sufficient to pay 100% of the amounts required in any year for debt service on the District's Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund) (the "Bonds"), to be issued to the West Virginia Water Development Authority and all other obligations secured by or payable from the revenues of the System prior to or on a parity with the Bonds.

Very truly yours,



WEST VIRGINIA:

At a regular session of the County Court, held for the County of Mercer, at the Courthouse thereof, on Monday, June 10th, 1957.

Present:	Fred Thomason,	President.
Present:	J. C. Fanning,	Commissioner.
Present:	Frank Gibson,	Commissioner.

IN RE: OAKVALE ROAD 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 Oakvale Road Public Service District, as contemplated and provided for in a resolution and order adopted by the County Court on May 13th, 1957, 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 of said district would be heard and all such interested persons desiring to be heard were given full opportunity.

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 and it is hereby resolved and ordered by the County Court of Mercer County, West Virginia, as follows:

SECTION 1. That a public service district within Mercer County, West Virginia, is hereby created, and said district shall have the following boundaries:

BEGINNING at the intersection of U. S. Route No. 219 and West Virginia Route No. 20; thence with the corporate line of the City of Princeton and W. Va. Route No. 20 N. 42° 10' E. 0.66 miles to a point having a latitude of North 39° 22' 30" and a longitude of W. 81° 04' 03", thence S. 67° 30' E. 1.45 miles to the West Virginia Toll Road having a latitude of N. 39° 22' 00" and a longitude W. 81° 02' 33"; thence with the Toll Road S. 4° 40' W. 0.44 miles to a point having a latitude of N. 39° 21' 37" and a longitude of W. 81° 02' 35"; thence S. 66° 55' W. 0.86 miles to a point having a latitude of N. 39° 21' 21" and a longitude of W. 81° 03' 28"; thence N. 56° 05' W. 1.3 miles to a point having a latitude of N. 39° 21' 57" and a longitude W. 81° 04' 36"; thence N. 42° 10' E. 0.18 miles to the BEGINNING, as shown on map prepared by J. E. Milam, Inc., Consulting Engineers, April, 1957.

All of which lies in the East River Magisterial District of Mercer County and adjoining the City of Princeton, West Virginia, and contains generally the subdivision of Shumate, Elmore, Long View, Johnson, Cherry Lawn Trailer Court and Whitaker Trailer Court.

SECTION 2. That said public service district so created shall have the name and corporate title of "Oakvale Road 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 district by the laws of the State of W. Va., and particularly Article 13A of Chapter 16 of the West Virginia Code.

SECTION 3. That the County Court of Mercer County, West Virginia, has determined that the territory within Mercer County, West Virginia, having the heretofore described boundaries, is so situated that the construction or acquisition by purchase or otherwise and the maintenance, operation, improvement and extension of properties supplying both water and sewerage services within such territory by said public service district will be conducive to the preservation of public health, comfort and convenience of such areas.

ADOPTED BY THE COUNTY COURT JUNE 10th. 1957.

ATTEST:
Lowery G. Bowling, Clerk.

Fred Thomason
President

STATE OF WEST VIRGINIA,

COUNTY OF MERCER, TO WIT:

I, RUDOLPH D. JENNINGS, Clerk of the County Commission of the County and State aforesaid, do hereby certify that the foregoing writing is a true and correct copy of an Order, as taken from Minute Order Book 19, page 14.

Given under my hand and Seal of said Commission, this the 22nd day of January, 1996.


MERCER COUNTY COMMISSION CLERK

WEST VIRGINIA:

At an adjourned session of the County Commission, continued and held for the County of Mercer, at the Courthouse thereof, on Friday, December 30th 1977.

Present: Luther H. Byrd, President.

Present: Joe Coburn, Commissioner.

Present: Clarence Six, Commissioner.

RE: OAKVALE ROAD PUBLIC SERVICE DISTRICT - BOUNDARIES.

It is brought on for discussion the proposal to extend the Oakvale Road Public Service District boundaries to include a certain area near the West Virginia Turnpike and extending North towards Athens for the purpose of furthering the sanitary facilities in the County. It is brought to the attention of the County Commission that the Oakvale Road Public Service District was founded by the County Commission, and after discussion concerning the necessity of extending the presently existing boundaries, upon motion of Joe Coburn, seconded by Clarence Six, it was unanimously approved that the boundaries of the presently existing Oakvale Road Public Service District be extended as set forth in the hereinafter description, and that an order be entered proposing the extension of said boundaries as set forth herein.

It is further ORDERED that pursuant to West Virginia Code, Chapter 16, Article 17A, Section 2, a Notice be placed in the Bluefield Daily Telegraph, a newspaper of general circulation in the area to be affected, that a hearing on this proposed Order be held before the Commission on the 20 day of January, 1978, at 9:30 o'clock A. M., notifying

the public that said hearing be held for the purpose of accepting any petitions for objection to said proposed extension or for the purpose of accepting any further objections to said proposed extension.

Be it further ORDERED that this publication be placed as a Class I legal advertisement, said publication to be made at least 10 days before the above said hearing date. Be it further ORDERED that a copy of said Notice be placed at five conspicuous places in the proposed extended area, and that said Notice be placed at least 10 days prior to the notice of the hearing hereon.

OAKVILLE ROAD PUBLIC SERVICE DISTRICT
DESCRIPTION

BEGINNING at a point having a latitude of North 39° 22' 33" and a longitude of West 81°

04' 03"; this point being the Northwestern most corner of the existing PSD boundary; thence

N. 52° W. 0.17 Mi. to a point; thence

N. 20° W. 0.38 Mi. to the old Athens Road; thence with the old Athens Road in a Northeasterly direction 1.14 Mi. to a point where the old Athens Road crosses the West Virginia Turnpike; thence in a Northeasterly direction with the old Athens Road approximately 0.95 mi. to a cemetery on the Northern side of the same said Road; thence

to a point; thence

S. 84° E. 0.25 Mi. to a point; thence

N. 14° E. 0.36 Mi. to a point; thence

S. 71° E. 0.19 Mi.

N. 67° 30' E. 1.45 Mi.

to a point; thence with a ridge line in a southeasterly direction 1.23 Mi. to a point; thence in a southwesterly direction approximately 1.99 Mi. to a point having a latitude of N. 39° 22' 00" and a longitude of W. 81° 02' 33"; the same said point being the Northeastern corner of the existing PSD boundary; thence with the existing PSD boundary, to the Beginning.

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

I, WILSON D. HARVEY, Clerk of the County Commission of the County and State aforsaid, do hereby certify that the foregoing writing is a true and correct copy of an Order as taken Minute Order Book #25, page #568.

Given under my hand and Seal of said Commission, this the 16th day of April, 1981.

Wilson D. Harvey CLERK.
MERCER COUNTY COMMISSION
BY: Raymond R. ... DEPUTY CLERK.

WEST VIRGINIA:

At an adjourned session of the County Commission, continued and held for the County of Mercer, at the Courthouse thereof, on Thursday, February 16th, 1978.

Present:	Joe Coburn,	President.
Present:	Luther H. Byrd,	Commissioner.
Present:	Clarence W. Six,	Commissioner.

RE: OAKVALE ROAD PUBLIC SERVICE DISTRICT - BOUNDARIES.

O R D E R

There came on for final hearing on this the 16th day of February, 1978, before the Mercer County Commission the question of the extension of the present boundaries of the Oakvale Road Public Service District as set forth in the Order of this Commission previously entered on the 30th day of December, 1977, setting forth the proposed expansion or extension of the Oakvale Road Public Service District and further setting forth the requirement that the notice of a hearing on this question be placed in a newspaper of general circulation in the area, along with five notices of this said hearing being personally placed in conspicuous locations within the proposed new area, all being

certified to by the Bluefield Daily Telegraph, in which said newspaper the notice was duly published as required by law, a certificate of said publication being herewith received and being herewith ordered filed, and a certificate executed by Mr. Trevor Hazlewood that he has posted five notices of said hearing at conspicuous locations within the new area as evidenced by his certificate herewith received and which is hereby ordered filed; there being present all Commissioners, Mr. John P. Anderson, the attorney for the Oakvale Road Public Service District, and Mr. Wilbur Smith, a representative of Pentree, Inc., the engineering firm for said Oakvale Road Public Service District, and members of the interested public.

WHEREUPON, the Commissioners proceeded to commence a public hearing as required by law on the proposed extension of said District. After hearing testimony and argument of counsel with respect to the new boundaries, this said Commission upon due motion hereto by Luther H. Byrd, and seconded by Clarence W. Six, does hereby unanimously agree and order for the extension of the Oakvale Road Public Service District which was entered by this Commission on the 30th day of December, 1977 be herewith finalized and made complete and final. It is further ordered that the residents encompassed within the extension of this said Oakvale Road Public Service District shall abide by all laws respecting newly proposed extension of the Oakvale Road Public Service District lines.

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

I, WILSON D. HARVEY, Clerk of the County Commission of the County and State aforesaid, do hereby certify that the foregoing writing is a true and correct copy of an Order as taken from Minute Order Book #25, page #597.

Given under my hand and Seal of said Commission, this the 16th day of April, 1981.

Wilson D. Harvey CLERK.
MERCER COUNTY COMMISSION
BY: Roger B. ... DEPUTY CLERK.

BEFORE THE COUNTY COMMISSION OF MERCER COUNTY, WEST VIRGINIA

In re:

OAKVALE ROAD PUBLIC SERVICE DISTRICT

ORDER TO INCREASE PUBLIC SERVICE DISTRICT BOUNDARY

Pursuant to the provision of W. Va. Code § 16-13A-2 (1991 Replacement Vol.), on a former day came the Oakvale Road Public Service District and filed its Petition to enlarge the boundary of the Oakvale Road Public Service District, (PSD), a public service district providing water service to certain residents of Mercer County, West Virginia, to allow water service to additional residents of Mercer County and to provide similar service to residents of Summers County, West Virginia.

On December 12, 1994, came the Petitioner by William S. Winfray, II, its Counsel, and presented its Petition for a hearing. After hearing and review of the record, the Commission finds as follows:

1. Oakvale Road Public Service District is a public service formed by the County Commission of Mercer County, West Virginia;
2. The Public Service District desires to provide water service to the residents of Mercer County, West Virginia, through the Mercer/Summers Regional Water Project;
3. The purpose for the geographical expansion of the Public Service District is to provide water service to residents of the Route 20 area of Mercer County, and to the Route 20 area

of Summers County, West Virginia.

4. The expansion of the PSD is in the best interests of the affected citizens in Mercer and Summers Counties. The expansion will provide for economic development of the area, will provide short term construction and long term jobs to residents of Mercer County, and will in no way adversely affect the existing customers of the Public Service District.

5. The expansion of the Public Service District will provide increased services and eliminate the need for the creation of a new public service district in the area, which area is not currently served by a Public Service District.

6. The Public Service District has caused to be published as a Class I advertisement a notice of the hearing, a copy of which publication is attached to this Order.

7. The Public Service District has caused to be posted 5 notices within the area to be affected.

Accordingly, it is therefore ORDERED that the boundary of the Oakvale Road Public Service District be enlarged to encompass the following territory which is partially within Summers County and partially within Mercer County, as follows:

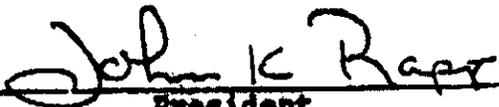
Beginning at a point being the intersection of the City limits of Princeton and WV Route 20 (also known as Athens Road); thence in a westerly direction along the City limits of Princeton boundary approximately 4,660 feet to a point; thence in a southern direction along the City limits of Princeton boundary approximately 750 feet to the waters of Brush Creek; thence in a northerly direction along the waters of Brush Creek approximately 5,500 feet to a point; thence in a northwesterly direction approximately 800 feet to the intersection of Norfolk Southern Railroad tracks and Mercer County Route 16 (also known as Brickyard Road); thence in a westerly direction approximately 11,100

feet to a point on U. S. Route 19 (Beckley Road) being approximately 1,085 feet south of the intersection of U. S. Route 19 and Blacklick Creek; thence along U. S. Route 19 approximately 750 feet to a point; thence paralleling the centerline of Mercer County Route 19/17 with a separation distance of 2,000' in the southerly direction for a distance of approximately 13,900 feet to the top of Turkey Knob Mountain; thence in a northwesterly direction approximate 9,150 feet to the centerline of the waters of Bluestone River; thence in a northeasterly direction following the centerline of the waters of the Bluestone River approximately 14,500 feet to a point; thence paralleling the centerline of U. S. Route 19 in a northerly direction with a separation distance of 1,000 feet in the westerly direction for a distance of approximately 58,500 feet to a point; thence paralleling the centerline of Interstate 77 in a southeasterly direction with a separation distance of 2,000 feet in the northwesterly direction for a distance of 13,000 feet to a point along the centerline of the waters of the Bluestone River; thence in a northerly direction along the centerline of the waters of the Bluestone River approximately 45,820 feet to a point being the county line between Mercer and Summers counties; thence continuing along the centerline of the waters of the Bluestone River in a northerly direction approximately 56,760 feet to a point being the intersection of the centerline of the waters of the Bluestone River and the western side of the WV Route 20 bridge crossing Bluestone River; thence continuing in a northerly direction along the western side of WV Route 20 approximately 17,500 feet to a point being approximately 100 feet in a northerly direction beyond the intersection of WV Route 20 and WV Route 3; thence in a northeasterly direction approximately 140 feet to a point being at the edge of water on the west bank of the Bluestone River; thence in a southerly direction following the edge of water on the west bank of the Bluestone River approximately 52,400 feet to a point being the intersection of the waters of the Bluestone River and the waters of a stream known as Toms Run, which is situate near Bull Falls camping area; thence along the waters of Toms Run approximately 17,500 feet to a point being the intersection of the waters of Toms Run and the centerline of Appalachian Power Company's high voltage power line; thence following the centerline of Appalachian Power Company's high voltage power line in a southerly direction approximately 4,700 feet to a point being the intersection of the centerline of Appalachian Power Company's high voltage power line and the centerline of Summers County Route 26; thence in a southwesterly direction approximately 24,250 feet to a point on the centerline of Mercer County Route 18 being

approximately 500 feet in a easterly direction of the intersection of Mercer County Route 18 and Mercer County Route 9/8; thence in a westerly direction along the centerline of Mercer County Route 18 approximately 500 feet to a point being the intersection of Mercer County Route 18 and Mercer County Route 9/8; thence in a southerly direction along the centerline of Mercer County Route 9/8 approximately 11,500 feet to a point being the intersection of Mercer County Route 9/8 and Mercer County Route 9/2; thence in a southwesterly direction along the centerline of Mercer County Route 9/2 approximately 6,670 feet to a point being the centerline of the intersection of Mercer County Route 9/2 and Mercer County Route 9/1 approximately 1,300 feet to a point being the centerline of the intersection of Mercer County Route 9/1 and Mercer County Route 24; thence in a southwesterly direction along the centerline of Mercer County Route 24 approximately 27,760 feet to a point in the eastern boundary of the Oakvale Road Public Service District. Said point being approximately 100 feet east of the intersection of Mercer County Route 24 and Mercer County Route 24/1; thence with the northeastern boundary of the Oakvale Road Public Service District to the point of beginning.

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

Enter:



President

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

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

Given under my hand and Seal of said Commission, this the 18th day of January, 1995.


MERCER COUNTY COMMISSION CLERK

BEFORE THE COUNTY COMMISSION OF SUMMERS COUNTY, WEST VIRGINIA

In re:

OAKVALE ROAD PUBLIC SERVICE DISTRICT

ORDER TO INCREASE PUBLIC SERVICE DISTRICT BOUNDARY

Pursuant to the provision of W. Va. Code § 16-13A-2 (1991 Replacement Vol.), on a former day came the Oakvale Road Public Service District and filed its Petition to enlarge the boundary of the Oakvale Road Public Service District, (PSD), a public service district providing water service to certain residents of Mercer County, West Virginia, to allow water service to additional residents of Mercer County and to provide similar service to residents of Summers County, West Virginia.

On December 5, 1994, came the Petitioner by William S. Winfrey, II, its Counsel, and presented its Petition for a hearing. After hearing and review of the record, the Commission finds as follows:

1. Oakvale Road Public Service District is a public service formed by the County Commission of Mercer County, West Virginia;
2. The Public Service District desires to provide water service to the residents of Summers County, West Virginia, through the Mercer/Summers Regional Water Project;
2. The purpose for the geographical expansion of the Public Service District is to provide water service to residents of the Route 20 area of Mercer County, and to the Route 20 area

of Summers County, West Virginia.

3. The expansion of the PSD is in the best interests of the affected citizens in Mercer and Summers Counties. The expansion will provide for economic development of the area, will provide short term construction and long term jobs to residents of Mercer County, and will in no way adversely affect the existing customers of the Public Service District.

4. The expansion of the Public Service District will provide increased services and eliminate the need for the creation of a new public service district in the area, which area is not currently served by a Public Service District.

5. The Public Service District has caused to be published as a Class I advertisement a notice of the hearing, a copy of which publication is attached to this order.

6. The Public Service District has caused to be posted 5 notices within the area to be affected.

Accordingly, it is therefore ORDERED that the boundary of the Oakvale Road Public Service District be enlarged to encompass the following territory which is partially within Summers County and partially within Mercer County, as follows:

Beginning at a point being the intersection of the City limits of Princeton and WV Route 20 (also known as Athens Road); thence in a westerly direction along the City limits of Princeton boundary approximately 4,660 feet to a point; thence in a southern direction along the City limits of Princeton boundary approximately 750 feet to the waters of Brush Creek; thence in a northerly direction along the waters of Brush Creek approximately 5,500 feet to a point; thence in a northwesterly direction approximately 800 feet to the intersection of Norfolk Southern Railroad tracks and Mercer County Route 16 (also known as Brickyard Road); thence in a westerly direction approximately 11,100

feet to a point on U. S. Route 19 (Beckley Road) being approximately 1,085 feet south of the intersection of U. S. Route 19 and Blacklick Creek; thence along U. S. Route 19 approximately 750 feet to a point; thence paralleling the centerline of Mercer County Route 19/17 with a separation distance of 2,000' in the southerly direction for a distance of approximately 13,900 feet to the top of Turkey Knob Mountain; thence in a northwesterly direction approximate 9,150 feet to the centerline of the waters of Bluestone River; thence in a northeasterly direction following the centerline of the waters of the Bluestone River approximately 14,500 feet to a point; thence paralleling the centerline of U. S. Route 19 in a northerly direction with a separation distance of 1,000 feet in the westerly direction for a distance of approximately 58,500 feet to a point; thence paralleling the centerline of Interstate 77 in a southeasterly direction with a separation distance of 2,00 feet in the northwesterly direction for a distance of 13,00 feet to a point along the centerline of the waters of the Bluestone River; thence in a northerly direction along the centerline of the waters of the Bluestone River approximately 45,820 feet to a point being the county line between Mercer and Summers counties; thence continuing along the centerline of the waters of the Bluestone River in a northerly direction approximately 56,760 feet to a point being the intersection of the centerline of the waters of the Bluestone River and the western side of the WV Route 20 bridge crossing Bluestone River; thence continuing in a northerly direction along the western side of WV Route 20 approximately 17,500 feet to a point being approximately 100 feet in a northerly direction beyond the intersection of WV Route 20 and WV Route 3; thence in a northeasterly direction approximately 140 feet to a point being at the edge of water on the west bank of the Bluestone River; thence in a southerly direction following the edge of water on the west bank of the Bluestone River approximately 52,400 feet to a point being the intersection of the waters of the Bluestone River and the waters of a stream known as Toms Run, which is situate near Bull Falls camping area; thence along the waters of Tom Run approximately 17,500 feet to a point being the intersection of the waters of Toms Run and the centerline of Appalachian Power Company's high voltage power line; thence following the centerline of Appalachian Power Company's high voltage power line in a southerly direction approximately 4,700 feet to a point being the intersection of the centerline of Appalachian Power Company's high voltage power line and the centerline of Summers County Route 26; thence in a southwesterly direction approximately 24,250 feet to a point on the centerline of Mercer County Route 18 being

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
AT CHARLESTON

FINAL

Entered: May 26, 1995

6-15-95

CASE NO. 95-0061-PWD-PC

SUMMERS COUNTY COMMISSION and
MERCER COUNTY COMMISSION.

Petition for approval of expansion
of boundaries of Oakvale Road Public
Service District.

RECOMMENDED DECISION

PROCEDURE

On January 26, 1995, the Summers County Commission and the Mercer County Commission (Petitioners) jointly filed a petition with the Public Service Commission, pursuant to West Virginia Code (Code) §16-13A-2, for consent and approval to enlarge Oakvale Road Public Service District (District).

On February 15, 1995, Staff Attorney Susan J. Riggs, Esquire, filed the Initial and Final Joint Staff Memorandum, dated February 9, 1995, in this proceeding. Attached thereto was the Initial and Final Internal Memorandum, dated January 30, 1995, from Senior Utilities Analyst Geert Bakker, Public Service District Division. Commission Staff has recommended approving the petition, subject to a proper Notice of Hearing and subject to a public hearing in Summers County and in Mercer County.

On February 17, 1995, the Commission Referral Order was entered in this proceeding, referring this matter to the Division of Administrative Law Judges for decision on or before August 24, 1995. Pursuant thereto, on March 2, 1995, the Administrative Law Judge (ALJ) issued a Procedural Order establishing a procedural schedule to process and resolve this matter, including an April 25, 1995 hearing date in both of the Counties of Summers and Mercer. The ALJ also directed the parties to publish a Notice of Hearing in newspapers published and generally circulated in both of the Counties of Summers and Mercer. No one has filed a protest against this petition.

On April 19, 1995, and on May 18, 1995, the Petitioners, by counsel, William S. Winfrey II, Esquire, filed publication affidavits indicating that the Notice of Hearing had been published as directed, on April 11, 1995, in the Hinton News, a newspaper published and generally circulated in Summers County, and on April 13, 1995, in the Princeton Times, a newspaper published and generally circulated in Mercer County.

At 10:00 a.m., on April 25, 1995, the ALJ held the hearing as scheduled at Princeton, Mercer County. The Petitioners appeared by counsel, William S. Winfrey, II, Esquire, and Commission Staff appeared by counsel, Susan J. Riggs, Esquire. No one else appeared at the hearing. Commission Staff presented one exhibit at the hearing held at Princeton. The transcript of the 10:00 a.m. Princeton hearing will be designated as "Tr. Vol. I".

At 2:00 p.m., on April 25, 1995, the ALJ held the hearing as scheduled at Hinton, Summers County. Again, the Petitioners appeared by counsel, William S. Winfrey, II, Esquire, and Commission Staff appeared by counsel, Staff Attorney, Susan J. Riggs, Esquire. No one else appeared at the hearing. The transcript of the 2:00 p.m. Hinton hearing will be designated as "Tr. Vol. II". No evidence was presented at the afternoon hearing held at Hinton. The parties waived their rights, pursuant to Code §24-1-9(b), to file proposed findings of fact and conclusions of law, or briefs, in this proceeding.

EVIDENCE

The only evidence presented at the hearings was Staff Exhibit No. 1, consisting of the Initial and Final Joint Staff Memorandum, dated February 9, 1995, from Staff Attorney Riggs, and the Initial and Final Internal Memorandum, dated January 30, 1995, from Senior Utilities Analyst Geert Bakker, Public Service District Division. Commission Staff opined that the Petitioners had correctly followed the statutorily prescribed procedures to enlarge the District's boundaries, and Commission Staff recommended that the petition be approved.

DISCUSSION

The ALJ has considered all of the above, and, since the Mercer County Commission and the Summers County Commission have followed the proper statutory procedures to enlarge the District; since the Petitioners have properly published a Notice of Hearing in both of the Counties of Summers and Mercer; since Commission Staff has recommended approving the petition; since a hearing was held in the Counties of Mercer and Summers, after proper notice by publication in each of the Counties; and since no one appeared at either of the hearings to oppose the petition, the ALJ holds that the petition for consent and approval to enlarge Oakvale Road Public Service District will be granted.

FINDINGS OF FACT

1. The Summers County Commission and the Mercer County Commission jointly filed a petition with the Commission, pursuant to Code §16-13A-2, for consent and approval to enlarge the Oakvale Road Public Service District. (See, Petition, filed January 26, 1995).
2. The Petitioners followed the proper statutory procedures to enlarge the District. (See, Staff Exhibit No. 1).
3. Commission Staff has recommended approving the petition. (See, Staff Exhibit No. 1).

4. The Petitioners published the Notice of Hearing as directed; no tests were filed; and no one appeared at the hearing to oppose the petition. (See, Tr. Vols. I and II, generally; Commission's file).

CONCLUSION OF LAW

For all of the reasons set forth in Finding of Fact Nos. 2, 3 and 4, it is reasonable to grant the petition.

ORDER

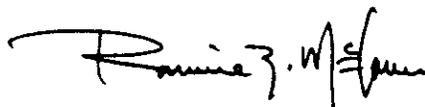
IT IS, THEREFORE, ORDERED that the petition jointly filed with the Commission on January 26, 1995, by the Summers County Commission and by the Mercer County Commission, pursuant to Code §16-13A-2, for consent and approval to enlarge the Oakvale Road Public Service District, be, and it hereby is, granted, and that the orders of the Summers County Commission and Mercer County Commission, dated January 17, 1995, and December 12, 1994, respectively, be, and they hereby are, approved.

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

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.



Ronnie Z. McCann
Administrative Law Judge

RZMc:pst

WEST VIRGINIA:

At an adjourned session of the County Commission, continued and held for the County of Mercer, at the Courthouse thereof, on Monday, May 8, 1995.

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

RE: APPOINTMENT - MEMBER OAKVALE PUBLIC SERVICE DISTRICT.

This day on motion of John P. Anderson, Commissioner, seconded by John K. Rapp, Commissioner, the Commission unanimously re-appointed Ronnie Stump, as a Member of the Oakvale Public Service District, for a six (6) year term to begin June 1, 1995 and end June 1, 2001.

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

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

Given under my hand and Seal of said Commission, this the 22nd day of January, 1996.


MERCER COUNTY COMMISSION CLERK

WEST VIRGINIA:

At an adjourned session of the County Commission, continued and held for the County of Mercer, at the Courthouse thereof, on Monday, May 13, 1996.

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

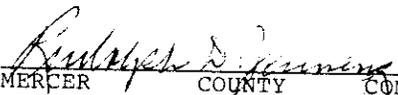
RE: APPOINTMENT - MEMBER OAKVALE PUBLIC SERVICE DISTRICT.

This day on motion of John P. Anderson, Commissioner, seconded by T. A. Warden, Jr., Commissioner, the Commission unanimously re-appointed Hillis Warren, as a Member of the Oakvale Public Service District, for a six (6) year term to begin May 31, 1996 and end May 31, 2002.

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

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

Given under my hand and Seal of said Commission, this the 27th day of November, 1996.


MERCER COUNTY COMMISSION CLERK

WEST VIRGINIA:

At a regular session of the County Commission, held for the County of Mercer, at the Courthouse thereof, on Monday, March 11, 1996.

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

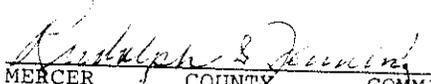
RE: APPOINTMENT - MEMBER OAKVALE PUBLIC SERVICE DISTRICT.

This day on motion of T. A. Warden, Jr., Commissioner, seconded by John P. Anderson, Commissioner, the Commission unanimously re-appointed Richard Nowlin, as a Member of the Oakvale Public Service District, retroactive from 12-31-95 to 12-31-2001.

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

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

Given under my hand and Seal of said Commission this the 27th day of November, 1996.


MERCER COUNTY COMMISSION CLERK

OATH OF OFFICE AND CERTIFICATE

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

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

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

(Signature of affiant)

Ronnie Stump
Ronnie Stump

Subscribed and sworn to, before me, in said County and State, this 22nd day of
January, 1996

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

STATE OF WEST VIRGINIA

COUNTY OF MERCER, TO-WIT:

I do solemnly swear that I will support the Constitution of the United States and the Constitution of the State of West Virginia, and that I will faithfully discharge the duties of the office of

Member - Oakvale Road Public Service District

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

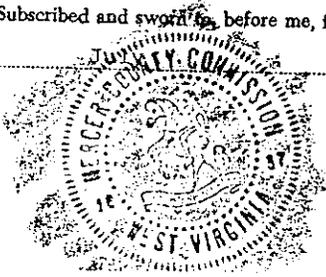
(Signature of affiant)

Hillis Warren

Hillis Warren

Subscribed and sworn to, before me, in said County and State, this 18th day of

July, 1926.



Rudolph D. Jennings

RUDOLPH D. JENNINGS, CLERK

MERCER COUNTY COMMISSION

21B

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

I, RUDOLPH D. JENNINGS, Clerk of the County
Commission of the County and State aforesaid do hereby certify
that the foregoing writing is a true and correct copy of an
Oath of Office, as taken from Oath of Office Book # 9
Page # 331.

Given under my hand and seal of said Commission,
this the 27th day of November, 19 96.

Rudolph D. Jennings CLERK
MERCER COUNTY COMMISSION
By Barbara A. Poyer
DEPUTY CLERK

OATH OF OFFICE AND CERTIFICATE

STATE OF WEST VIRGINIA

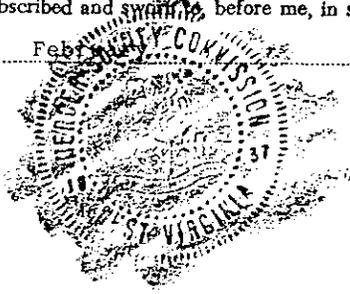
COUNTY OF MERCER, TO-WIT:

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

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

(Signature of affiant) Richard Nowlin
Richard Nowlin

Subscribed and sworn to before me, in said County and State, this 21st day of February, 1996



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

21C

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

I, RUDOLPH D. JENNINGS, Clerk of the County
Commission of the County and State aforesaid do hereby certify
that the foregoing writing is a true and correct copy of an
Oath of Office, as taken from Oath of Office Book # 9
Page # 272.

Given under my hand and seal of said Commission,
this the 27th day of November, 1996.

Rudolph D. Jennings CLERK
MERCER COUNTY COMMISSION
By Garland A. Pitzer
DEPUTY CLERK

RULES OF PROCEDURE

OAKVALE ROAD PUBLIC SERVICE DISTRICT

ARTICLE I

NAME AND PLACE OF BUSINESS

Section 1. Name: OAKVALE ROAD PUBLIC SERVICE DISTRICT

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

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

Section 4. The fiscal year of the District shall begin the 1st day of July in each year and shall end on the following June 30.

ARTICLE II

PURPOSE

This District is organized exclusively for the purposes set forth in Chapter 16, Article 13A of the Code of West Virginia of 1931, as amended.

ARTICLE III

MEMBERSHIP

Section 1. The members of the Public Service Board of this District shall be those persons appointed by the County Commission of Mercer County, West Virginia, who shall serve for such terms as may be specified in the order of the County Commission.

Section 2. Should any member of the Public Service Board resign or otherwise become legally disqualified to serve as a member of the Public Service Board, the Secretary shall immediately notify the County Commission and request the appointment of a

qualified person to fill such vacancy. Prior to the end of the term of any member of the Public Service Board, the Secretary shall notify the County Commission of the pending termination and request the County Commission to enter an order of appointment or re-appointment to maintain a fully qualified membership of the Public Service Board.

ARTICLE IV

MEETINGS OF THE PUBLIC SERVICE BOARD

Section 1. The members of the Public Service Board of this District shall hold regular monthly meetings on the _____ of each month at such place and hour as the members shall determine from time to time. If the day stated shall fall on a legal holiday, the meeting shall be held on the following day. Special meetings of the Public Service Board may be called at any time by the Chairman or by a quorum of the Board.

Section 2. At any meeting of the Public Service Board of the District, two members shall constitute a quorum. Each member of the Public Service Board shall have one vote at any membership meeting and if a quorum is not present, those may adjourn the meeting to a later date.

Section 3. Notice to members by letter or telephone shall be required for regular meetings. Notice in writing of each special meeting of the membership shall be given to all members by the Secretary by mailing the three (3) days before the date fixed for such meeting. The notice of any special meeting shall state briefly the purposes of such meeting and the nature of the business to be transacted thereat, and no business other than that stated in the notice or incidental thereto shall be transacted at any such special meeting.

PUBLIC NOTICE OF MEETINGS

Section 4. Pursuant to Section 3, Article 9A, Chapter 6 of the West Virginia Code of 1931, as amended, notice of the time and place of all regularly scheduled sessions of such sessions of such public service board shall be made available to the public and news media as follows:

A. A notice shall be posted by the Secretary of the public service board of such Public Service District at the front door of the Mercer County Courthouse of the service board for the holding of regularly scheduled sessions. If a particular regularly scheduled session is

cancelled or postponed, a notice of such cancellation or postponement shall be posted at the front door of the Courthouse as soon as feasible after such cancellation or postponement has been determined upon.

B. A notice shall be posted by the Secretary of the public service board at the front door to the Mercer County Courthouse at least twenty-four hours before a special session is to be held, stating the time, place and purpose for which such special session shall be held. If the special session is cancelled, a notice of such cancellation shall be posted at the front door of the Courthouse as soon as feasible after such cancellation has been determined upon.

C. The form of notice for posting as to a special session may be generally as follows:

OAKVALE ROAD PUBLIC SERVICE DISTRICT

NOTICE OF SPECIAL SESSION

The public service board of Oakvale Road Public Service District will meet in special session on _____, at _____ .m., E__T, at _____, West Virginia, for the following purposes:

1. To consider and act upon a proposed Bond Authorizing Resolution providing for the issuance of a _____ Bond, Series _____, of _____ facilities of the District.

2.

Secretary

Date: _____

ARTICLE V

OFFICERS

Section 1. The officers of the Public Service Board shall be a Chairman, Secretary and Treasurer. The Chairman shall be elected from the members of the Public Service Board. The Secretary and Treasurer need not be members of the Public Service Board, and may be the same person.

Section 2. The officers of the Public Service Board shall be elected each year by the members at the first meeting held in the month of January of such year. The officers so elected shall serve until the next annual election by the membership and until their successors are duly elected and qualified. Any vacancy occurring among the officers shall be filled by the members of the Public Service Board at a regular or special meeting. Persons selected to fill vacancies shall serve until the following January meeting of the Board when their successors shall be elected hereinabove provided.

ARTICLE VI

DUTIES OF OFFICERS

Section 1. When present, the Chairman shall preside as Chairman at all meetings of the Public Service Board. He shall, together with the Secretary, sign the minutes of all meetings at which he shall preside. He shall attend generally to the executive business of the Board and exercise such powers as may be conferred upon him by the Board, by these bylaws, or prescribed by law. He shall execute, and of necessary, acknowledge for record, any deeds, deeds of trust, contracts, notes, bonds, agreements or other papers necessary, requisite, proper or convenient to the executed by or on behalf of the Board when and if directed by the members of the Board.

Section 2. If the Chairman is absent from any meeting, the remaining members of the Board shall select a temporary chairman.

Section 3. The Secretary shall keep a record of all proceedings of the Board which shall be available for inspection as other public records. He shall, together with the Chairman, sign the minutes of the meetings at which he is present. The Secretary shall have charge of the minute book, be the custodian of deeds and other writings and papers of the Board. He shall also perform such

other duties as he may have under law by virtue of his office or as may be conferred upon him from time to time by the members of the Board.

Section 4. The Treasurer shall be the lawful custodian of all funds of the District and shall pay same out on orders authorized or approved by the Board. The Treasurer shall keep or cause to be kept proper and accurate books of accounts and proper receipts and vouchers for all disbursements made by or through him and shall prepare and submit such reports and statements of the financial condition of the Board as the members may from time to time prescribe. He shall perform such other duties as may be required of him by law or as may be conferred upon him by the members of the Board.

ARTICLE VII

AMENDMENTS TO RULES OF PROCEDURE

These Rules of Procedure may be altered, changed, amended or added to at any regular or special meeting of the Board by a majority vote of the entire Board, or at any regular or special meeting of the members when a quorum is present in person and a majority of those present vote for the amendment; but no such change, alteration, amendment or addition shall be made at any special meeting unless notice of the intention to propose such change, alteration, amendment or addition and a clear statement of the substance thereof be included in the written notice calling such meeting.

05/27/82
OAKVAL-W

I attest that this is a true copy.



Hillis Warren - Secretary

NOTICE

Notice is hereby given pursuant to the requirements of W. Va. Code §16-13A-23 and §24.2.11 of the intention of the OAKVALE ROAD PUBLIC SERVICE DISTRICT, together with CITY OF HINTON, CITY OF PRINCETON, MERCER COUNTY COMMISSION, SUMMERS COUNTY COMMISSION and WEST VIRGINIA-AMERICAN WATER COMPANY to file a joint application with the Public Service Commission of West Virginia for a Certificate of Public Convenience and Necessity to construct the Mercer/Summers Regional Public/Private Partnership Water Project to provide water service for the area between Hinton and Athens and the area along W. Va. Route 20 between Memorial Funeral Home and Interstate 77. The project will provide service to approximately 692 new customers in Phase I, including Pipestem State Park, Orbit Acres, Indian Meadows, Pipestem Village and other existing small water systems and will provide water service to other water providers to meet future water demands and the requirements of the Safe Water Drinking Act. The total project cost is estimated not to exceed \$48,000,000.00 and will be financed as follows:

Small Cities Block Grant \$ 3,000,000.00
Appalachian Regional Commission Grant \$ 1,000,000.00

Water Development Authority, West Virginia Infrastructure Council or Local Financial Institution Loans \$15,000,000.00

The amount of money to be borrowed by the Public Service District will not exceed \$16,000,000.00 at an interest rate not to exceed 10% and repayable over not more than forty (40) years. In addition, the Public Service District may borrow on an interim basis sums not to exceed the total borrowing for a period not to exceed 2 years at a rate not to exceed 10%.

The Public Service District properties to be constructed are:

- 51,700 L.F. of 24-inch Transmission Main
- 73,600 L.F. of 8-inch Distribution Main
- 22,100 L.F. of 6-inch Distribution Main
- Hydrants, Valves, Meter Settings and Pressure Reducing Stations.

The areas to be served are Trus Road, Edwards Road, Pipestem Creek (Route 20), Route 20 from Trus Road to Athens, Route 20 from Melrose Square to Memorial Funeral Home, Knob Ridge Road, and Pine Grove Road.

The District will operate and maintain the system through a written operation and maintenance agreement with West Virginia-American Water Company.

Oakvale Road Public Service District anticipates that the customers which will be served by the Mercer/Summers Regional Public/Private Water Project will be charged not to exceed 10% over the following monthly rates:

Available for general domestic commercial and industrial service.

RATE:

First 2,000 gallons used per month at the minimum charge

(A) Next 28,000 gallons used per month \$4.3211 per 1,000 gallons

(A) Next 870,000 gallons used per month \$2.4334 per 1,000 gallons

(A) Next 8,100,000 gallons used per month \$2.1023 per 1,000 gallons

(A) All over 9,000,000 gallons used per month \$ 1.3991 per 1,000 gallons

MINIMUM CHARGE

No bill will be rendered for less than the following amount according to the size of each meter installed, to-wit: for customers having multiple meter settings, the minimum charge will be one of the minimum charges for each of the individual meters:

- (A) 3/4 inch meter or less* \$12.33 per month
- (A) 1 inch meter 30.83 per month
- (A) 1-1/2 inch meter 61.66 per month
- (A) 2 inch meter 96.66 per month
- (A) 3 inch meter 185.02 per month
- (A) 4 inch meter 308.38 per month
- (A) 6 inch meter 616.75 per month
- (A) 8 inch meter 986.80 per month
- (A) INDICATES ADVANCE

* All residential customers shall be served through a 1/2" meter; provided, however, that the Public Service District may install a larger meter when reasonably necessary. This restriction shall not apply to residential meters currently in service.

Oakvale Road Public Service District will also charge a tap fee of \$250.00 that will be charged to prospective customers who tap on to the water line after construction proceeds past their property boundary.

Formal application for a Certificate of Public Convenience and Necessity, approval of financing, approval of tap fees and rates and charges, and approval of the operation and maintenance agreement is expected to be filed with the Public Service Commission on or about December 15, 1995.

Oakvale Road Public Service District
City of Hinton
City of Princeton
Mercer County Commission
Summers County Commission

CERTIFICATE OF PUBLICATION

State of West Virginia, }
County of Mercer, } To-wit: —

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

was published in the said Bluefield Daily Telegraph Two (2) Times on the following days, namely; October 25, November 1

in the year 19 95
Publication Fee \$131.32

Jessa Myers
Subscribed and sworn to before me this 1st day of November, 19 95

My Commission expires Feb. 20, 19 2005
Ruth J. Stopper
Notary Public

I, Fred Long, publisher of Hinton News a newspaper in Summers County, West Virginia do hereby certify that the annexed Notice was published in said newspaper for two successive times on the following dates, October 24, 31, 1995

THE PRINTERS FEE THEREFORE IN \$91.87

Given under my hand this 31 day of October, 1995

State of West Virginia)

County of Summers) to wit:

Subscribed and sworn to before me this 31 day of October, 1995

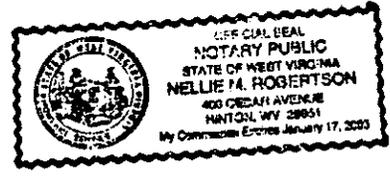
My Commission expires January 17, 2005

[Signature] Publisher

NOTARY PUBLIC - OFFICIAL SEAL
STATE OF WEST VIRGINIA
NELLIE M. ROBERTSON
406 CEDAR AVE., HINTON WV 25951
My commission expires: 1-17-2005

Nellie M. Robertson
Notary Public

COPY OF PUBLICATION FROM THE HINTON NEWS



LEGAL NOTICE

NOTICE
Notice is hereby given pursuant to the requirements of W. Va. Code 16-15A-26 and 24-5-11 of the location of the OAKVALE ROAD PUBLIC SERVICE DISTRICT, together with CITY OF HINTON, CITY OF PRINCETON, MEEBEE COUNTY COMMISSION, SUMMERS COUNTY COMMISSION and WEST VIRGINIA - AMERICAN WATER COMPANY to file a joint application with the Public Service Commission of West Virginia for a Certificate of Public Convenience and Necessity to construct the Marrow Summers Regional Public/Private Partnership Water Project to provide water service for the areas between Hinton and Athens and the area along W. Va. Route 20 between Memorial Funeral Home and Interstate 77. The project will provide service to approximately 600 new customers in Phase I, including Pipeton State Park, Orbit Acres, Indian Meadows, Pipeton Village and other existing small water systems and will provide water service to other water providers to meet future water demands and the requirements of the Safe Water Drinking Act. The total project cost is estimated not to exceed \$48,000,000.00 and will be financed as follows:

- Small Cities Block Grant \$4,000,000.00
- Appalachian Regional Commission Grant \$1,000,000.00
- Water Development Authority, West Virginia Infrastructure Council or Loan \$18,000,000.00
- Financial Institutions Loans \$15,000,000.00

The amount of money to be borrowed by the Public Service District will not exceed \$14,000,000.00 at an interest rate not to exceed 10% and repayable over not more than forty (40) years. In addition, the Public Service District may borrow on an interim basis sums not to exceed the total borrowing for a period not to exceed 3 years at a rate not to exceed 10%.

The Public Service District proposes to be constructed are:
\$1,700 L.F. of 36-inch Transmission Main
79,000 L.F. of 8-inch Distribution Main
\$2,100 L.F. of 8-inch Distribution Main
Hydrants, Valves, Meter Settings and Pressure Reducing Stations.

The areas to be served are Tree Road, Edwards Road, Pipeton Creek (Route 20), Route 20 from Tree Road to Athens, Route 20 from Melrose Square to Memorial Funeral Home, Kato Ridge Road, and Pine Grove Road.

The District will operate and maintain the system through a written operation and maintenance agreement with West Virginia-American Water Company.

Oakvale Road Public Service District anticipates that the customers which will be served by the Marrow Summers Regional Public/Private Water Project will be charged not to exceed 10% over the following monthly rates:

Available for general domestic commercial and industrial service.

RATE
First 2,000 gallons used per month at the minimum charge
(A) Next 20,000 gallons used per month \$4.2511 per 1,000 gallons
(A) Next 970,000 gallons used per month \$2.6864 per 1,000 gallons
(A) Next 6,100,000 gallons used per month \$2.1026 per 1,000 gallons
(A) All over 9,000,000 gallons used per month \$1.5891 per 1,000 gallons

MINIMUM CHARGE
No bill will be rendered for less than the following amount according to the size of each meter installed, to wit: for customers having multiple meter settings, the minimum charge will be one of the minimum charges for each of the individual meters:

(A) 3/4 inch meter or less	\$12.25 per month
(A) 1 inch meter	30.00 per month
(A) 1-1/2 inch meter	61.00 per month
(A) 2 inch meter	90.00 per month
(A) 3 inch meter	125.00 per month
(A) 4 inch meter	200.00 per month
(A) 6 inch meter	316.75 per month
(A) 8 inch meter	500.00 per month

(A) INDICATES ADVANCE
* All residential customers shall be served through a 1/2" meter; provided, however, that the Public Service District may install a larger meter when reasonably necessary. This restriction shall not apply to residential meters currently in service.

Oakvale Road Public Service District will also charge a tap fee of \$250.00 that will be charged to prospective customers who tap on to the water line after

1

2

3

4

MEETING

OAKVALE ROAD P.S.D.

Date: January 16, 1996

Attending:	Ronnie Stump	<u>X</u>
	Hillis Warren	<u>X</u>
	Richard Nowlin	<u>X</u>
	Lyle Huntington	<u>X</u>
	Dana Jones	<u>X</u>

Minutes Read and Approved:

Hillis Warren
Ronnie Stump

Items to be discussed:

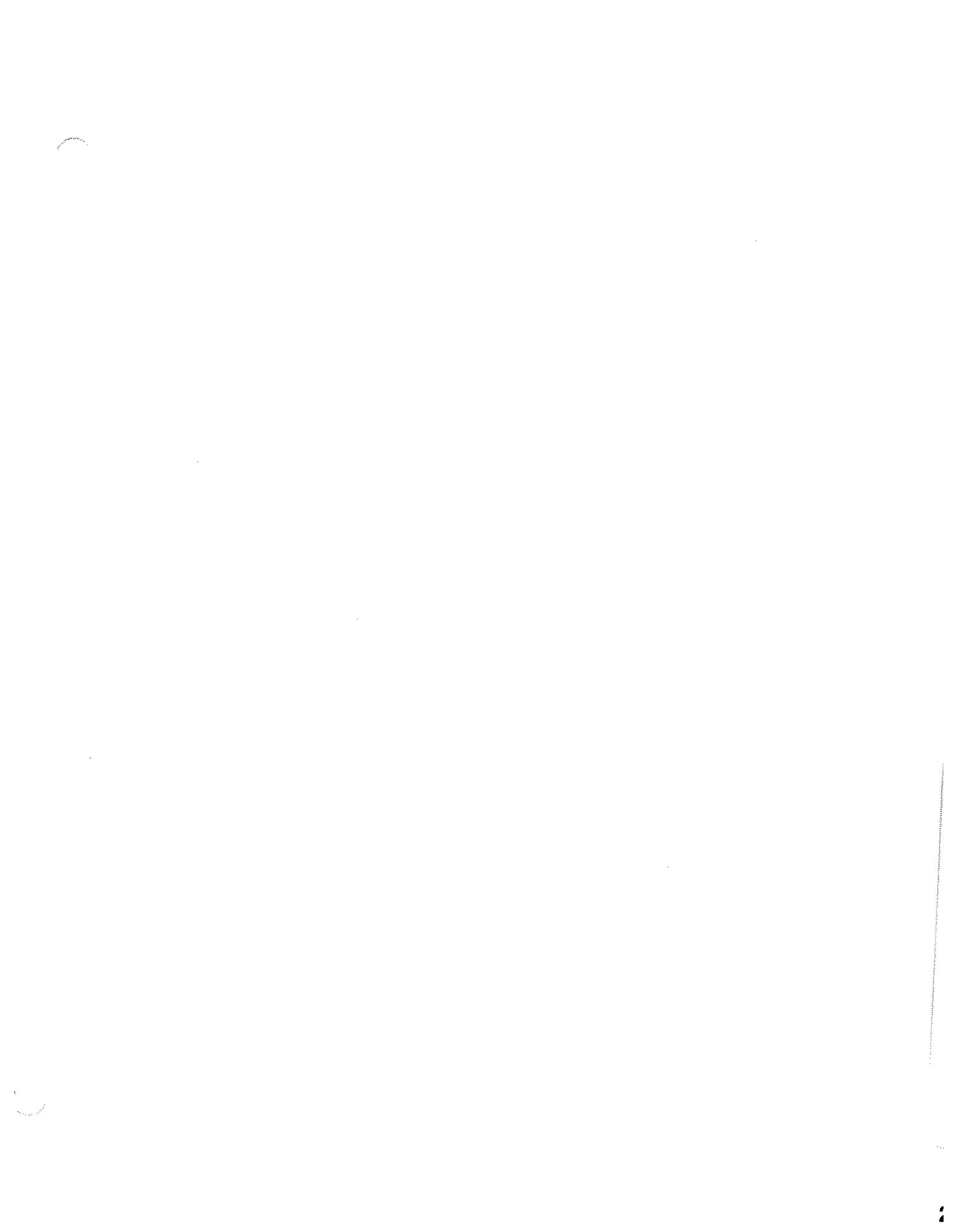
Snow storm of 1996:

The office was closed two days due to the snow storm. We could not get the parking lot scraped until Tuesday. Commissioners agreed to pay employees.

Election of officers:

Election of officers was held. It was voted and passed that they would keep their present offices.

Ronnie Stump ----- Chariman
Hillis Warren ----- Secretary
Richard Nowlin ---- Treasurer



OAKVALE ROAD PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

MINUTES ON ADOPTION OF BOND RESOLUTION,
SUPPLEMENTAL RESOLUTION AND
SUPPLEMENTAL AND AMENDATORY NOTES RESOLUTION

I, HILLIS WARREN, SECRETARY of the Public Service Board of Oakvale Road Public Service District, hereby certify that the following is a true and correct excerpt of the minutes of a special meeting of the said Public Service Board:

The Public Service Board of Oakvale Road Public Service District met in special session, pursuant to notice duly posted, on the 4th day of December, 1996, in Princeton, West Virginia, at the hour of 8:30 a.m.

PRESENT:	Ronnie Stump	-	Chairman and Member
	Hillis Warren	-	Secretary and Member
	Richard Nowlin	-	Treasurer and Member

Ronnie Stump, Chairman presided, and Hillis Warren, acted as Secretary.

The Chairman announced that a quorum of members was present and that the meeting was now open for any business properly before it. Thereupon, the Chairman presented a proposed Bond Resolution in writing entitled:

RESOLUTION AUTHORIZING THE REFUNDING OF THE ISSUER'S WATERWORKS FACILITIES BOND AND GRANT ANTICIPATION NOTES, SERIES 1996, AND THE ACQUISITION AND CONSTRUCTION OF EXTENSIONS, ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF OAKVALE ROAD PUBLIC SERVICE DISTRICT AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$12,700,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 1996 (WEST VIRGINIA INFRASTRUCTURE FUND); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING

EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS; PROVIDING FOR INTERIM CONSTRUCTION FINANCING AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion duly made and seconded, it was unanimously ordered that the said Bond Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 1996 (WEST VIRGINIA INFRASTRUCTURE FUND), OF OAKVALE ROAD PUBLIC SERVICE DISTRICT; AUTHORIZING AND APPROVING A LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; AUTHORIZING AND APPROVING THE OPERATING AGREEMENT ENTERED INTO BY AND BETWEEN THE DISTRICT AND WEST VIRGINIA-AMERICAN WATER COMPANY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; APPROVING A LETTER OF CREDIT TO ADDITIONALLY SECURE THE BONDS; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion. Thereupon, on motion duly made and seconded, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Chairman presented a proposed Supplemental and Amendatory Notes Resolution in writing entitled:

SUPPLEMENTAL AND AMENDATORY RESOLUTION
SUPPLEMENTING AND AMENDING THE NOTES
RESOLUTION OF OAKVALE ROAD PUBLIC SERVICE
DISTRICT ADOPTED FEBRUARY 13, 1996, ENTITLED:

"RESOLUTION AUTHORIZING THE ACQUISITION AND CONSTRUCTION OF WATERWORKS FACILITIES OF OAKVALE ROAD PUBLIC SERVICE DISTRICT, AND THE TEMPORARY FINANCING OF THE COSTS, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE DISTRICT OF \$12,600,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATERWORKS FACILITIES BOND AND GRANT ANTICIPATION NOTES, SERIES 1996; PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE HOLDERS OF SUCH NOTES; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH NOTES; AND ADOPTING OTHER PROVISIONS RELATING THERETO."

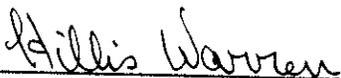
and caused the same to be read and there was discussion. Thereupon, on motion duly made and seconded, it was unanimously ordered that the said Supplemental and Amendatory Resolution be adopted and be in full force and effect on and from the date hereof.

There being no further business to come before the meeting, on motion duly made and seconded, it was unanimously ordered that the meeting adjourn.

CERTIFICATION

I hereby certify that the foregoing is a true copy of the minutes of a special meeting of said Public Service Board held December 4, 1996, and that such actions remain in full force and effect and have not been amended, rescinded, superseded, repealed or changed.

WITNESS my signature on this 4th day of December, 1996.



Secretary, Oakvale Road Public Service
District, Public Service Board

11/26/96
OVJM.L2
667990/96001

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WV MUNICIPAL BOND COMMISSION

812 Quarrier Street
Suite 300
Charleston, WV 25301
(304)558-3971

NEW ISSUE REPORT FORM

Date of Report: December 4, 1996

(See Reverse for Instructions)

OAKVALE ROAD PUBLIC SERVICE DISTRICT
ISSUE: Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund)

ADDRESS: P. O. Box 1061, Athens Road, Princeton, WV 24740 COUNTY: Mercer

PURPOSE New Money Refunding Refunds issue(s) dated: _____

ISSUE DATE: December 4, 1996 CLOSING DATE: December 4, 1996

ISSUE AMOUNT: \$ 12,700,000 RATE: 3%

1st DEBT SERVICE DUE: June 1, 1997 1st PRINCIPAL DUE: June 1, 1997

1st DEBT SERVICE AMOUNT: Indeterminate PAYING AGENT: Municipal Bond Commission

ISSUERS
BOND COUNSEL: Steptoe & Johnson
Contact Person: Vincent A. Collins, Esq.
Phone: (304)624-8161

UNDERWRITERS
BOND COUNSEL: Jackson & Kelly
Contact Person: Samme L. Gee, Esq.
Phone: (304)340-1318

CLOSING BANK: _____
Contact Person: _____
Phone: _____

ESCROW TRUSTEE: _____
Contact Person: _____
Phone: _____

KNOWLEDGEABLE ISSUER CONTACT
Contact Person: Carlyle Huntington
Position: Manager
Phone: 487-2750 FAX: 487-2750

OTHER: Infrastructure Council
Contact Person: Susan J. Riggs, Esq.
Function: Executive Secretary
Phone: 558-4607 FAX: 558-4609

DEPOSITS TO MBC AT CLOSE: _____
By Wire NONE _____
 Check _____
Accrued Interest: \$ _____
Capitalized Interest: \$ _____
Reserve Account: \$ _____
Other: \$ _____

REFUNDS & TRANSFERS BY MBC AT CLOSE:
By Wire _____
 Check NONE _____
 IGT _____
To Escrow Trustee: \$ _____
To Issuer: \$ _____
To Cons. Invest. Fund: \$ _____
To Other: \$ _____

NOTES: Payment amounts to be determined Feb. 20, 1997, and redetermined
December 20, 1997.

FOR MUNICIPAL BOND COMMISSION USE ONLY:
DOCUMENTS
REQUIRED: _____
TRANSFERS
REQUIRED: _____

The purpose of the **NEW ISSUE REPORT FORM** is to provide the WV Municipal Bond Commission with an early warning of three basic facts no later than the day of closing on any issue for which the Commission is to act as fiscal agent. These are:

1. Formal notification that a new issue is outstanding.
2. Date of first action or debt service.
3. Contact people should we lack documents, information, or funds needed to administer the issue by the date of the first action or debt service.

The Commission recognizes that as bond transcripts become increasingly long and complex, it has become more difficult to assemble and submit them to the Commission within the 30 days specified by the WV Code 13-3-8. This notice is not intended to provide all the information needed to administer an issue, but to alert the Commission and ensure that no debt service payments are missed due to delays in assembling bond transcripts. If, at the time of closing, documents such as the ordinance and all suppliments, debt service schedules, and a specimen bond or photostat are available and submitted with this form, it will greatly aid the Commission in the performance of its duties. These documents are needed to set up the proper accounts and to advise the issuer of monthly deposit requirements as far in advance of the first debt service as possible.

It is not necessary to complete all items if they are not pertinent to your issue. Indicate the County of the issuer. With PSDs that overlap more than one county, indicate the county of their business office. Complete "Rate" only if the issue has only one rate. Please complete a separate form for each series of an issue. Other important information can be recorded under "Notes".

Again, please submit this form on each new issue on the day of closing. If fund transfers into or out of the Commission at close are required, please submit this form before closing. If no significant facts change by closing, no resubmission at close is required. If, however, there are changes, please submit an updated form, with changes noted, at close.

If you should have any questions concerning this form, please call the Commission.

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**OAKVALE ROAD PUBLIC SERVICE DISTRICT
WATERWORKS FACILITIES BOND AND
GRANT ANTICIPATION NOTES,
SERIES 1996 A**

SUPPLEMENTAL AND AMENDATORY NOTES RESOLUTION

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OAKVALE ROAD PUBLIC SERVICE DISTRICT

SUPPLEMENTAL AND AMENDATORY RESOLUTION
SUPPLEMENTING AND AMENDING THE NOTES
RESOLUTION OF OAKVALE ROAD PUBLIC SERVICE
DISTRICT ADOPTED FEBRUARY 13, 1996, ENTITLED:

"RESOLUTION AUTHORIZING THE ACQUISITION AND
CONSTRUCTION OF WATERWORKS FACILITIES OF
OAKVALE ROAD PUBLIC SERVICE DISTRICT, AND THE
TEMPORARY FINANCING OF THE COSTS, NOT
OTHERWISE PROVIDED, THEREOF THROUGH THE
ISSUANCE BY THE DISTRICT OF \$12,600,000 IN
AGGREGATE PRINCIPAL AMOUNT OF WATERWORKS
FACILITIES BOND AND GRANT ANTICIPATION NOTES,
SERIES 1996; PROVIDING FOR THE RIGHTS AND
REMEDIES OF AND SECURITY FOR THE HOLDERS OF
SUCH NOTES; AUTHORIZING THE SALE AND
PROVIDING FOR THE TERMS AND PROVISIONS OF
SUCH NOTES; AND ADOPTING OTHER PROVISIONS
RELATING THERETO."

WHEREAS, Oakvale Road Public Service District (the "Issuer") presently owns and operates certain limited waterworks facilities serving the "Hall's Ridge Road" area of Mercer County, West Virginia, and has undertaken an expansion of its water services to other areas of Mercer and Summers Counties, West Virginia. In furtherance of this expansion, the Issuer has heretofore entered into an Agreement dated May 8, 1995, as amended (the "Agreement") between the Issuer and West Virginia-American Water Company (the "Company") whereby the Company has agreed to acquire and construct a new water treatment plant, raw water intake structure, raw water line and appurtenant facilities and the Issuer has agreed to acquire and construct a water main and certain water distribution lines to be supplied by the water treatment plant to be built by the Company, to serve areas of Summers and Mercer Counties, West Virginia (the "Project");

WHEREAS, the Issuer has heretofore adopted a resolution (the "Original Resolution") authorizing the issuance of its Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 (the "Prior Notes"), in an aggregate principal amount of \$12,600,000, to temporarily finance a portion of the Costs of the Project and the Costs of Issuance (both terms as hereinafter defined), pending the availability of permanent financing, to be obtained from a loan to be made to the Issuer by the West Virginia Water Development Authority (the "Authority") on behalf of the West Virginia Infrastructure and

Jobs Development Council (the "Infrastructure Council") and to be evidenced by the issuance of revenue bonds of the Issuer to the Infrastructure Council;

WHEREAS, the Issuer has commenced construction of the Project and has used proceeds of the Prior Notes to temporarily finance a portion of the costs thereof, and is now prepared to issue its Waterworks Facilities Revenue Bonds, Series 1996 (West Virginia Infrastructure Council) (the "Series 1996 Bonds") to the Authority, on behalf of Infrastructure Council, to permanently finance such costs;

WHEREAS, all capitalized terms used herein and not otherwise defined will have the meanings set forth in the Original Resolution;

WHEREAS, the Prior Notes were issued and delivered on February 15, 1996, and \$8,585,851.96 principal amount thereof, plus accrued interest in the amount of \$102,004.74 remain outstanding thereon, and the Issuer is now prepared to issue its Series 1996 Bonds and to apply a portion thereof to payment of a portion of the Prior Notes;

WHEREAS, under the Original Resolution, the Issuer is permitted to request an extension of the maturity of the Prior Notes for a period of up to one year, and the Issuer has done so;

WHEREAS, in order to permit timely payment of the remaining Costs of the Expanded Project (hereinafter defined) pending receipt of advances of proceeds of the Series 1996 Bonds and the Series 1997 Bonds (hereinafter defined), to repay the balance of the Prior Notes representing the portion thereof applied to certain Costs of the Project which will not be permanently financed from proceeds of the Series 1996 Bonds, and to pay certain other costs relating to issuance of a letter of credit partially securing the Series 1996 Bonds, it is in the best interests of the Issuer that its Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 A, in the (maximum) aggregate principal amount of \$3,000,000 (the "Series 1996 A Notes"), be sold to the Original Purchaser pursuant to the Amended Commitment (as hereinafter defined) as soon after the adoption of this Supplemental and Amendatory Resolution as may be practicable and authorized and permitted by applicable law;

WHEREAS, the amount of credit available to the Issuer under the Series 1996 A Note as of any date shall be the lesser of (i) \$3,000,000 or (ii) the difference

between the amount of principal of the Series 1996 Bonds advanced to the Issuer as of such date and the sum of \$14,700,000;

WHEREAS, upon issuance and delivery of the Series 1996 A Notes, the Prior Notes will be paid in full and there will be no outstanding obligations of the Issuer which will rank prior to or on a parity with the Series 1996 A Notes as to lien or source of and security for payment;

WHEREAS, the Issuer has complied with all requirements of West Virginia law relating to the authorization of the acquisition and construction of the Project and the operation of the System, or will have so complied prior to issuance of the Notes commencement of construction of the Project, including the obtaining of a certificate of convenience and necessity from the Public Service Commission of West Virginia by final order, the time for rehearing and appeal of which have expired (or have been waived by all parties) and the approval of the Project and proposed financing thereof by the Infrastructure Council; and

WHEREAS, all provisions of the Original Resolution except as amended hereby, are incorporated herein and shall apply in full force and effect with respect to the Series 1996 A Notes.

NOW THEREFORE, THE PUBLIC SERVICE BOARD OF OAKVALE ROAD PUBLIC SERVICE DISTRICT HEREBY RESOLVES:

ARTICLE I

DEFINITIONS, STATUTORY AUTHORITY AND FINDINGS

Section 1.01. Definitions. All capitalized terms defined in the Original Resolution shall have the same meanings in this Supplemental and Amendatory Resolution, except as may be otherwise set forth herein. In addition, the following terms shall have the following meanings in this Supplemental and Amendatory Resolution unless the context expressly requires otherwise.

"Closing Date" means the date of original issuance and delivery of the Series 1996 A Notes to the Original Purchaser, expected to be December 4, 1996.

"Commitment" means the letter of the Original Purchaser to the Issuer and the Company dated February 15, 1996, as amended by the Amended Commitment Letter of the Original Purchaser dated December 4, 1996 (the "Amended Commitment"), whereby the Original Purchaser has committed to purchase the Series 1996 A Notes, subject to compliance by the Issuer and the Company with the conditions and limitations stated therein.

"Costs of Issuance" means all items of fees and expenses, directly or indirectly payable or reimbursable by or to the Issuer and related to the authorization, sale and issuance of the Series 1996 A Notes, including, but not limited to, printing costs, costs of preparation and reproduction of documents, filing and recording fees, origination fees and charges of the Original Purchaser or Registrar, fees and expenses of bond counsel, counsel to the Issuer, counsel to the Original Purchaser and counsel to the Company, fees and expenses of engineers, consultants and other professionals, costs of credit ratings, fees and charges for preparation, execution, transportation and safekeeping of the Series 1996 A Notes and any other cost, charge or fee in connection with the original issuance of the Series 1996 A Notes.

"Guaranty" means the Guaranty dated February 15, 1996, of the Company, as ratified and confirmed by the Company, whereby the Company has absolutely and unconditionally guaranteed to pay to the Original Purchaser and any subsequent Holders of the Series 1996 Notes, the entire principal amount advanced under the Series 1996 Notes and interest accrued thereon in accordance with the terms thereof.

"Letter of Credit" means the Letter of Credit No. 96064, issued December 4, 1996, in the stated amount of \$1,093,391.20, by One Valley Bank, National Association, Charleston, West Virginia, for the benefit of the Authority.

"Noteholder" or "Holder of the Notes" or "Holder" or "Registered Owner" or any similar term means any person who shall be the registered owner of any Outstanding Series 1996 A Note or Series 1996 A Notes.

"Notes Legislation" or "Resolution" means the Original Resolution, as supplemented and amended by the Supplemental and Amendatory Resolution, and all further orders, ordinances and resolutions supplemental hereto or amendatory hereof.

"Outstanding," when used with reference to Series 1996 Notes and as of any particular date, describes all Series 1996 Notes theretofore and thereupon being delivered except (a) any Series 1996 Note for the payment of which moneys, equal to its principal amount, with interest to the date of maturity, shall be held in trust under the Resolution and set aside for such payment (whether upon or prior to maturity); and (b) any Series 1996 Note deemed to have been paid as provided in Article VI of the Prior Resolution.

"Series 1996 Bonds" means the Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), to be issued by the Issuer to the Infrastructure Council, on December 4, 1996, in the aggregate principal amount of \$12,700,000, pursuant to a Bond Resolution of the Issuer to provide for the refinancing of a portion of the Prior Notes and the permanent financing of a portion of the Project.

"Series 1997 Bonds" means the Water Revenue Bonds, Series 1997 (West Virginia Infrastructure Fund), of the Issuer, anticipated to be issued in 1997 by the Issuer to the Infrastructure Council to provide financing for certain additional waterworks facilities for the System.

"Series 1996 Notes" means the \$3,000,000 (maximum) aggregate principal amount of Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 A, originally authorized hereby.

Additional terms and phrases are defined in this Supplemental and Amendatory Resolution as they are used. Accounting terms not specifically defined herein shall be given meaning in accordance with generally accepted accounting principles.

Words importing singular number include the plural number in each case and vice versa; words importing the masculine gender include every other gender; and words importing persons include firms, partnerships, associations and corporations.

The terms "herein," "hereunder," "hereby," "hereto," "hereof" and any similar terms refer to this Supplemental and Amendatory Resolution and the term "hereafter" means after the date of enactment of this Supplemental and Amendatory Resolution.

Articles, sections and subsections mentioned by number only are the respective articles, sections and subsections of this Supplemental and Amendatory Resolution so numbered.

Section 1.02. Authority for this Supplemental and Amendatory Resolution. This Supplemental and Amendatory Resolution is enacted pursuant to the provisions of the Act and other applicable provisions of the law.

Section 1.03. Series 1996 A Notes Legislation Constitutes Contract. In consideration of the acceptance of the Series 1996 A Notes by those who shall be the Registered Owners of the same from time to time, this Series 1996 A Notes Legislation shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners, and the covenants and agreements herein set forth to be performed by the Issuer shall be for the benefit, protection and security of the Registered Owners of the Series 1996 A Notes.

ARTICLE II

AUTHORIZATION OF THE ACQUISITION AND CONSTRUCTION OF THE
PROJECT

Section 2.01. Authorization of the Acquisition and Construction of the Project. There is hereby authorized and ordered the acquisition and construction of the Project, at an estimated cost not to exceed \$18,380,318, in accordance with the plans and specifications prepared and to be prepared by the Consulting Engineers, heretofore filed and to be filed in the office of the Secretary of the Board. In the event of any changes in such plans and specifications in an amount greater than \$500,000, the Issuer shall promptly notify the Original Purchaser and the Company in writing of such change. No such change in excess of \$500,000 shall be made without the written consent of the Company.

ARTICLE III

THE SERIES 1996 A NOTES

Section 3.01. Authorization of the Series 1996 A Notes. For the purposes of temporarily financing a portion of the Costs of the Project and additional waterworks facilities designated as the "Back Side of Bent Mountain Road Project" (collectively, the "Expanded Project") repaying a portion of the Prior Notes, the Costs of Issuance of the Series 1996 A Notes, and costs relating to the Letter of Credit, there shall be and hereby are authorized to be issued the Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 A, of the Issuer, in the maximum aggregate principal amount of not more than \$3,000,000.

Section 3.02. Terms of Series 1996 A Notes. The Series 1996 A Notes shall be issued in fully registered form and shall be initially issued as a single Note, numbered AR-1, in the principal amount of \$3,000,000. The Notes shall be dated the Closing Date, shall bear interest at the rate of 7.43% per annum, computed on the basis of a year of 360 days, payable for the actual number of days elapsed during any portion of a month, in arrears on the last day of each calendar quarter, commencing January 1, 1997; shall mature on December 31, 1997, unless extended in accordance with the provisions for extension set forth in the Series 1996 A Notes; and shall be subject to prepayment or redemption in whole or in part at any time, without premium, at the price of 100% of the principal amount prepaid or redeemed, plus interest accrued to the date fixed for such prepayment or redemption, and shall have such other terms and provisions, all as set forth in **EXHIBIT B - FORM OF SERIES 1996 A NOTE**, attached hereto and incorporated by reference herein.

The aggregate proceeds of the Notes shall not be paid to the Issuer upon delivery of the Notes but shall be advanced to the Issuer as requested by the Issuer on a revolving line of credit basis under the conditions set forth in Section 3.05 hereof, and the Notes shall evidence only the indebtedness recorded on the Record of Advances and Repayments attached thereto and incorporated therein. Interest shall accrue on the Notes only on the amount of each advance from the actual date thereof and shall take into account all repayments as listed on said Record of Advances and Repayments. The maximum cumulative amount of principal of the Series 1996 A Notes which shall be advanced to the Issuer as of any date shall be the lesser of (i) \$3,000,000 or (ii) the difference between the amount of principal of the Series 1996 Bonds advanced from time to time to the Issuer as of such date and the sum of \$14,700,000.

The Notes shall be payable as to principal and interest at the principal office of the Original Purchaser in any coin or currency which, on the date of payment, is legal tender for the payment of public and private debts under the laws of the United States of America.

Except as otherwise set forth herein and in **EXHIBIT B - FORM OF SERIES 1996 A NOTE**, all other provisions of the Series 1996 A Notes shall be as provided for the Prior Notes, as set forth in the Prior Resolution.

Section 3.03. Form of Series 1996 A Notes. The text of the Series 1996 A Notes shall be in substantially the form set forth in **EXHIBIT B - FORM OF SERIES 1996 A NOTE**, with such omissions, insertions and variations as may be necessary and desirable and authorized by a supplemental resolution adopted prior to the issuance thereof.

Section 3.04. Sale of Series 1996 A Notes. The Series 1996 A Notes shall be sold to the Original Purchaser contemporaneously with, or as soon as practicable and authorized and permitted by applicable law after, adoption of this Supplemental and Amendatory Resolution.

Section 3.05. Advances of Principal of Series 1996 A Notes. A. The Issuer shall request from the Original Purchaser advances of proceeds of the Series 1996 A Notes as needed, not more than once each month, to pay Costs of the Expanded Project, and such proceeds shall be paid to the Issuer or its designated payee only upon resolution of the Board approving payment of such amounts and submission to the Original Purchaser of a completed payment requisition in substantially the form set forth in **EXHIBIT C - FORM OF PAYMENT REQUISITION**, attached hereto and incorporated by reference herein, and otherwise under the terms and limitations of the Amendatory Commitment. Such proceeds shall be advanced no later than 2 Business Days following receipt by the Original Purchaser of such resolution and payment requisition. On the Closing Date, the Original Purchaser shall advance proceeds of the Series 1996 A Notes, sufficient to pay (i) the balance of the outstanding principal of and interest on the prior Notes, not paid from proceeds of the Series 1996 Bonds, being \$217,170.30; (ii) the initial Letter of Credit Fee, being \$13,667.39; and (iii) the Costs of Issuance of the Series 1996 A Notes, being \$0- (total of \$230,837.69). All payments shall be approved by the Company. After payment of all such Costs of the Expanded Project, any Series 1996 A Notes proceeds remaining with the Issuer shall be forthwith applied to the repayment of the Series 1996 A Notes, or if no Series 1996 A Notes are then Outstanding, may be used by the Issuer for any lawful purpose of the System.

B. Repayments of principal of and interest on the Series 1996 A Notes shall be made by the Issuer in accordance with Section 4.02 hereof.

C. The initial draw under the Series 1996 A Notes shall be in the amount of \$230,837.69, as set forth in Requisition No. 1, and the payments set forth therein are hereby approved.

D. The maximum cumulative amount of principal of the Series 1996 A Notes that shall be advanced to the Issuer as of any date shall not exceed the limitations set forth in Section 3.02 hereof and in the Series 1996 A Note.

Section 3.06. Security for the Series 1996 A Notes. The principal of and interest on the Series 1996 A Notes shall be payable from and secured by a first lien on (i) the proceeds of the Series 1996 Bonds to be issued by the Issuer to permanently finance all or any portion of the Costs of the Project, (ii) all Grant Receipts received by the Issuer subsequent to the Closing Date, and (iii) the proceeds of the Series 1997 Bonds anticipated to be issued by the Issuer to permanently finance the remaining Costs of the Expanded Project.

Section 3.07. Refunding of Series 1996 A Notes. In the event proceeds of the Series 1996 Bonds, Grant Receipts and proceeds of the Series 1997 Bonds are not sufficient or available to pay the Series 1996 A Notes in full on or before the maturity date of the Series 1996 A Notes, the Issuer covenants and agrees to use its best efforts to issue and sell its refunding notes in an amount sufficient to pay the principal of and interest on the Series 1996 A Notes on the maturity date. The terms of such refunding notes shall be determined by a resolution of the Issuer. If necessary, the Issuer shall use its best efforts to increase rates and charges for use of the System so that sufficient revenues will be generated to pay such refunding notes on or prior to the final maturity thereof (subject to the prior lien thereon of the Series 1996 Bonds).

Section 3.08. Prohibition of Other Loans or Obligations. So long as the Series 1996 A Notes are Outstanding, no other bonds, notes or other evidences of indebtedness payable from proceeds of the Series 1996 Bonds, the Grant Receipts or the Series 1997 Bonds shall be issued by the Issuer; provided however, that the Issuer may issue refunding notes or bonds to pay the principal of and interest accrued on the Series 1996 A Notes in full.

Section 3.09. Covenants with Holders of Series 1996 A Notes. In order to secure the payment of the Series 1996 A Notes, the Issuer hereby covenants and agrees with the Holders of the Series 1996 A Notes, and makes provisions which shall be a part of the contract with such Holders, that the Issuer, if and so long as any of the Series 1996 A Notes are Outstanding and unpaid:

(A) Will not make or cause or permit to be made any application of the proceeds of the Series 1996 A Notes except in accordance with the provisions of Section 4.01 hereof, or of any Grant Receipts, proceeds of the Series 1996 Bonds proceeds of the Series 1997 Bonds or proceeds of the Guaranty except in accordance with the provisions of Section 4.02 hereof;

(B) Will comply in all respects with the terms and provisions of any grant agreements applicable to the Expanded Project and with all applicable

State and Federal laws and regulations governing the implementation of such grant agreements;

(C) Will, in the event the proceeds of the Series 1996 Bonds and the Grant Receipts and are not sufficient or available to pay the Series 1996 A Notes, when due, issue its refunding notes or bonds and apply the proceeds of its refunding notes or bonds to the payment of the Series 1996 A Notes in accordance with the provisions of Section 3.07 hereof;

(D) Will diligently and in good faith pursue acquisition and construction of the Expanded Project and all actions necessary to meet the conditions necessary under the Infrastructure Council commitment to purchase the Series 1996 Bonds and the Series 1997 Bonds in an amount sufficient to pay the Series 1996 A Notes in full, including all interest accrued thereon, on or prior to the maturity date thereof;

(E) Will diligently and in good faith take all actions necessary to insure the timely and complete receipt of all Grant Receipts;

(F) Will fully perform and comply with the terms and conditions of: (i) the Agreement; (ii) all PSC orders and approvals relating to the Expanded Project; (iii) all requirements of the Infrastructure Council or other lending entity relating to the Series 1996 Bonds and the Series 1997 Bonds; (iv) all grants related to the Expanded Project; and (v) any other contractual regulatory or other requirements, including but not limited to easements, covenants, reservations, restrictions, building and zoning requirements and all similar matters relating to the acquisition, construction and operation of the Expanded Project; and

(G) Will provide to the Original Purchaser a balance sheet and profit and loss statement within 60 days of the end of each calendar quarter and an annual financial statement within 120 days of the end of each Fiscal Year, audited by independent certified public accountants acceptable to the Original Purchaser.

Section 3.10. Amended Commitment. The Issuer hereby authorizes the execution and delivery of the Amended Commitment, a copy of which is attached hereto as **EXHIBIT D - AMENDED COMMITMENT**, and incorporated by reference herein. The Issuer hereby covenants to comply with all provisions of the Amended Commitment.

ARTICLE IV

APPLICATION OF SERIES 1996 A NOTES PROCEEDS; REPAYMENT

Section 4.01. Application of Series 1996 A Notes Proceeds.

All proceeds derived from the sale of the Series 1996 A Notes, when disbursed, shall be applied by the Issuer solely to payment of Costs of the Expanded Project, Costs of Issuance and other costs set forth in Section 3.01 hereof, and until so expended, are hereby pledged as additional security for the Series 1996 A Notes.

Section 4.02. Repayment of Series 1996 A Notes.

There shall be paid to the Original Purchaser for the account of the Series 1996 A Notes, the following: (i) no later than 5 Business Days after receipt by the Issuer thereof from time to time, all Grant Receipts, (ii) no later than 3 Business Days after receipt, all proceeds of each advance of principal of the Series 1996 Bonds, and (iii) upon issuance of the Series 1997 Bonds, an amount of proceeds thereof sufficient to pay in full the then remaining principal of and interest accrued on the Series 1996 A Notes. All moneys so received by the Original Purchaser shall, if repaid as a scheduled quarterly payment upon the Series 1996 A Notes, be credited first to payment of interest accrued on the Series 1996 A Notes and thereafter to payment of principal thereof. All moneys so received by the Original Purchaser other than as a scheduled quarterly repayment, shall be applied to reduction of principal of the Series 1996 A Notes.

ARTICLE V

DEFAULT AND REMEDIES

Section 5.01. Events of Default. Each of the following events shall constitute an "Event of Default" with respect to the Series 1996 A Notes:

- (A) If default occurs in the due and punctual payment of any installment of principal of or interest on any Series 1996 A Notes;
- (B) If default occurs in the Issuer's observance of any of the covenants, agreements or conditions on its part relating to the Series 1996 A Notes in this Resolution, any supplemental resolution, in the Commitment or in the Series 1996 A Notes, as the case may be, contained, and such default shall have continued for a period of 20 days after the Issuer and the Company shall have been given written notice of such default by the Original Purchaser or any other Holder of a Note;
- (C) If an order for relief shall be entered against the Issuer or the Company by any United States Bankruptcy Court; or the Issuer or the Company shall generally not pay their debts as they become due (within the meaning of 11 U.S.C. §303(h) as at any time or any successor statute thereto) or make an assignment for the benefit of creditors; or the Issuer or the Company shall apply for or consent to the appointment of a custodian, receiver, trustee or similar officer for its or for all or any substantial part of its property; or such custodian, receiver, trustee or similar officer shall be appointed without the application or consent of the Issuer or the Company and such appointment shall continue undischarged for a period of sixty days; or the Issuer or the Company shall institute any bankruptcy, insolvency, reorganization, moratorium, arrangement, readjustment of debt, dissolution, liquidation or similar proceeding relating to it under the laws of any jurisdiction or any such proceeding shall be instituted against the Issuer or the Company and shall remain undismissed for a period of sixty days; or any judgment, writ, warrant or attachment, execution or similar process shall be issued or levied against the substantial part of the property of the Issuer or the Company and such judgment, writ or similar process shall not be released, vacated or fully bonded within sixty days after its issue or levy;
- (D) If there shall occur a material adverse change with respect to the financial condition of the Company which results in a material impairment of the prospect of repayment of the Series 1996 A Notes; or

(E) If any representation or warranty by the Issuer or the Company made in this Resolution, the Guaranty or the Commitment, or to induce the purchase of the Series 1996 A Notes, shall prove to have been false or misleading in any material respect when made.

Section 5.02. Remedies. Upon the happening and continuance of any Event of Default then, automatically, the Original Purchaser is not obligated to continue to advance principal of the Series 1996 A Notes and, at the option of the Original Purchaser, all obligations shall, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, be forthwith due and payable and the Original Purchaser may, immediately upon the expiration of any period of grace, provided for in this Resolution, enforce payment of all obligations and exercise any and all other remedies granted to it herein, in the Series 1996 A Notes or at law, in equity or otherwise and specifically, any Holder of a Note 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 the Holders of the Series 1996 A Notes including the right to require the Issuer to perform its duties under the Act and the Series 1996 A Notes Legislation relating thereto, (iii) bring suit upon the Series 1996 A Notes, (iv) enforce the Guaranty, (v) 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 Series 1996 A Notes (subject to and subordinate to the Series 1996 Bonds), and (vi) by action or bill in equity enjoin any acts in violation of the Series 1996 A Notes Legislation with respect to the Series 1996 A Notes, or the rights of the Holders of the Series 1996 A Notes (subject to and subordinate to the Series 1996 Bonds).

ARTICLE VI

DEFEASANCE

Section 6.01. Defeasance. If the Issuer shall pay or cause to be paid, or there shall otherwise be paid, to the Holders of all Series 1996 A Notes the principal of and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Resolution, then the pledge of and other moneys and securities pledged under this Resolution and all covenants, agreements and other obligations of the Issuer to Holders of the Series 1996 A Notes shall thereupon cease, terminate and become void and be discharged and satisfied.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Amendment or Modification of this Supplemental and Amendatory Resolution. Prior to issuance of the Series 1996 A Notes, this Supplemental and Amendatory Resolution may be amended or supplemented in any way by adoption of a supplemental resolution. Following issuance of the Series 1996 A Notes, no modification or amendment of this Supplemental and Amendatory Resolution, or of any resolution amendatory or supplemental hereto, shall be made without the consent in writing of the Company and 100% of the Holders of the Series 1996 A Notes then Outstanding.

Section 7.02. Supplemental and Amendatory Resolution Constitutes Contract. The provisions of this Supplemental and Amendatory Resolution shall constitute a contract between the Issuer and the Holders of the Series 1996 A Notes, and no change, variation or alteration of any kind of the provisions of this Resolution shall be made in any manner, except as in this Supplemental and Amendatory Resolution provided.

Section 7.03. Severability of Invalid Provisions. If any section, paragraph, clause or provision of this Supplemental and Amendatory 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 Supplemental and Amendatory Resolution or the Series 1996 A Notes.

Section 7.04. 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 7.05. Conflicting Provisions Repealed. All ordinances, resolutions, indentures or orders, or parts thereof, in conflict with the provisions of this Supplemental and Amendatory Resolution are, to the extent of such conflict, hereby repealed, provided however, that all provisions of the original Resolution not amended hereby shall continue in full force and effect, and shall apply to the Series 1996 A Bonds.

Section 7.06. 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 and passage of this Supplemental and Amendatory 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, the Secretary and members of the Board 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 7.07. Effective Date. This Supplemental and Amendatory Resolution shall take effect immediately following adoption hereof.

Adopted this 4th day of December, 1996.


Chairman

EXHIBIT A - EXPANDED PROJECT DESCRIPTION

1. ARC C1 Knob Ridge Road, True Road and Edwards Road
2. SCBG C1-A Bellpoint Bridge Hinton South along Route 20 to Bluestone Lake Bridge to WVAWC Lake Crossing Terminus
3. SCBG C1-B From Intersection Route 18 and Route 20 near Pipestem Falls North along Route 20 to last house before Bluestone Lake Bridge (Pipestem Creek)
4. SCBG C2 From Intersection Route 18 and Route 20 South along Route 20 to Intersection of Pine Grove Road and Old Lerona Road
5. SCBG C3 Pine Grove Road
6. SCBG C4 Davies Fork Area (Near Princeton)
7. OVRPSD C1 From Intersection of Pine Grove Road and Old Lerona Road South along Route 20 to Intersection of Route 20 and Route 20/22 (Includes Speedway)
8. OVRPSD C2 From Intersection of Route 20 and Route 20/22 South/Southwest cross country to the WVAWC Princeton connection along Route 20
9. EDA C1 Portions covered in EDA Agreement
10. OVRPSD C3 New Pisgah Road
11. COE C1 Portions covered in COE Agreement

12. COE C2 Portions covered in COE Agreement
13. OVRPSD C4 Back of Bent Mountain Road

EXHIBIT B - FORM OF SERIES 1996 A NOTE

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
OAKVALE ROAD PUBLIC SERVICE DISTRICT
WATERWORKS FACILITIES BOND AND
GRANT ANTICIPATION NOTE, SERIES 1996 A

No. AR-1

\$3,000,000

KNOW ALL MEN BY THESE PRESENTS: That OAKVALE ROAD PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Mercer and Summers Counties of said State (the "Issuer") for value received, hereby promises to pay, but only from the sources provided therefor, as hereinafter set forth, to the order of

- ONE VALLEY BANK, NATIONAL ASSOCIATION -

or registered assigns (the "Registered Owner"), on the 31st day of December, 1997 (unless extended in accordance with the provision for extension set forth herein), the principal sum of THREE MILLION DOLLARS (\$3,000,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the Record of Advances and Repayments attached hereto and incorporated herein by reference as a part hereof, together with interest on such advances from the date thereof at the rate of 7.43% per annum. All scheduled repayments of advances hereunder shall be applied first to payment of interest accrued hereon and thereafter to payment of principal hereof. All repayments other than scheduled repayments shall be applied to reduction of principal, but any such partial repayments shall not defer payment of or reduce any regularly scheduled payments. Interest shall be computed on the basis of a year of 360 days, payable for the actual number of days elapsed during any portion of a month, and shall be payable in arrears, on the last day of each calendar quarter, commencing January 1, 1997. In the event any payment of principal or interest on this Note is not made within 25 days of the date upon which it is due, a late charge of 5% of the amount of such delinquency shall be payable by the Issuer.

The principal of and interest on this Note are payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of One Valley Bank, National Association, Charleston, West Virginia.

The maximum cumulative principal amount of this Note which may be advanced as of any date shall equal the lesser of (i) \$3,000,000 or (ii) the difference between the proceeds of the Series 1996 Bonds (as hereinafter defined) disbursed from time to time to the Issuer as of such date and the sum of \$14,700,000.

This Note is subject to prepayment of principal in whole or in part at any time, without penalty.

The loan evidenced by this Note shall be advanced to the Issuer as requested by the Issuer in accordance with the provisions set forth in the Series 1996 A Notes Legislation, as hereinafter defined, and interest shall accrue on the amount of each advance from its actual date, adjusted for any repayments thereof as shown on the Record of Advances and Repayments attached hereto as a part hereof.

This Note is issued (i) to temporarily finance a portion of the costs of acquisition and construction of certain waterworks facilities of the Issuer (the "Project") (the existing waterworks facilities of the Issuer, the Project and any further extensions, additions, betterments or improvements thereto, are hereinafter referred to as the "System") (ii) to repay a portion of the Issuer's Series 1996 Notes, heretofore issued and outstanding, (iii) to pay initial fees for issuance of a letter of credit partially securing the Series 1996 Bonds, and (iv) to pay the costs of issuance hereof and related costs. This Note 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 of the West Virginia Code of 1931, as amended (the "Act"), a Notes Resolution duly adopted by the Issuer on February 13, 1996, and a Supplemental and Amendatory Notes Resolution adopted by the Issuer on December 4, 1996 (collectively, the "Series 1996 A Notes Legislation"), and is subject to all the terms and conditions thereof.

The principal of and interest on this Note are payable from and secured by a first lien on (i) the proceeds of the \$12,700,000 aggregate principal amount Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Council) (the "Series 1996 Bonds"), issued by the Issuer concurrently herewith to the West Virginia Infrastructure and Jobs Development Council to permanently finance a portion of the cost of acquisition and construction of the Project, (ii) all Grant Receipts (as defined in the Series 1996 A Notes Legislation) received by the Issuer subsequent to the date of delivery of the Series 1996 A Notes, and (iii) the proceeds of additional water revenue bonds anticipated to be issued by the Issuer in 1997. The moneys from these sources shall be paid in the amounts and at the times set forth in the Series 1996 A Notes Legislation.

This Note does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from the sources set forth above. Under the Series 1996 A Notes Legislation, the Issuer has entered into certain covenants with the Registered Owner, for the terms of which reference is made to said

Series 1996 A Notes Legislation. Remedies provided the Registered Owner are exclusively as provided in the Series 1996 A Notes Legislation, to which reference is here made for a detailed description thereof.

Subject to the requirements for transfer set forth below, this Note is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia. This Note is transferable, as provided in the Series 1996 A Notes Legislation, only by transfer of registration upon the books of the Registrar, to be made at the request of the Registered Owner hereof in person or by his attorney duly authorized in writing, and upon surrender hereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or his duly authorized attorney.

All moneys received from the sale of this Note shall be applied solely to the payment of the costs of the Project and the costs of issuance and related costs described in the Series 1996 A Notes 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 Note.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in issuance of this Note exist, have happened and have been performed in due time, form and manner as required by law, and that the Series 1996 A Notes, together with all other obligations of the Issuer, do not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia.

All provisions of the Series 1996 A Notes Legislation and the statutes under which this Note is issued shall be deemed to be a part of the contract evidenced by this Note to the same extent as if written fully herein.

This Note shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

IN WITNESS WHEREOF, OAKVALE ROAD PUBLIC SERVICE DISTRICT
has caused this Note to be signed by its Chairman and its corporate seal to be hereunto
affixed and attested by its Secretary, and has caused this Note to be dated December 4,
1996.

[SEAL]

Chairman

ATTEST:

Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Note is one of the Series 1996 A Notes described in and issued under the provisions of the within-mentioned Series 1996 A Notes Legislation and has been duly registered in the name of the registered owner set forth above.

Date: _____, 1996.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

By _____
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the Oakvale Road Public Service District Waterworks Facilities Bond and Grant Anticipation Note, Series 1996, in the amount of \$ _____ dated _____, _____, and does hereby irrevocably constitute and appoint _____, attorney, to transfer said Note on the books of the Registrar on behalf of said Issuer with full power of substitution in the premises.

Dated: _____, _____

IN THE PRESENCE OF:

EXHIBIT C - FORM OF PAYMENT REQUISITION

Oakvale Road Public Service District,
Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 A

REQUISITION NO.: _____

DATE: _____

You are authorized to disburse to Oakvale Road Public Service District (the "District") the sum of \$ _____, which will be paid by the District to the payees and in the amounts set forth on the attached.

In accordance with the Resolution of the District adopted February 13, 1996, as amended and supplemented by an Amendatory and Supplemental Notes Resolution adopted December 4, 1996, pursuant to which the above-captioned Series 1996 A Notes were issued (collectively, the "Resolution"), I hereby certify as follows:

1. None of the items for which payment is proposed to be made has formed the basis for any disbursement theretofore made;
2. Each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes either Costs of the Expanded Project or Costs of Issuance, as such terms are defined in the Resolution;
3. Each of such costs has been otherwise properly incurred;
4. Payment for each of the items proposed is now due and owing.
5. The District is in compliance with all provisions of the Resolution.

OAKVALE ROAD PUBLIC SERVICE DISTRICT

By _____
Its Chairman

APPROVED:

WEST VIRGINIA-AMERICAN WATER COMPANY

By _____
Its _____

STAFFORD CONSULTANTS, INC.

By _____
Its _____

EXHIBIT D - AMENDED COMMITMENT

AMENDED COMMITMENT INCLUDED IN
TRANSCRIPT AS DOCUMENT NO. _____

CERTIFICATION

Certified a true copy of a Supplemental and Amendatory Resolution duly adopted by the Public Service Board of Oakvale Road Public Service District on December 4, 1996.

Dated: December 4, 1996.

[SEAL]

Hillis Warren
Secretary

12/03/96
OVJ.V4
667990/96001



(SPECIMEN NOTE)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
OAKVALE ROAD PUBLIC SERVICE DISTRICT
WATERWORKS FACILITIES BOND AND
GRANT ANTICIPATION NOTE, SERIES 1996 A

No. AR-1

\$3,000,000

KNOW ALL MEN BY THESE PRESENTS: That OAKVALE ROAD PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia in Mercer and Summers Counties of said State (the "Issuer") for value received, hereby promises to pay, but only from the sources provided therefor, as hereinafter set forth, to the order of

- ONE VALLEY BANK, NATIONAL ASSOCIATION -

or registered assigns (the "Registered Owner"), on the 31st day of December, 1997 (unless extended in accordance with the provision for extension set forth herein), the principal sum of THREE MILLION DOLLARS (\$3,000,000), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the Record of Advances and Repayments attached hereto and incorporated herein by reference as a part hereof, together with interest on such advances from the date thereof at the rate of 7.43% per annum. All scheduled repayments of advances hereunder shall be applied first to payment of interest accrued hereon and thereafter to payment of principal hereof. All repayments other than scheduled repayments shall be applied to reduction of principal, but any such partial repayments shall not defer payment of or reduce any regularly scheduled payments. Interest shall be computed on the basis of a year of 360 days, payable for the actual number of days elapsed during any portion of a month, and shall be payable in arrears, on the first day of each month, commencing January 1, 1997. In the event any payment of principal of or interest on this Note is not made within 25 days of the date upon which it is due, a late charge of 5% of the amount of such delinquency shall be payable by the Issuer.

The principal of and interest on this Note are payable in any coin or currency which on the date of payment thereof is legal tender for the payment of public and private debts under the laws of the United States of America, at the office of One Valley Bank, National Association, Charleston, West Virginia.

The maximum cumulative principal amount of this Note which may be advanced as of any date shall equal the lesser of (i) \$3,000,000 or (ii) the difference

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between the proceeds of the Series 1996 Bonds (as hereinafter defined) disbursed from time to time to the Issuer as of such date and the sum of \$14,700,000.

This Note is subject to prepayment of principal in whole or in part at any time, without penalty.

The loan evidenced by this Note shall be advanced to the Issuer as requested by the Issuer in accordance with the provisions set forth in the Series 1996 A Notes Legislation, as hereinafter defined, and interest shall accrue on the amount of each advance from its actual date, adjusted for any repayments thereof as shown on the Record of Advances and Repayments attached hereto as a part hereof.

This Note is issued (i) to temporarily finance a portion of the costs of acquisition and construction of certain waterworks facilities of the Issuer (the "Project") (the existing waterworks facilities of the Issuer, the Project and any further extensions, additions, betterments or improvements thereto, are hereinafter referred to as the "System") (ii) to repay a portion of the Issuer's Series 1996 Notes, heretofore issued and outstanding, (iii) to pay initial fees for issuance of a letter of credit partially securing the Series 1996 Bonds, and (iv) to pay the costs of issuance hereof and related costs. This Note 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 of the West Virginia Code of 1931, as amended (the "Act"), a Notes Resolution duly adopted by the Issuer on February 13, 1996, and a Supplemental and Amendatory Notes Resolution adopted by the Issuer on December 4, 1996 (collectively, the "Series 1996 A Notes Legislation"), and is subject to all the terms and conditions thereof.

The principal of and interest on this Note are payable from and secured by a first lien on (i) the proceeds of the \$12,700,000 aggregate principal amount Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Council) (the "Series 1996 Bonds"), issued by the Issuer concurrently herewith to the West Virginia Infrastructure and Jobs Development Council to permanently finance a portion of the cost of acquisition and construction of the Project, (ii) all Grant Receipts (as defined in the Series 1996 A Notes Legislation) received by the Issuer subsequent to the date of delivery of the Series 1996 A Notes, and (iii) the proceeds of additional water revenue bonds anticipated to be issued by the Issuer in 1997. The moneys from these sources shall be paid in the amounts and at the times set forth in the Series 1996 A Notes Legislation.

This Note does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional, statutory or charter provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon except from the sources set forth above. Under the Series 1996 A Notes Legislation, the Issuer has

entered into certain covenants with the Registered Owner, for the terms of which reference is made to said Series 1996 A Notes Legislation. Remedies provided the Registered Owner are exclusively as provided in the Series 1996 A Notes Legislation, to which reference is here made for a detailed description thereof.

Subject to the requirements for transfer set forth below, this Note is, and has all the qualities and incidents of, a negotiable instrument under the Uniform Commercial Code of the State of West Virginia. This Note is transferable, as provided in the Series 1996 A Notes Legislation, only by transfer of registration upon the books of the Registrar, to be made at the request of the Registered Owner hereof in person or by his attorney duly authorized in writing, and upon surrender hereof, together with a written instrument of transfer satisfactory to the Registrar duly executed by the Registered Owner or his duly authorized attorney.

All moneys received from the sale of this Note shall be applied solely to the payment of the costs of the Project and the costs of issuance and related costs described in the Series 1996 A Notes 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 Note.

IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in issuance of this Note exist, have happened and have been performed in due time, form and manner as required by law, and that the Series 1996 A Notes, together with all other obligations of the Issuer, do not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia.

All provisions of the Series 1996 A Notes Legislation and the statutes under which this Note is issued shall be deemed to be a part of the contract evidenced by this Note to the same extent as if written fully herein.

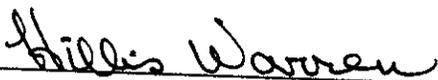
This Note shall not be valid or obligatory unless authenticated and registered by the Registrar by the execution of the Registrar's Certificate of Authentication and Registration attached hereto and incorporated herein.

IN WITNESS WHEREOF, OAKVALE ROAD PUBLIC SERVICE DISTRICT has caused this Note to be signed by its Chairman and its corporate seal to be hereunto affixed and attested by its Secretary, and has caused this Note to be dated Dec. 4, 1996.

[SEAL]


Chairman

ATTEST:


Secretary

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is to certify that this Note is one of the Series 1996 A Notes described in and issued under the provisions of the within-mentioned Series 1996 A Notes Legislation and has been duly registered in the name of the registered owner set forth above.

Date: December 4, 1996.

ONE VALLEY BANK, NATIONAL
ASSOCIATION, as Registrar

By Charlotte Morgan
Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____ the Oakvale Road Public Service District Waterworks Facilities Bond and Grant Anticipation Note, Series 1996, in the amount of \$ _____ dated _____, _____, and does hereby irrevocably constitute and appoint _____, attorney, to transfer said Note on the books of the Registrar on behalf of said Issuer with full power of substitution in the premises.

Dated: _____, _____

IN THE PRESENCE OF:



▼
One Valley Bank
One Valley Square, P.O. Box 1793
Charleston, WV 25326
(304) 348-7000

December 4, 1996

**ONE VALLEY
BANK**

Oakvale Road Public Service District
Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996A

Oakvale Road Public Service District
Princeton, West Virginia

Steptoe & Johnson
Clarksburg, West Virginia

Ladies and Gentlemen:

The undersigned, purchaser of \$3,000,000 aggregate principal amount of Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996A (the "Notes"), issued by Oakvale Road Public Service District (the "Issuer") on the date hereof, hereby makes the following representations and warranties to you that:

1. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal obligations, to be able to evaluate the risks and merits of the investment represented by our purchase of the Notes, and our net worth and available assets are such that we are able to bear the economic risk of our purchase of the Notes.

2. We understand that the entire principal of and interest on the Notes are payable only from and secured by a first lien on (i) the proceeds of the Series 1996 Bonds to be issued by the Issuer to permanently finance all or any portion of the costs of acquisition and construction of the Project; (ii) all Grant Receipts received by the Issuer subsequent to the Closing Date; and (iii) the proceeds of the Series 1997 Bonds anticipated to be issued by the Issuer to permanently finance the remaining costs of the Expanded Project (all as defined in the Supplemental and Amendatory Notes Resolution of the Issuer adopted December 4, 1996); that the Notes are special and limited obligations of the Issuer and are not general obligations or secured by any obligation or pledge of any monies received or to be received by the Issuer other than the sources of funds stated above; that the Notes do not now and shall never

constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

3. We understand that no official statement, prospectus, offering circular or other comprehensive offering statement containing material information with respect to the Issuer or the Notes are being issued, that the Notes are unrated, and that in due diligence, we have made our own inquiry and analysis with respect to the Issuer, the Notes and the security therefor, and other material factors affecting the security for and payment of the Notes, and are relying solely on such inquiry and analysis in our purchase of the Notes.

4. We acknowledge that during the course of the transaction and prior to the sale of the Notes, we have requested or have had access to information, including financial statements and other financial information, to which a reasonable investor would attach significance in making investment decisions, and we have had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Issuer, the Notes and the security therefor, so that as a reasonable investor, we have been able to make our decision to purchase the Notes. No such information requested by us has been denied to us.

5. Because of our experience in financial and business matters, we feel that we are qualified to make the inquiry and analysis described in paragraph 3 and to understand fully the documents and information described in paragraph 4.

6. We understand that the Notes have not been issued on the basis that the interest thereon is or will be excluded from gross income for federal income tax purposes.

7. We understand that the Notes (a) are not being registered under the Securities Act of 1933, as amended, and are not being registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (b) will not be listed on any stock or other securities exchange, (c) will carry no rating from any rating service, and (d) will not be readily marketable.

8. We are purchasing the Notes for investment in our own account and do not intend to divide the Notes purchased by us nor to resell or otherwise dispose of all or any part of the Notes purchased by us, except as permitted by law on a basis of full disclosure to any subsequent holder of the Notes and subject to applicable securities laws and regulations thereunder.

9. We have had the opportunity to consult with and be advised by legal counsel as to the significance of this letter and we have satisfied ourselves that the Notes are a lawful investment for us under all applicable laws.

Very truly your,

ONE VALLEY BANK, NATIONAL ASSOCIATION

By J. Mark Reis
Its VP

1

▼
One Valley Bank
One Valley Square, P.O. Box 1793
Charleston, WV 25326
(304) 348-7000

December 4, 1996

Ronnie R. Stump, President
Oakvale Road Public Service District
P.O. Box 1061
Princeton, West Virginia 24740

ONE VALLEY
BANK

Michael A. Miller, Vice President
West Virginia American Water Company
P. O. Box 1906
Charleston, West Virginia 25327

Re: Oakvale Road Public Service District Project - Amended Commitment

Gentlemen:

Please be advised that, subject to the terms and conditions set forth below, we (the "Bank") have agreed to make and you have agreed to accept modifications to the loan to Oakvale Road Public Service District (as amended, referred to herein as the "Loan"), subject to the terms and conditions set forth below. This Amended Commitment amends our commitment of February 15, 1996 (the "Commitment"). This Amended Commitment is issued at the request of Borrower and Guarantor. The issuance of the bonds by Borrower to the West Virginia Water Development Authority ("WDA"), on behalf of the West Virginia Infrastructure and Jobs Development Council (the "Infrastructure Council"), anticipated in the Commitment will occur in two series, Series 1996, in the principal amount of \$12,700,000, to be issued December 4, 1996 and Series 1997, in the principal amount of \$2,000,000, to be issued in the summer of 1997 (the "Series 1996 Bonds" and "Series 1997 Bonds," respectively). The advances made to date by Lender, \$8,585,851.96, pursuant to the Commitment and the Borrower's Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 ("Original Note"), the Notes Resolution and related documents (the "Original Loan Documents"), together with all interest accrued thereon will be repaid in full upon the issuance of the Series 1996 Bonds, with the exception of \$217,170.30, which will be advanced under the Substitute Note, defined below. After such repayment, Borrower will be able to request advances from the Infrastructure Council under the Series 1996 Bonds, the balance available equaling \$4,192,713.60, and when the Series 1997 Bonds are issued, the proceeds will repay the Substitute Note and all accrued interest thereunder in full.

Borrower and Guarantor have requested that Bank amend its Commitment to provide a revolving line of credit in an amount of up to the lesser of (i) \$3,000,000 or (ii) the difference between the sum of all amounts from time to time advanced pursuant to the 1996 Series Bonds and outstanding thereunder and the aggregate principal amount of both the 1996 Series Bonds and 1997 Series Bonds, being \$14,700,000.

Ronnie R. Stump, President
Michael A. Miller, Vice President
December 4, 1996
Page 2

1. Borrower; Project. The Borrower will be Oakvale Road Public Service District, a public corporation and political subdivision of the State of West Virginia (the "Borrower"). The Loan will be interim financing, pending distribution of the remaining proceeds of the Series 1996 Bonds and the proceeds of the Series 1997 Bonds, to continue construction of the Project. Loan proceeds may be utilized to: (i) pay construction invoices to be submitted for reimbursement pursuant to the Series 1996 Bonds, the Series 1997 Bonds, and the Grants and (ii) pay costs associated with the Loan, the issuance of the letters of credit described in paragraph 10(b) below, and make interest payments on the Loan.

2. The Loan, Evidence of Loan. The Borrower will have the right to request principal advances on the Loan, under the terms hereof, in one or more increments up to the maximum amount available under the Loan, on a revolving basis, with Borrower permitted to draw against the Loan, repay and reborrow under the terms hereof, at any time during the term of the Loan. The Loan will be evidenced by a substitute note for the Original Note of the Borrower (the "Substitute Note") in the principal amount of the Loan, containing terms and conditions as hereinafter set forth. The Loan will continue to be subject to the terms and conditions of the Commitment, as amended hereby, and the bond and note resolution adopted February 13, 1996 (the "Bond and Note Resolution"), as amended.

3. Payments; Late Payments; Term.

(a) Interest shall be paid monthly, in arrears, on the actual outstanding balance of the Loan, commencing January 1, 1997.

(b) Advances must be repaid immediately upon receipt of the proceeds, as disbursed, from the Series 1996 Bonds and the Substitute Note must be paid in full upon the issuance of the Series 1997 Bonds.

(c) Advances utilized to pay invoices submitted for reimbursement under the grants identified in Exhibit A hereto, which reflects modifications to and updates Exhibit B to the Commitment, (collectively the "Grants" or, individually, a "Grant") must be repaid in the amount of the reimbursement (the "Grant receipt") received under such Grant immediately upon receipt and will be applied to reduce the outstanding principal balance of the Loan. Principal may be prepaid at any time without penalty.

(d) All scheduled payments on Loan shall be due and payable on the first day of each month. In the event any payment is not made within 25 days of when due, the Bank will impose a late charge equal to 5% of the delinquent amount.

Ronnie R. Stump, President
Michael A. Miller, Vice President
December 4, 1996
Page 3

(e) The Loan, including all unpaid accrued interest thereon, shall be payable in full on December 31, 1997 (the "Term").

4. Interest Rate. The interest rate shall equal 2% above the one year Treasury Bill rate on the date of the closing, to be determined by Bank, estimated to be 7.43% per annum.

5. Guaranty of Loan. The Loan will continue to be fully and unconditionally guaranteed by West Virginia American Water Company, a West Virginia corporation. By execution of this Amended Commitment, Guarantor hereby confirms the continuation of its Guaranty as to the Loan as contemplated by this Amended Commitment and evidenced by the Substitute Note and the Amended Bond and Note Resolution, with the aggregate amount of the loan limited as provided in the first paragraph hereof.

6. Preparation of Documents. All documents for the Loan, as amended, will either be prepared by our counsel or will be subject to their review and approval as to substance and form.

7. Conditions for Funding of the Loan. The obligation of the Bank to continue to make advances under the Loan, as evidenced by the Substitute Note, is subject to the receipt by the Bank of the following, all of which must be in form and substance acceptable to the Bank:

(a) All the appropriate documents with respect to the Loan amendments to the Loan, including this Amended Commitment, the Substitute Note, the Amended Bond and Note Resolution, and confirmation of the continuation of the Guaranty Agreement, duly executed and delivered by the Borrower, Guarantor and all necessary third-parties.

(b) Evidence of all necessary approvals of the amendments to the Loan transaction and documents by the Public Service Board of the Borrower and by all third-parties whose approval or consent, in the Bank's reasonable judgment, is necessary or desirable.

(c) Opinions of bond counsel, counsel for the Borrower and counsel for the Guarantor concerning such aspects of the Loan transaction and documents as the Bank may reasonably require.

(d) An updated construction budget and schedule of estimated advances for the balance of the Project.

Ronnie R. Stump, President
Michael A. Miller, Vice President
December 4, 1996
Page 4

(e) Copies of all construction and engineering contracts not previously provided.

(f) All other agreements and requirements reasonably requested by Bank will be complied with even though not specifically set forth herein.

8. Representations and Warranties. To induce the Bank to enter into this Amended Commitment and to make the Loan, each of the Borrower and Guarantor, as appropriate, represent and warrant to the Bank solely with respect to such party that:

(a) The Borrower and the Guarantor are each duly authorized to execute and deliver this Amended Commitment and the documents which will ultimately evidence the amendments to the Loan, as amended (collectively, the "Amended Loan Documents"). All necessary corporate and other action to authorize the amended execution and delivery of this Amended Commitment and the Amended Loan Documents has been properly taken and the Borrower and the Guarantor are and will continue to be duly authorized to borrow hereunder and to perform all the terms and conditions of this Amended Commitment and the other Amended Loan Documents.

(b) This Amended Commitment has been duly and validly executed and delivered by the Borrower and the Guarantor and constitutes a valid and legally binding agreement of each, enforceable in accordance with its terms, and the Amended Loan Documents, when duly executed and delivered by the Borrower and the Guarantor, as appropriate, pursuant to the provisions hereof, will constitute valid and binding obligations of each, enforceable in accordance with their terms, except as limited by bankruptcy, insolvency, moratorium or other laws of general application to creditors.

(c) Neither the execution and delivery of this Amended Commitment nor compliance with the terms, conditions and provisions hereof, or of the Amended Loan Documents to be executed in connection herewith, will conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, the organizational documents of Borrower or Guarantor, or of any law or regulation, order, writ, injunction or decree of any court or governmental agency, or of any agreement by which the Borrower or the Guarantor is bound, and does not and will not require any approval or consent of any federal, state or local governmental body that has not been obtained and which remains in full force and effect on the date hereof.

(d) No legal actions or proceedings are pending or, to the knowledge of the Borrower and the Guarantor, threatened against or affecting the Borrower or the Guarantor,

Ronnie R. Stump, President
Michael A. Miller, Vice President
December 4, 1996
Page 5

before any court or governmental department or agency, the result of which might substantially impair the Borrower or the Guarantor's operations, or the financial condition of the Borrower or the Guarantor, or the ability of either to repay the Loan.

(e) The Borrower and the Guarantor hereby certify, each on their own behalf only, that there is no breach or default under that certain Agreement dated as of May 8, 1995 (the "WVAWC Agreement") between Borrower and WVAWC and the Memorandum of Understanding between WVAWC and Borrower (undated) regarding, among other things, WVAWC's commitment to guaranty interim construction financing of the Project, or of any construction contract to which either is a party relating to the Project.

9. Provisions of the Bond and Note Resolution. The amendments to the Bond and Note Resolution will contain the terms of this Amended Commitment and will provide that, except for the express amendments, the terms of the Bond and Note Resolution remain in full force and effect.

10. Other Conditions and Provisions.

(a) Regardless of whether the amendments to the Loan are effected, the Borrower will pay all of the Bank's expenses in connection therewith, including the fees of Bank's counsel.

(b) Borrower and Guarantor have requested, and Bank has agreed, that Bank shall issue a letter (or letters) of credit in favor of the Infrastructure Council, for the account of Borrower, upon the application of Guarantor, which shall be in lieu of a funded debt service reserve, in connection with the Series 1996 Bonds and the Series 1997 Bonds. A draw against the letter(s) of credit shall constitute an additional Event of Default under the Commitment, the Amended Commitment, the amended Bond and Note Resolution and the Substitute Note.

(c) All documents, conditions or requirements of Borrower or Guarantor which may reasonably be requested by the Bank or its counsel will be complied with even though not specifically set forth herein.

The Commitment remains in full force and effect, except as expressly amended hereby. Capitalized terms utilized herein shall have the same meaning as in the Commitment, unless otherwise defined herein.

Ronnie R. Stump, President
Michael A. Miller, Vice President
December 4, 1996
Page 6

Please evidence your acceptance of an agreement to the terms of this Amended Commitment by signing and returning a duplicate hereof on or before December 4, 1996; otherwise this Commitment will expire.

Thank you for the opportunity to be of service to Oakvale Road Public Service District and West Virginia-American Water Company. If you have any questions, please call me at 348-7368.

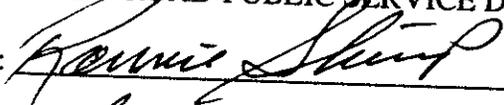
Very truly yours,

J. Mark Bias, Vice President

Accepted and Agreed:

Borrower:

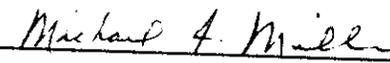
OAKVALE ROAD PUBLIC SERVICE DISTRICT

By: 

Its: Chairman

Guarantor:

WEST VIRGINIA AMERICAN WATER COMPANY

By: 

Its: V.P. & Treasurer

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FORM OF PAYMENT REQUISITION

Oakvale Road Public Service District,
Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 A

REQUISITION NO.: _____

DATE: _____

You are authorized to disburse to Oakvale Road Public Service District (the "District") the sum of \$ _____, which will be paid by the District to the payees and in the amounts set forth on the attached.

In accordance with the Resolution of the District adopted February 13, 1996, as amended and supplemented by an Amendatory and Supplemental Notes Resolution adopted December 4, 1996, pursuant to which the above-captioned Series 1996 A Notes were issued (collectively, the "Resolution"), I hereby certify as follows:

- I. None of the items for which payment is proposed to be made has formed the basis for any disbursement theretofore made;
- II. Each item for which the payment is proposed to be made is or was necessary in connection with the Project and constitutes either Costs of the Expanded Project or Costs of Issuance, as such terms are defined in the Resolution;
- III. Each of such costs has been otherwise properly incurred;
- IV. Payment for each of the items proposed is now due and owing.
- V. The District is in compliance with all provisions of the Resolution.

OAKVALE ROAD PUBLIC SERVICE DISTRICT

By _____
Its Chairman

APPROVED:

WEST VIRGINIA-AMERICAN WATER COMPANY

By _____
Its _____

STAFFORD CONSULTANTS, INC.

By _____
Its _____

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3

STEPTOE & JOHNSON

ATTORNEYS AT LAW

SIXTH FLOOR

BANK ONE CENTER

P. O. BOX 2190

CLARKSBURG, W. VA. 26302-2190

(304) 624-8000

FACSIMILE (304) 624-8183

THE BRYAN CENTRE

P. O. BOX 570

62 WEST WASHINGTON STREET, FOURTH FLOOR

HAGERSTOWN, MARYLAND 21740-0570

(301) 739-8600

FACSIMILE (301) 739-8742

FOURTH FLOOR - RILEY BUILDING

P. O. BOX 150

14TH AND CHAPLINE STREETS

WHEELING, W. VA. 26003-0020

(304) 233-0000

FACSIMILE (304) 233-0014

THE PMC BUILDING, SUITE 101

P. O. BOX 628

417 GRAND PARK DRIVE

PARKERSBURG, W. VA. 26102-0628

(304) 422-6463

FACSIMILE (304) 422-6462

WRITER'S DIRECT DIAL NUMBER

December 4, 1996

Oakvale Road Public Service District Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 A

Oakvale Road Public Service District
Princeton, West Virginia

West Virginia-American Water Company
Charleston, West Virginia

One Valley Bank, National Association
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by Oakvale Road 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 \$3,000,000 Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 A, dated the date hereof (the "Notes").

The Notes are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Notes Resolution duly adopted by the Issuer on February 13, 1996, as supplemented and amended by a Supplemental and Amendatory Notes Resolution adopted December 4, 1996 (collectively, the "Notes Resolution"), for the purposes of (i) temporarily financing a portion of the costs of acquisition and construction of certain waterworks facilities of the Issuer (the "Project"); (ii) repaying a portion of the Issuer's Series 1996 Notes, heretofore issued and outstanding; (iii) paying initial fees for issuance of a letter of credit partially securing the Series 1996 Bonds; and (iv) paying costs of issuance and related costs. Capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Notes Resolution when used herein.

The Notes have been sold to One Valley Bank, National Association, Charleston, West Virginia (the "Purchaser"), pursuant to a commitment letter dated February 13, 1996, as amended on December 4, 1996 (the "Commitment").

In connection with this opinion, we have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of the Notes, the Notes Resolution, the Commitment

and such other documents and certificates and have conducted such investigations of law, as we have deemed necessary for purposes of rendering this opinion. We have assumed the authenticity of all documents and certificates submitted to us as originals, the conformity to originals of all documents and certificates submitted to us as copies, and the due authorization, execution and delivery of all such documents and certificates by other parties thereto, if any.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

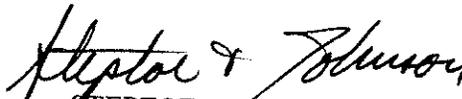
1. The Issuer is a duly created and validly existing public service district, public corporation and political subdivision of the State of West Virginia, with corporate power and authority to acquire and construct the Project, to operate and maintain the System and to issue and sell the Notes, all under the Act and other applicable provisions of law.
2. The Notes Resolution and all other necessary orders and resolutions have been duly and effectively adopted by the Issuer and constitute valid and binding obligations of the Issuer enforceable upon the Issuer.
3. The Notes have been duly authorized, issued, executed and delivered by the Issuer to the Purchaser and are valid, legally enforceable and binding special obligations of the Issuer, payable only from and secured by a first lien on (i) the proceeds of the Series 1996 Bonds to be issued by the Issuer to permanently finance all or any portion of the costs of acquisition and construction of the Project; (ii) all Grant Receipts received by the Issuer subsequent to the Closing Date; and (iii) the proceeds of the Series 1997 Bonds anticipated to be issued by the Issuer to permanently finance the remaining Costs of the Expanded Project.
4. The Notes are, under the Act, exempt from direct taxation by the State of West Virginia, and the other taxing bodies of the State, and the interest on the Notes is exempt from personal and corporate income taxes imposed directly thereon by the State of West Virginia.
5. The approval of the Commitment has been duly authorized, executed and delivered by the Issuer, and the provisions thereof relating to the Issuer are legally enforceable against the Issuer in accordance with their terms.

It is to be understood that the rights of the holders of the Notes and the enforceability of the Commitment, the Notes, the Notes Resolution and the liens and pledges set forth therein, may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the application of public policy and the exercise of judicial discretion in appropriate cases.

Oakvale Road Public Service District, et al.
Page 3

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

Very truly yours,


STEPTOE & JOHNSON

12/03/96
OVJ.X1
667990/96001

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JACKSON & KELLY
ATTORNEYS AT LAW

300 FOXCROFT AVENUE
MARTINSBURG, WEST VIRGINIA 25401
TELEPHONE 304-263-8800

256 RUSSELL AVENUE
NEW MARTINSVILLE, WEST VIRGINIA 26155
TELEPHONE 304-455-1751

6000 HAMPTON CENTER
MORGANTOWN, WEST VIRGINIA 26505
TELEPHONE 304-599-3000

700 EAST WASHINGTON STREET
CHARLES TOWN, WEST VIRGINIA 25414
TELEPHONE 304-728-6086

412 MARKET STREET
PARKERSBURG, WEST VIRGINIA 26101
TELEPHONE 304-424-3490

1600 LAIDLEY TOWER
P. O. BOX 553

CHARLESTON, WEST VIRGINIA 25322

TELEPHONE 304-340-1000 TELECOPIER 304-340-1130

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1660 LINCOLN STREET
DENVER, COLORADO 80264
TELEPHONE 303-837-0003

175 EAST MAIN STREET
LEXINGTON, KENTUCKY 40596
TELEPHONE 606-255-9500

2401 PENNSYLVANIA AVENUE N.W.
WASHINGTON, D.C. 20037
TELEPHONE 202-973-0200

1000 TECHNOLOGY DRIVE
FAIRMONT, WEST VIRGINIA 26554
TELEPHONE 304-368-2000

*Jackson & Kelly is a member of Lex
Mundi, a global association of more
than 120 independent law firms*

December 4, 1996

West Virginia-American Water Company
Charleston, West Virginia

One Valley Bank, National Association
Charleston, West Virginia

Oakvale Road Public Service District
Princeton, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Infrastructure and
Jobs Development Council
Charleston, West Virginia

Re: Oakvale Road Public Service District Waterworks Facilities Bond and
Grant Anticipation Notes, dated February 15, 1996, as modified
December 4, 1996

Ladies and Gentlemen:

We have served as counsel to West Virginia-American Water Company, a West Virginia corporation (the "Company"), in connection with a Guaranty by the Company of payment of the above-captioned Notes (the "Notes"). The Notes are being issued by Oakvale Road Public Service District (the "Issuer") under Chapter 16, Article 13A of the West Virginia Code of 1931, as amended (the "Act"), and a Notes Resolution duly adopted by the Issuer on February 13, 1996, as modified and amended by Resolution of the Issuer dated December 4, 1996 (the "Notes Resolution"), to temporarily finance a portion of the costs of acquisition and construction of certain waterworks facilities of the Issuer (the "Project") and to pay certain costs of issuance and related costs. Capitalized terms used herein and not otherwise defined herein shall have the same meaning set forth in the Notes Resolution when used herein.

West Virginia-American Water Company
Oakvale Road Public Service District
West Virginia Infrastructure and Jobs
Development Council
One Valley Bank, National Association
West Virginia Water Development Authority
December 4, 1996
Page 2

The Notes have been sold to One Valley Bank, National Association, Charleston, West Virginia (the "Purchaser"), pursuant to a commitment letter dated January 24, 1996, as modified by amended commitment letter dated December 4, 1996. The Notes are expected to be paid from the proceeds of certain Bonds issued on December 4, 1996, and anticipated to be issued on or before December 1, 1997, by the Issuer to permanently finance all or any portion of the costs of acquisition and construction of the Project, all Grant Receipts received by the Issuer subsequent to the Closing Date and Net Revenues, if any, derived from the operation of the System. The Notes are further secured by a Guaranty Agreement (the "Guaranty") dated as of February 15, 1996, by and between the Company and the Purchaser, modified by letter dated November 25, 1996, from the Company to the District and the Purchaser, whereby the Company has agreed to guaranty the payment of the Notes in the event the proceeds of the Series 1996 Bonds, the Grant Receipts and the Net Revenues are insufficient or unavailable to pay the Notes when due.

In connection with this opinion, we have examined and relied upon originals or copies, certified or otherwise identified to our satisfaction, of the Articles of Incorporation, a Certificate of Good Standing and the By-laws of the Company, and all amendments thereto, the Guaranty and such other records, instruments, agreements, certificates (including, without limitation, certificates of public officials and of officers of the Company) and other documents (collectively, the "Documents"), and have conducted such investigations of law, as we have deemed necessary for purposes of rendering this opinion. We have assumed the authenticity of the Documents submitted to us as originals and the conformity to originals of the Documents submitted to us as copies. We have assumed due authorization, execution and delivery of the Documents by the other parties thereto, if any. As to factual matters necessary for our opinion rendered herein, we have relied upon certificates of the Company with respect thereto without independently verifying the same.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Company is a corporation duly created, validly existing and in good standing under the laws of the State of West Virginia, is qualified to do business in the State

West Virginia-American Water Company
Oakvale Road Public Service District
West Virginia Infrastructure and Jobs
Development Council
One Valley Bank, National Association
West Virginia Water Development Authority
December 4, 1996
Page 3

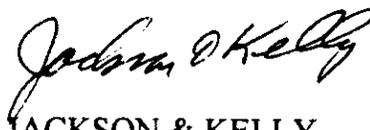
of West Virginia, and has full power and authority to execute and deliver the Documents to which the Company is a party and to undertake and perform its obligations thereunder.

2. The Documents to which the Company is a party have been duly authorized, executed and delivered by the Company, are valid and binding upon the Company, and are legally enforceable against the Company in accordance with the respective terms thereof so as to provide to the other respective parties the substantial enjoyment of the rights and benefits provided for therein, except as may be limited by the laws of bankruptcy, reorganization or other similar laws relating to or affecting the enforcement of creditors' rights generally, by the application of public policy or by the exercise of judicial discretion.

3. To our knowledge, there is no litigation, action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened, against or affecting the Company, wherein an unfavorable decision, ruling or finding would materially adversely affect the Company or the financial condition or operations of the Company, or the transactions contemplated by the Documents to which the Company is a party, or which would materially adversely affect the Documents to which the Company is a party.

4. To our knowledge, the execution, delivery and performance of and compliance with the provisions of the Documents to which the Company is a party do not and will not violate, conflict with, or constitute or result in a breach of or default under, the Articles of Incorporation or By-laws of the Company or any material agreement, instrument, document, indenture, mortgage, deed of trust, lease, contract, law, judgment, decree, order, statute, rule or regulation to which the Company is a party, by which the Company or its properties are bound or which may otherwise be applicable to the Company.

Very truly yours,



JACKSON & KELLY

OAKVALE ROAD PUBLIC SERVICE DISTRICT

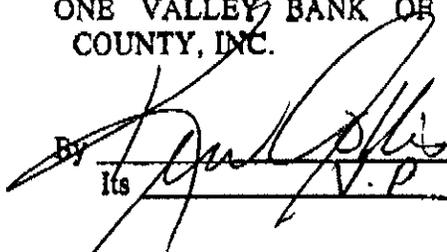
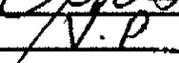
Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

ACCEPTANCE OF DUTIES AS DEPOSITORY BANK

ONE VALLEY BANK OF MERCER COUNTY, INC., a West Virginia banking corporation, with its principal office in Princeton, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Resolution of Oakvale Road Public Service District (the "Issuer"), adopted December 4, 1996, and a Supplemental Resolution of the Issuer adopted December 4, 1996 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), dated December 4, 1996 in the principal amount of \$12,700,000 (the "Bonds"), and agrees to perform all duties of Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

WITNESS my signature on this 4th day of December, 1996.

ONE VALLEY BANK OF MERCER
COUNTY, INC.

By  _____
Its  _____

OAKVALE ROAD PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

ACCEPTANCE OF DUTIES AS REGISTRAR

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association, with its principal office in Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Oakvale Road Public Service District Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), dated December 4, 1996, in the principal amount of \$12,700,000 (the "Bonds"), and agrees to perform all duties of Registrar in connection with such Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 4th day of December, 1996.

ONE VALLEY BANK, NATIONAL
ASSOCIATION


Assistant Vice President

11/26/96
OVJM.02
667990/96001

OAKVALE ROAD PUBLIC SERVICE DISTRICT

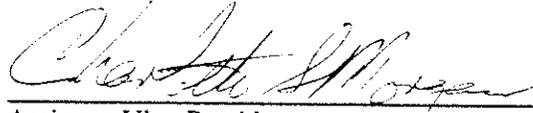
Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

CERTIFICATE OF REGISTRATION OF BONDS

ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association, with its principal office in Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned bonds of Oakvale Road Public Service District (the "Issuer"), hereby certifies that on the day hereof, the single, fully registered Oakvale Road Public Service District Water Revenue Bond, Series 1996 (West Virginia Infrastructure Fund), of the Issuer, dated December 4, 1996, in the principal amount of \$12,700,000, numbered R-1, was registered as to principal and interest in the name of "West Virginia Water Development Authority" in the books of the Issuer kept for that purpose at our office, by a duly authorized officer on behalf of One Valley Bank, National Association, as Registrar.

WITNESS my signature on this 4th day of December, 1996.

ONE VALLEY BANK, NATIONAL
ASSOCIATION



Assistant Vice President

11/26/96
OVJM.P2
667990/96001

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 4th day of December, 1996, by and between OAKVALE ROAD PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia (the "Issuer"), and ONE VALLEY BANK, NATIONAL ASSOCIATION, a national banking association (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$12,700,000 Water Revenue Bonds, Series 1996 (West Virginia Infrastructure Fund), in fully registered form (the "Bonds"), pursuant to a Bond Resolution of the Issuer adopted December 4, 1996, and a Supplemental Resolution of the Issuer adopted December 4, 1996 (collectively, the "Bond Legislation");

WHEREAS, capitalized words and terms used in this Registrar's Agreement and not otherwise defined herein shall have the respective meanings given them in the Bond Legislation, a copy of which is attached as Exhibit A hereto and incorporated herein by reference;

WHEREAS, the Bond Legislation provides for an appointment by the Issuer of a Registrar for the Bonds; and

WHEREAS, the Issuer desires to appoint, and by the Bond Legislation and this Registrar's Agreement does appoint, the Registrar to act as Registrar under the Bond Legislation and to take certain other actions hereinafter set forth;

NOW, THEREFORE, it is agreed by and between the parties hereto as follows:

1. Upon the execution of this Registrar's Agreement by the Issuer and the Registrar and during the term hereof, the Registrar does accept and shall have and carry out the powers and duties of Registrar for the Bonds, all as set forth in the Bond Legislation, such duties including, among other things, the duties to authenticate, register and deliver Bonds upon original issuance and when properly presented for exchange or transfer, and shall do so with the intention of maintaining the exclusion of interest on the Bonds from gross income for federal income tax purposes, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar, from time to time, the compensation for services rendered as provided in the annexed schedule and reimbursement for reasonable expenses incurred in connection therewith.

5. It is intended that this Registrar's Agreement shall carry out and implement provisions of the Bond Legislation with respect to the Registrar. In the event of any conflict between the terms of this Registrar's Agreement and the Bond Legislation, the terms of the Bond Legislation shall govern.

6. The Issuer and the Registrar each warrants and represents that it is duly authorized and empowered to execute and enter into this Registrar's Agreement and that neither such execution nor the performance of its duties hereunder or under the Bond Legislation will violate any order, decree or agreement to which it is a party or by which it is bound.

7. This Registrar's Agreement may be terminated by either party upon 60 days' written notice sent by registered or certified mail to the other party, at the following respective addresses:

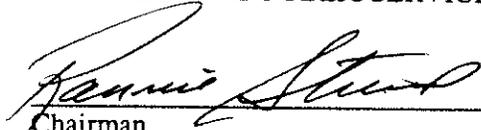
ISSUER: Oakvale Road Public Service District
Post Office Box 1061
Princeton, West Virginia 24740
Attention: Chairman

REGISTRAR: One Valley Bank, National Association
Post Office Box 1793
One Valley Square
Charleston, West Virginia 25326
Attention: Corporate Trust Department

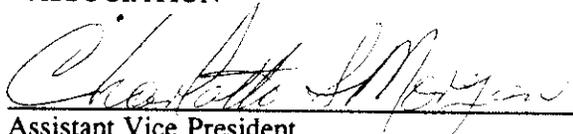
8. The Registrar is hereby requested and authorized to authenticate and deliver the Bonds in accordance with the Bond Legislation.

IN WITNESS WHEREOF, OAKVALE ROAD 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 written above.

OAKVALE ROAD PUBLIC SERVICE DISTRICT


Chairman

ONE VALLEY BANK, NATIONAL ASSOCIATION


Assistant Vice President

12/03/96
OVJ.Q3
6679990/96001

Invoice

**ONE VALLEY
BANK**

OAKDALE ROAD PUBLIC SERVICE DISTRICT

DATE DECEMBER 4, 1996

UNITS	ITEM DESCRIPTION	TOTAL
	<p>\$12,700,000 PAR OAKDALE ROAD PUBLIC SERVICE DISTRICT WATER REVENUE BONDS, 1996 SERIES AND \$3,000,000 OAKDALE WATERWORKS FACILITIES BOND AND GRANT ANTICIPATION NOTES, REFUNDING 1986 SERIES A.</p> <p>ONE TIME FEE FOR SERVICES AS REGISTRAR AND AUTHENTICATING AGENT.....</p>	<p>\$500.00</p>

SEND REMITTANCE TO: One Valley Bank
One Financial Place - 6th Floor
One Valley Square
P.O. Box 1793
Charleston, WV 25326
ATTN: CHARLOTTE S MORGAN



STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 25305

GASTON CAPERTON
GOVERNOR

October 12, 1993

The Honorable Lonnie Mullins
President
Summers County Commission
Post Office Box 97
Hinton, West Virginia 25951

Dear Commissioner Mullins:

Thank you for your application to the Small Cities Block Grant Program for fiscal year 1993.

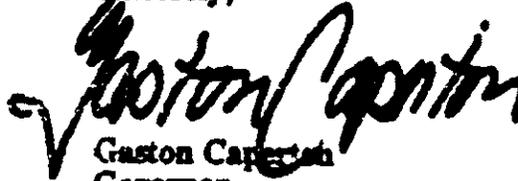
I am pleased to approve your request in the amount of \$3,000,000. These funds will enable you to construct a component of the Mercer/Summers regional water project.

This commitment is conditioned upon approval by the Board of Directors of the West Virginia-American Water Company of \$14 million they allocated to the project and recognition by the West Virginia Public Service Commission of this amount in rate base. This Small Cities Block Grant commitment is also conditioned upon the availability of the other funding necessary to bring this project fruition.

In order to most effectively use the limited dollars available, I hereby commit \$1,475,000 from our fiscal year 1993 allocation. The remaining \$1,525,000 necessary to complete this project will be evaluated and committed in the coming fiscal year. I encourage you to expedite this project and reach its completion as quickly as possible with this funding strategy in mind. The West Virginia Development Office, Community Development staff, will contact you to complete the necessary contracts in order to proceed with your project.

It is with pleasure that I am able to work with you to make this project a reality.

Sincerely,


Gaston Caperton
Governor

GC:tlb

cc: City of Hinton
City of Princeton
Mercer County Commission

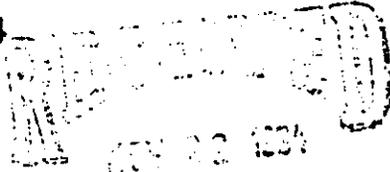
COPY



STATE OF WEST VIRGINIA
OFFICE OF THE GOVERNOR
CHARLESTON 25305

GASTON CAPERTON
GOVERNOR

November 18, 1994



REGIONAL PLANNING AND
DEVELOPMENT COUNCIL

The Honorable Lonnie R. Mullins
President
Summers County Commission
Post Office Box 97
Hinton, West Virginia 25951

Dear Commissioner Mullins:

On October 12, 1993, the Summers County Commission was awarded a Small Cities Block Grant (SCBG) in the amount of \$3,000,000 for the Summers/Mercer County water project.

In order to most effectively utilize the limited dollars available and to time the obligation of funds closer to when they are actually needed, \$1,475,000 was committed from the FY1993 allocation with an additional commitment to evaluate progress and provide the remaining \$500,000 from future funding.

In order to not delay the completion of this project, I am pleased to approve the remaining \$1,525,000. It is extremely important that the final design be completed and the project under construction as soon as possible. I encourage you to monitor the progress of this project closely to achieve that purpose.

The Community Development staff will be contacting you to assist in the changes necessary to amend your SCBG contract. If you have any questions, please do not hesitate to contact Ms. Jeanna Hayhurst at 558-4010.

Sincerely,

Gaston Caperton
Governor

GC:lls

cc: City of Hinton
City of Princeton
✓ Mercer County Commission

Mercer County, West Virginia



Easton Caperton, Governor

Dyan Brasington, Executive Director

WEST VIRGINIA DEVELOPMENT OFFICE
CHARLESTON, WV 25305-0311

September 8, 1994

The Honorable Lonnie Mullins
President
Summers County Commission
Box 97
Hinton, West Virginia 25951



Dear Commissioner Mullins:

Congratulations on the approval of a \$990,318 Appalachian Regional Commission (ARC) grant, for a total project cost of \$1,287,897, to the Summers County Commission for the Summers County Water Project. A copy of the approval letter is enclosed.

It is our understanding that the Tennessee Valley Authority (TVA) will administer the project following their rules and regulations. Should there be a need for any changes in the scope of the project or project funding, a request should be made to the West Virginia Development Office.

Please be aware that ARC funds are considered to be the last source of funding committed to a project. Should there be a cost overrun, the funds not used are considered Appalachian Regional Commission funds and would be returned to the Commission.

If you should have any questions, please feel free to contact me at 558-2001.

Sincerely,

A handwritten signature in blue ink, which appears to be "C. M. VanKirk", is written over a large, bold, black "RECEIVED" stamp.

C. M. VanKirk
ARC Representative

CMV:cc

Enclosure

cc: Mr. Norman Kirkham, Region I
Ms. Cynthia Stoker, TVA

Handwritten signature

SEP - 6

RECEIVED
SEP 12 1994

REGION I PLANNING AND
DEVELOPMENT COUNCIL

August 29, 1994

Honorable Gaston Caperton
Governor of West Virginia
State Capitol
Charleston, West Virginia 25305

Re: Summers County Water Project
(WV-11611-94-I-214-0518)

Dear Governor Caperton:

Enclosed is a copy of the Appalachian Regional Commission's approval of a grant for the referenced project dated August 19, 1994.

Appalachian Regional Commission funds in the amount of \$990,318 have been made available to the Manager, Planning & Development Services, Special Opportunities Counties, Tennessee Valley Authority.

Sincerely yours,

THOMAS M. HUNTER
Executive Director

Enclosure

cc: State Alternate
Ralph Goolsby *[Signature]*
WFlumer/JDemchalk
Files

TMH/cty 8/29/94

J: Charles E. Shoopman, Jr.
Manager, Planning & Development Services
Special Opportunities Counties
Tennessee Valley Authority
1E Old City Hall Building
400 West Summit Hill Drive
Knoxville, Tennessee 37902

The Appalachian Regional Commission has approved a project for assistance under the Appalachian Regional Development Act of 1965 as amended, as follows:

Summers County Water Project, West Virginia - WV-11611-94-I-302-0518
Grantee: Summers County Commission

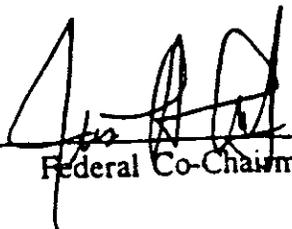
ARC Section 302	\$ 990,318	80%
Non-Federal	<u>247,579</u>	<u>20%</u>
Total Eligible Project Cost	\$1,237,897	100%
Ineligible Cost	<u>50,000</u>	
Total Project Cost	\$1,287,897	

Time Limitation. As the Commission may revoke or revise its approval of any project (except for Section 201 projects) if not underway within 18 months after the ARC approval date, please advise ARC when allowable activity has begun.

Underrun. ARC funds are limited to the lesser of (1) the amount specified in ARC's most recent approval or (2) the difference between the actual eligible project cost and the sum of the actual non-ARC basic grants and the non-federal funds specified in ARC's most recent approval, unless otherwise directed by the Commission.

Section 201 Funding Limitation. ARC assistance is established at the percentage amount specified above up to the above specified dollar amount. In no case shall ARC assistance exceed 80 percent of actual eligible project cost.

Advisory Note for Education Projects. The State education agency monitoring this grant is requested to advise the grantee that the memorandum "Closeout of ARC-Assisted Education Projects-Clarification (P.L. 89-4, Sections 211(a), 211(b) and 214)", dated April 14, 1978, and disseminated by the Division of Vocational and Technical Education, U.S. Office of Education, prescribes closeout procedures to be adhered to in closing out this project.

APPROVED: 
Federal Co-Chairman

AUG 19 1994
Date



UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Economic Development
Washington, D.C. 20230

JUN 5 1965

In reply refer to:
Award No.: 01-01-03474

Mr. Lonnie Mullens
President
Summers County Commission
Ballengee Street, P.O. Box 97
Hinton, WV 25951

Mr. Ronnie Stump
Chairman
Oakvale Road Public Service
District
Athens Road, P.O. Box 1061
Princeton, WV 24740

Gentlemen:

I am pleased to inform you of the approval of your application to the Economic Development Administration (EDA) for the construction of a 7.5 mile public water system.

This assistance is to provide adequate public water service to distressed areas of Summers County to permit economic growth that will create employment opportunities. By way of this letter, I am authorizing John E. Corrigan, Regional Director of the Philadelphia Regional Office, to release the Financial Assistance Award to you.

You are cautioned not to make any commitments in reliance on this announcement until you have received and carefully reviewed the terms and conditions of the Financial Assistance Award and have determined that you can comply with them.

EDA shares your expectations regarding the impact of this project. It is our hope that your project, when successfully completed, will be an integral part of your community's plans for local economic development and that it will assist in achieving lasting improvement for your community.

Sincerely,

Wilbur F. Hawkins
Acting Assistant Secretary
for Economic Development

GRANT COOPERATIVE AGREEMENT

FINANCIAL ASSISTANCE AWARD

ACCOUNTING CODE

AWARDEE NAME
Summers County Commission and Oakvale Road Public Service District

AWARD NUMBER
01-01-03474

STREET ADDRESS
Ballingee Street, P.O. Box 97

FEDERAL SHARE OF COST
\$ 990,000

CITY, STATE, ZIP CODE
Hinton, WV 25951

RECIPIENT SHARE OF COST
\$ 328,000

AWARD PERIOD
From date of approval to 24 months after approval

TOTAL ESTIMATED COST
\$1,318,000

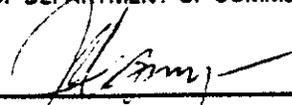
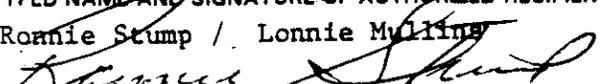
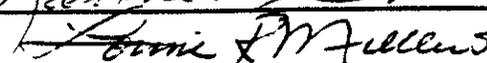
DEPARTMENT OF COMMERCE OPERATING UNIT
Economic Development Administration

AUTHORITY
(42 U.S.C. 3121 et.seq.) Public Works and Economic Development Act of 1965 as amended.

PROJECT TITLE
Construction of Public Water System

This Award approved by the Grants Officer is issued in duplicate and constitutes an obligation of Federal funding. By signing the two documents, the Recipient agrees to comply with the Award provisions checked below and attached. Upon acceptance by the Recipient, one signed Award document shall be returned to the Grants Officer and the second document shall be retained by the Recipient. If not signed and returned by the Recipient within 15 days of receipt, the Grants Officer may declare this Award null and void.

- Department of Commerce Financial Assistance Standard Terms and Conditions
- Special Award Conditions
- Line Item Budget
- OMB Circular A-21, Cost Principles for Educational Institutions
- OMB Circular A-87, Cost Principles for State and Local Governments
- OMB Circular A-110, Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations Uniform Administrative Requirements
- OMB Circular A-122, Cost Principles for Nonprofit Organizations
- 15 CFR Part 24, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments
- 15 CFR Part 29a, Audit Requirements for State and Local Governments
- 15 CFR Part 29b, Audit Requirements for Institutions of Higher Education and Other Nonprofit Organizations
- 48 CFR Part 31, Contract Cost Principles and Procedures
- Other(s): _

SIGNATURE OF DEPARTMENT OF COMMERCE GRANTS OFFICER 	TITLE JOHN E. CORRIGAN REGIONAL DIRECTOR	DATE 6/12/95
TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL Ronnie Stump / Lonnie Mullins  	TITLE PSD Chairman/ President of County Commission	DATE 6-20-95 6/26/95

CD-450
continued
EDA Project No.: 01-01-03474

FINANCIAL ASSISTANCE AWARD

Second Recipient:

Oakvale Road Public Service District
Ballinger Street, P.O. Box 97
Hinton, WV 25951

TYPED NAME AND SIGNATURE OF AUTHORIZED RECIPIENT OFFICIAL

NAME: *Forrest Steung* | *Forrest F. M. Fucini* 6/26/95
TITLE: PSD Chairman/ President County Commission DATE: 6-26-95

PROJECT COOPERATION AGREEMENT
BETWEEN
THE DEPARTMENT OF THE ARMY
AND
OAKVALE ROAD PUBLIC SERVICE DISTRICT
FOR DESIGN OF THE
MERCER COUNTY WATER DISTRIBUTION SYSTEM PROJECT
MERCER COUNTY, WEST VIRGINIA

THIS AGREEMENT is entered into this 29th day of August, 1995, by and between the DEPARTMENT OF THE ARMY (hereinafter the "Government"), represented by the District Engineer of the Huntington District, U. S. Army Corps of Engineers, and OAKVALE ROAD PUBLIC SERVICE DISTRICT, a public corporation and political subdivision of the State of West Virginia, (hereinafter the "Non-Federal Sponsor"), represented by its Chairman.

WITNESSETH, THAT;

WHEREAS, the Secretary of the Army was authorized to provide design and construction assistance for water-related environmental infrastructure and resource protection and development projects in southern West Virginia pursuant to Section 340 of the Water Resources Development Act of 1992 (Public Law 102-580), as amended;

WHEREAS, the MERCER COUNTY WATER DISTRIBUTION SYSTEM PROJECT located primarily in Mercer County, West Virginia, along various roads intersecting with U.S. Route 20 from Athens, West Virginia, to just North of Lerona, West Virginia, as generally shown on the attached drawing labeled Exhibit A, has been identified as a project of the type authorized by Section 340 of the Water Resources Development Act of 1992 (Public Law 102-580), as amended;

WHEREAS, the Government and the Non-Federal Sponsor desire to enter into a Project Cooperation Agreement for the design of the Mercer County Water Distribution System Project (hereinafter the "Project", as defined in Article I.A. of this Agreement);

WHEREAS, Section 340 of the Water Resources Development Act of 1992, Public Law 102-580, as amended, specifies the cost-sharing requirements applicable to the Project,

WHEREAS, Section 340 of the Water Resources Development Act of 1992, (Public Law 102-580), as amended, provides that the Secretary of the Army shall not provide assistance in the form of design and construction for any water-related environmental infrastructure and resource protection and development projects until each Non-Federal sponsor has entered into a written agreement to furnish its required cooperation for the Project;

WHEREAS, the Government and Non-Federal Sponsor have the full authority and capability to perform as hereinafter set forth and intend to cooperate in cost-sharing and financing of the design of the Project in accordance with the terms of this Agreement.

NOW, THEREFORE, the Government and the Non-Federal Sponsor agree as follows:

ARTICLE I - DEFINITIONS AND GENERAL PROVISIONS

For purposes of this Agreement:

A. The term "Project" shall mean the design of 6-inch and 8-inch water distribution lines, connecting with an existing 24-inch water transmission line located along U.S. Route 20 to provide water service and fire protection along the following roads from their intersections with U.S. Route 20, as generally shown on the attached drawing labeled Exhibit A, as follows: Fairway Drive, approximately 3000 linear feet of water line, 2 hydrants, 15 meter settings, valves, blowoffs, and service lines; Clover Lane, approximately 6600 linear feet of water line, 1 hydrant, 16 meter settings, valves, blowoffs, and service lines; Old Lerona Road, approximately 6000 linear feet of water line, 3 hydrants, 36 meter settings, valves, and service lines; Brown's Road, approximately 6300 linear feet of water line, 3 hydrants, 30 meter settings, valves, blowoffs, and service lines; Broadway Road, approximately 6200 linear feet of water line, 3 hydrants, 24 meter settings, valves, blowoffs, and service lines; Laurel Creek Road, approximately 3200 linear feet of water line, 2 hydrants, 15 meter settings, valves, blowoffs, and service lines; Bent Mountain Road, approximately 6600 linear feet of water line, 3 hydrants, 19 meter settings, valves, blowoffs, and service lines; and Camp Creek and White Oak Creek Road, approximately 39,000 linear feet of water line, 16 hydrants, 97 meter settings, valves, blowoffs, and service lines and as generally described in the attached Scope of Work labeled Exhibit B, dated 16 March 1995.

B. The term "total project costs" shall mean all costs incurred by the Non-Federal Sponsor and the Government in accordance with the terms of this Agreement directly related to design of the Project. Subject to the provisions of this Agreement, the term shall include, but is not necessarily limited to: advanced engineering and design costs; preconstruction engineering and design costs; the costs of investigations to identify the existence and extent of hazardous substances in accordance with Article XIV.A. of this Agreement; costs of historic preservation activities in accordance with Article XVII.A. of this Agreement; supervision and administration costs; costs of participation in the Project Coordination Team in accordance with Article V of this Agreement; costs of contract dispute settlements or awards; the value of lands, easements, and rights-of-way for which the Government affords credit towards the total costs of design in accordance with Article IV of this Agreement; and costs of audit in accordance with Article IX of this Agreement. The term does not include any costs for construction, operation, maintenance, repair, replacement, or rehabilitation; any costs due to the design of betterments; or any costs of dispute resolution under Article VII of this Agreement.

C. The term "financial obligation for design" shall mean a financial obligation of the Government, other than an obligation pertaining to the provision of lands, easements, and rights-of-way that results or would result in a cost that is or would be included in total project costs.

D. The term "Non-Federal proportionate share" shall mean the ratio of the Non-Federal Sponsor's total cash contribution required in accordance with Articles II.D.2 of this Agreement to total financial obligations for design, as projected by the Government.

E. The term "period of design" shall mean the time from the date the Government first notifies the Non-Federal Sponsor in writing, in accordance with Article VI.B. of this Agreement, of the scheduled date for issuance of the solicitation for the first design contract to the date that the U.S. Army Engineer for the Huntington District (hereinafter the "District Engineer") notifies the Non-Federal Sponsor in writing of the Government's determination that design of the Project is complete.

F. The term "fiscal year" shall mean one fiscal year of the Government. The Government fiscal year begins on October 1 and ends on September 30.

G. The term "betterment" shall mean a change in the design of an element of the Project resulting from the application of standards that the Government determines exceed those that the

Government would otherwise apply for accomplishing the design of that element.

ARTICLE II - OBLIGATIONS OF THE GOVERNMENT AND THE NON-FEDERAL SPONSOR

A. The Government, subject to receiving funds appropriated by the Congress of the United States (hereinafter, the "Congress") and using those funds and funds provided by the Non-Federal Sponsor, shall expeditiously design the Project, applying those procedures usually applied to Federal projects, pursuant to Federal laws, regulations, and policies.

1. The Government shall afford the Non-Federal Sponsor the opportunity to review and comment on the solicitations for all contracts, including relevant plans and specifications, prior to the Government's issuance of such solicitations. The Government shall not issue the solicitation for the first design contract until the Non-Federal Sponsor has confirmed in writing its willingness to proceed with the Project. To the extent possible, the Government shall afford the Non-Federal Sponsor the opportunity to review and comment on all contract modifications, including, change orders, prior to the issuance to the contractor of a Notice to Proceed. In any instance where providing the Non-Federal Sponsor with notification of a contract modification or change order is not possible prior to issuance of the Notice to Proceed, the Government shall provide such notification in writing at the earliest date possible. To the extent possible, the Government also shall afford the non-Federal Sponsor the opportunity to review and comment on all contract claims prior to resolution thereof. The Government shall consider in good faith the comments of the Non-Federal Sponsor, but the contents of solicitations, award of contracts, execution of contract modifications, issuance of change orders, resolution of contract claims, and performance of all design work (whether the work is performed under contract or by Government personnel), shall be exclusively within the control of the Government.

2. Throughout the period of design, the District Engineer shall furnish the Non-Federal Sponsor with a copy of the Government's Written Notice of Acceptance of Completed Work for each contract for the Project.

3. Notwithstanding paragraph A.1. of this Article, if, upon the award of any contract for design of the Project, cumulative financial obligations for design would exceed \$450,000, the Government shall defer award of that contract and all subsequent contracts for design of the Project until such time as the Government and the Non-Federal Sponsor agree to proceed with further contract awards for the Project, but in no event shall the award of contracts be deferred for more than three years. Notwithstanding this general provision for deferral

of contract awards, the Government, after consultation with the Non-Federal Sponsor, may award a contract or contracts after the District Engineer makes a written determination that the award of such contract or contracts must proceed in order to comply with law or to protect life or property from imminent and substantial harm.

B. The Non-Federal Sponsor may request the Government to design betterments. Such requests shall be in writing and shall describe the betterments requested to be designed. If the Government in its sole discretion elects to design the requested betterments or any portion thereof, it shall so notify the Non-Federal Sponsor in a writing that sets forth any applicable terms and conditions, which must be consistent with this Agreement. In the event of conflict between such a writing and this Agreement, this Agreement shall control. The Non-Federal Sponsor shall be solely responsible for all costs due to the requested betterments and shall pay all such costs in accordance with Article VI.C. of this Agreement.

C. When the District Engineer determines that the entire Project design is complete, the District Engineer shall so notify the Non-Federal Sponsor in writing and furnish the Non-Federal Sponsor with copies of all design work completed under this Agreement and with copies of all of the Government's Written Notices of Acceptance of Completed Work for all contracts for design of the Project that have not been provided previously.

D. The Non-Federal Sponsor shall contribute 25 percent of total project costs in accordance with the provisions of this paragraph.

1. In accordance with Article III of this Agreement, the Non-Federal Sponsor shall provide all lands, easements, and rights-of-way that the Government determines the Non-Federal Sponsor must provide for the design of the Project.

2. If the Government projects that the value of the Non-Federal Sponsor's contributions under paragraph D.1. of this Article and Articles V, IX, and XIV.A. of this Agreement will be less than 25 percent of total project costs, the Non-Federal Sponsor shall provide an additional cash contribution, in accordance with Article VI.B. of this Agreement, in the amount necessary to make the Non-Federal Sponsor's total contribution equal to 25 percent of total project costs.

3. If the Government determines that the value of the Non-Federal Sponsor's contributions provided under paragraph D.1. of this Article and Articles V, IX, and XIV.A. of this Agreement have exceeded 25 percent of total project costs, the Government shall reimburse the Non-Federal Sponsor for any such value in excess of 25 percent of total project costs subject, however, to

the availability of funds and to the limitation on credit for lands, easements, and right-of-way which may not exceed 25 percent of total project costs, which is contained in Section 340 of the Water Resources Development Act of 1992 (Public Law 102-580), as amended.

E. The Non-Federal Sponsor may request the Government to provide lands, easements, and rights-of-way on behalf of the Non-Federal Sponsor. Such requests shall be in writing and shall describe the services requested to be performed. If in its sole discretion the Government elects to perform the requested services or any portion thereof, it shall so notify the Non-Federal Sponsor in a writing that sets forth any applicable terms and conditions, which must be consistent with this Agreement. In the event of conflict between such a writing and this Agreement, this Agreement shall control. The Non-Federal Sponsor shall be solely responsible for all costs of the requested services and shall pay all such costs in accordance with Article VI.C. of this Agreement. Notwithstanding the provision of lands, easements, and rights-of-way by the Government, the Non-Federal Sponsor shall be responsible, as between the Government and the Non-Federal Sponsor, for the costs of cleanup and response in accordance with Article XIV.C. of this Agreement.

F. The Government shall perform a final accounting in accordance with Article VI.D. of this Agreement to determine the contributions provided by the Non-Federal Sponsor in accordance with paragraphs B. D. and E. of this Article and Articles V., IX., and XIV.A. of this Agreement and to determine whether the Non-Federal Sponsor has met its obligations under paragraphs B. D. and E. of this Article.

G. The Non-Federal Sponsor shall not use Federal funds to meet the Non-Federal Sponsor's share of total project costs under this Agreement unless the Federal granting agency verifies in writing that the expenditure of such funds is expressly authorized by statute.

ARTICLE III - LANDS, RELOCATIONS, DISPOSAL AREAS, AND PUBLIC LAW 91-646 COMPLIANCE

A. The Government, after consultation with the Non-Federal Sponsor, shall determine the lands, easements, and rights-of-way, if any, required for the design of the Project. The Government in a timely manner shall provide the Non-Federal Sponsor with general written descriptions, including maps as appropriate, of the lands, easements, and rights-of-way that the Government determines the Non-Federal Sponsor must provide, in detail sufficient to enable the Non-Federal Sponsor to fulfill its obligations under this paragraph, and shall provide the Non-Federal Sponsor with a written notice to proceed with acquisition of such lands, easements, and rights-of-way. Prior to the end of

the period of design, the Non-Federal Sponsor shall acquire all lands, easements, and rights-of-way set forth in such descriptions. Furthermore, prior to issuance of the solicitation for each design contract, the Non-Federal Sponsor shall provide the Government with authorization for entry to all lands, easements, and rights-of-way the Government determines the Non-Federal Sponsor must provide for that contract.

B. The Government, after consultation with the Non-Federal Sponsor, shall determine the improvements required on lands, easements, and rights-of-way to enable the proper disposal of dredged or excavated material associated with the construction, operation, and maintenance of the Project. Such improvements may include, but are not necessarily limited to, retaining dikes, wasteweirs, bulkheads, embankments, monitoring features, stilling basins, and de-watering pumps and pipes. The Government in a timely manner shall provide the Non-Federal Sponsor with general written descriptions of such improvements. The Non-Federal Sponsor shall be responsible for preparing or ensuring the preparation of plans and specifications for all improvements the Government determines to be required for the proper disposal of dredged or excavated material.

C. The Government, after consultation with the Non-Federal Sponsor, shall determine the relocations necessary for construction, operation, and maintenance of the Project, including those necessary to enable the removal of borrow materials and the proper disposal of dredged or excavated material. The Government in a timely manner shall provide the Non-Federal Sponsor with general written descriptions, including maps as appropriate, of such relocations. The Non-Federal Sponsor shall be responsible for preparing or ensuring the preparation of plans and specifications for all relocations the Government determines to be necessary.

D. The Non-Federal Sponsor in a timely manner shall provide the Government with such documents as are sufficient to enable the Government to determine the value of any contribution provided during the period of design pursuant to paragraph A. of this Article. Upon receipt of such documents the Government, in accordance with Article IV of this Agreement and in a timely manner, shall determine the value of such contribution, include such value in total project costs, and afford credit for such value toward the Non-Federal Sponsor's share of total project costs.

E. The Non-Federal Sponsor shall comply with the applicable provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, Public Law 91-646, as amended by Title IV of the Surface Transportation and Uniform Relocation Assistance Act of 1987 (Public Law 100-17), and the Uniform Regulations contained in 49 C.R.R. Part 24, in acquiring lands,

easements, and rights-of-way required for the design of the Project, and shall inform all affected persons of applicable benefits, policies, and procedures in connection with said Act.

ARTICLE IV - CREDIT FOR VALUE OF LANDS, EASEMENTS, AND RIGHTS-OF-WAY

A. The Non-Federal Sponsor shall receive credit toward its share of total project costs for the value of the lands, easements, and rights-of-way that the Non-Federal Sponsor must provide for design of the Project pursuant to Article III of this Agreement. The credit to be afforded the Non-Federal Sponsor for such contributions may not exceed 25 percent of total project costs. However, the Non-Federal Sponsor shall not receive credit for the value of any lands, easements, or rights-of-way that have been provided previously as an item of cooperation for another Federal project. The Non-Federal Sponsor also shall not receive credit for the value of lands, easements, or rights-of-way to the extent that such items are provided using Federal funds unless the Federal granting agency verifies in writing that such credit is expressly authorized by statute.

B. For the sole purpose of affording credit in accordance with this Agreement, the value of lands, easements, and rights-of-way shall be the fair market value of the real property interests, plus certain incidental costs of acquiring those interests, as determined in accordance with the provisions of this paragraph.

1. Date of Valuation. The fair market value of lands, easements, or rights-of-way owned by the Non-Federal Sponsor on the effective date of this Agreement shall be the fair market value of such real property interests as of the date the Non-Federal Sponsor provides the Government with authorization for entry thereto. The fair market value of lands, easements, or rights-of-way acquired by the Non-Federal Sponsor after the effective date of this Agreement shall be the fair market value of such real property interests at the time the interests are acquired.

2. General Valuation Procedure. Except as provided in paragraph B.3. of this Article, the fair market value of lands, easements, or rights-of-way shall be determined in accordance with paragraph B.2.a. of this Article, unless thereafter a different amount is determined to represent fair market value in accordance with paragraph B.2.b. of this Article.

a. The Non-Federal Sponsor shall obtain, for each real property interest, an appraisal that is prepared by a qualified appraiser who is acceptable to the Non-Federal Sponsor and the Government. The appraisal must be prepared in accordance with the applicable rules of just compensation, as specified by

the Government. The fair market value shall be the amount set forth in the Non-Federal Sponsor's appraisal, if such appraisal is approved by the Government. In the event the Government does not approve the Non-Federal Sponsor's appraisal, the Non-Federal Sponsor may obtain a second appraisal, and the fair market value shall be the amount set forth in the Non-Federal Sponsor's second appraisal, if such appraisal is approved by the Government. In the event the Government does not approve the Non-Federal Sponsor's second appraisal, or the Non-Federal Sponsor chooses not to obtain a second appraisal, the Government shall obtain an appraisal, and the fair market value shall be the amount set forth in the Government's appraisal, if such appraisal is approved by the Non-Federal Sponsor. In the event the Non-Federal Sponsor does not approve the Government's appraisal, the Government, after consultation with the Non-Federal Sponsor, shall consider the Government's and the Non-Federal Sponsor's appraisals and determine an amount based thereon, which shall be deemed to be the fair market value.

b. Where the amount paid or proposed to be paid by the Non-Federal Sponsor for the real property interests exceeds the amount determined pursuant to paragraph B.2.a. of this Article, the Government, at the request of the Non-Federal Sponsor, shall consider all factors relevant to determining fair market value and in its sole discretion, after consultation with the Non-Federal Sponsor, may approve in writing an amount greater than the amount determined pursuant to paragraph B.2.a. of this Article, but not to exceed the amount actually paid or proposed to be paid. If the Government approves such an amount, the fair market value shall be the lesser of the approved amount or the amount paid by the Non-Federal Sponsor, but no less than the amount determined pursuant to paragraph B.2.a. of this Article.

3. Eminent Domain Valuation Procedure. For lands, easements, or rights-of-way acquired by eminent domain proceedings instituted after the effective date of this Agreement, the Non-Federal Sponsor shall, prior to instituting such proceedings, submit to the Government notification in writing of its intent to institute such proceedings and an appraisal of the specific real property interests to be acquired in such proceedings. The Government shall have 60 days after receipt of such a notice and appraisal within which to review the appraisal, if not previously approved by the Government in writing.

a. If the Government previously has approved the appraisal in writing, or if the Government provides written approval of, or takes no action on, the appraisal within such 60-day period, the Non-Federal Sponsor shall use the amount set forth in such appraisal as the estimate of just compensation for the purpose of instituting the eminent domain proceeding.

b. If the Government provides written disapproval of the appraisal, including the reasons for disapproval, within such 60-day period, the Government and the Non-Federal Sponsor shall consult in good faith to promptly resolve the issues or areas of disagreement that are identified in the Government's written disapproval. If, after such good faith consultation, the Government and the Non-Federal Sponsor agree as to an appropriate amount, then the Non-Federal Sponsor shall use that amount as the estimate of just compensation for the purpose of instituting the eminent domain proceeding. If after such good faith consultation, the Government and the Non-Federal Sponsor cannot agree as to an appropriate amount, then the Non-Federal Sponsor may use the amount set forth in its appraisal as the estimate of just compensation for the purpose of instituting the eminent domain proceeding.

c. For lands, easements, or rights-of-way acquired by eminent domain proceedings instituted in accordance with sub-paragraph B.3. of this Article, fair market value shall be either the amount of the court award for the real property interests taken, to the extent the Government determined that such interests are required for the design of the Project, or the amount of any stipulated settlement or portion thereof that the Government approves in writing.

4. Incidental Costs. For lands, easements, or rights-of-way acquired by the Non-Federal Sponsor within a five-year period preceding the effective date of this Agreement, or at any time after the effective date of this Agreement, the value of the interest shall include the documented incidental costs of acquiring the interest, as determined by the Government, subject to an audit in accordance with Article IX.C. of this Agreement to determine reasonableness, allocability, and allowability of costs. Such incidental costs shall include, but not necessarily be limited to, closing and title costs, appraisal costs, survey costs, attorney's fees, plat maps, and mapping costs, as well as the actual amounts expended for payment of any relocation assistance benefits provided in accordance with Article III.E. of this Agreement.

ARTICLE V - PROJECT COORDINATION TEAM

A. To provide for consistent and effective communication, the Non-Federal Sponsor and the Government, not later than 30 days after the effective date of this Agreement, shall appoint named senior representatives to a Project Coordination Team. Thereafter, the Project Coordination Team shall meet regularly until the end of the period of design. The Government's Project Manager and a counterpart named by the Non-Federal Sponsor shall co-chair the Project Coordination Team.

B. The Government's Project Manager and the Non-Federal Sponsor's counterpart shall keep the Project Coordination Team informed of the progress of design and of significant pending issues and actions, and shall seek the views of the Project Coordination Team on matters that the Project Coordination Team generally oversees.

C. Until the end of the period of design, the Project Coordination Team shall generally oversee the Project, including issues related to design; plans and specifications; scheduling; real property and relocation requirements; contract awards and modifications; contract costs; the Government's cost projections; and other related matters. This oversight shall be consistent with a project management plan developed by the Government after consultation with the Non-Federal Sponsor.

D. The Project Coordination Team may make recommendations that it deems warranted to the District Engineer on matters that the Project Coordination Team generally oversees, including suggestions to avoid potential sources of dispute. The Government in good faith shall consider the recommendations of the Project Coordination Team. The Government, having the legal authority and responsibility for design of the Project, has the discretion to accept, reject, or modify the Project Coordination Team's recommendations.

E. The costs of participation in the Project Coordination Team shall be included in total project costs, as defined in I.B., and cost shared in accordance with the provisions of this Agreement.

ARTICLE VI - METHOD OF PAYMENT

A. The Government shall maintain current records of contributions provided by the parties and current projections of total project costs and costs due to betterments. By June 30 of each year and at least quarterly thereafter, the Government shall provide the Non-Federal Sponsor with a report setting forth all contributions provided to date and the current projections of total project costs, of total costs due to betterments, of the components of total project costs, of each party's share of total project costs, of the Non-Federal Sponsor's total cash contributions required in accordance with Articles II.B., II.D., and II.E. of this Agreement, of the Non-Federal proportionate share, and of the funds the Government projects to be required from the Non-Federal Sponsor for the upcoming fiscal year. On the effective date of this Agreement, total project costs are projected to be \$430,215, and the Non-Federal Sponsor's cash contribution required under Article II.D. of this Agreement is projected to be \$107,554. Such amounts are estimates subject to adjustment by the Government and are not to be construed as the

total financial responsibilities of the Government and the Non-Federal Sponsor.

B. The Non-Federal Sponsor shall provide the cash contribution required under Article II.D.2. of this Agreement in accordance with the provisions of this paragraph.

1. Not less than 30 calendar days prior to the scheduled date for issuance of the solicitation for the first design contract, the Government shall notify the Non-Federal Sponsor in writing of such scheduled date and the funds the Government determines to be required from the Non-Federal Sponsor to meet the Non-Federal proportionate share of projected financial obligations for design through the first fiscal year of design, including the Non-Federal proportionate share of financial obligations for design incurred prior to the commencement of the period of design. Not later than such scheduled date, the Non-Federal Sponsor shall present the Government with an irrevocable letter of credit acceptable to the Government for the required funds.

2. For the second and subsequent fiscal years of design, the Government shall notify the Non-Federal Sponsor in writing, no later than 60 calendar days prior to the beginning of that fiscal year, of the funds the Government determines to be required from the Non-Federal Sponsor to meet the non-Federal proportionate share of projected financial obligations for design for that fiscal year. No later than 30 calendar days prior to the beginning of the fiscal year, the Non-Federal Sponsor shall make the full amount of the required funds for that fiscal year available to the Government through the funding mechanism specified in Article VI.B.1. of this Agreement.

3. The Government shall draw from the funds provided by the Non-Federal Sponsor such sums as the Government deems necessary to cover: (a) the Non-Federal proportionate share of financial obligations for design incurred prior to the commencement of the period of design; and (b) the Non-Federal proportionate share of financial obligations for design as they are incurred during the period of design.

4. If at any time during the period of design the Government determines that additional funds will be needed from the Non-Federal Sponsor to cover the Non-Federal proportionate share of projected financial obligations for design for the current fiscal year, the Government shall notify the Non-Federal Sponsor in writing of the additional funds required, and the Non-Federal Sponsor, no later than 60 calendar days from receipt of such notice, shall make the additional required funds available through the payment mechanism specified in Article VI.B.1. of this Agreement.

C. In advance of the Government incurring any financial obligation associated with additional work under Article II.B. or II.E. of this Agreement, the Non-Federal Sponsor shall verify to the satisfaction of the Government that the Non-Federal Sponsor has deposited the full amount of the funds required to pay for such additional work in an escrow or other account acceptable to the Government, with interest accruing to the Non-Federal Sponsor. The Government shall draw from the funds provided by the Non-Federal Sponsor such sums as the Government deems necessary to cover the Government's financial obligations for such additional work as they are incurred. In the event the Government determines that the Non-Federal Sponsor must provide additional funds to meet its cash contribution, the Government shall notify the Non-Federal Sponsor in writing of the additional funds required. Within 30 calendar days thereafter, the Non-Federal Sponsor shall provide the Government with a check for the full amount of the additional required funds.

D. Upon completion of design of the project or termination of this Agreement, and upon resolution of all relevant claims and appeals, the Government shall conduct a final accounting and furnish the Non-Federal Sponsor with the results of the final accounting. The final accounting shall determine total project costs, each party's contribution provided thereto, and each party's required share thereof. The final accounting also shall determine costs due to betterments and the Non-Federal Sponsor's cash contribution provided pursuant to Article II.B. of this Agreement.

1. In the event the final accounting shows that the total contribution provided by the Non-Federal Sponsor is less than its required share of total project costs plus costs due to design of any betterments provided in accordance with Article II.B. of this Agreement, the Non-Federal Sponsor shall, no later than 90 calendar days after receipt of written notice, make a cash payment to the Government of whatever sum is required to meet the Non-Federal Sponsor's required share of total project costs plus costs due to any betterments provided in accordance with Article II.B. of this Agreement.

2. In the event the final accounting shows that the total contribution provided by the Non-Federal Sponsor exceeds its required share of total project costs plus costs due to any betterments provided in accordance with Article II.B. of this Agreement, the Government shall, subject to the availability of funds, refund the excess to the Non-Federal Sponsor no later than 90 calendar days after the final accounting is complete. In the event existing funds are not available to refund the excess to the Non-Federal Sponsor, the Government shall seek such appropriations as are necessary to make the refund.

ARTICLE VII - DISPUTE RESOLUTION

As a condition precedent to a party bringing any suit for breach of this Agreement, that party must first notify the other party in writing of the nature of the purported breach and seek in good faith to resolve the dispute through negotiation. If the parties cannot resolve the dispute through negotiation, they may agree to a mutually acceptable method of non-binding alternative dispute resolution with a qualified third party acceptable to both parties. The parties shall each pay 50 percent of any costs for the services provided by such a third party as such costs are incurred. The existence of a dispute shall not excuse the parties from performance pursuant to this Agreement.

ARTICLE VIII - INDEMNIFICATION

The Non-Federal Sponsor shall hold and save the Government free from all damages arising from the design of the Project and any Project-related betterments, except for damages due to the fault or negligence of the Government or its contractors.

ARTICLE XI - MAINTENANCE OF RECORDS AND AUDIT

A. Not later than 60 calendar days after the effective date of this Agreement, the Government and the Non-Federal Sponsor shall develop procedures for keeping books, records, documents, and other evidence pertaining to costs and expenses incurred pursuant to this Agreement. These procedures shall incorporate, and apply as appropriate, the standards for financial management systems set forth in the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments at 32 C.F.R. Section 33.20. The Government and the Non-Federal Sponsor shall maintain such books, records, documents, and other evidence in accordance with these procedures and for a minimum of three years after the period of design and resolution of all relevant claims arising therefrom. To the extent permitted under applicable Federal laws and regulations the Government and the Non-Federal Sponsor shall each allow the other to inspect such books, documents, records, and other evidence.

B. Pursuant to 32 C.F.R. Section 33.26, the Non-Federal Sponsor is responsible for complying with the Single Audit Act of 1984, 31 U.S.C. Sections 7501-7507, as implemented by Office of Management and Budget (OMB) Circular No. A-128 and Department of Defense Directive 7600.10. Upon request of the Non-Federal Sponsor and to the extent permitted under applicable Federal laws and regulations, the Government shall provide to the Non-Federal Sponsor and independent auditors any information necessary to enable an audit of the Non-Federal Sponsor's activities under this Agreement. The costs of any Non-Federal audits performed in accordance with this paragraph shall be allocated in accordance with the provisions of OMB Circulars A-87 and A-128, and such

costs as are allocated to the Project shall be included in total project costs and cost shared in accordance with the provisions of this Agreement.

C. In accordance with 31 U.S.C. Section 7503, the Government may conduct audits in addition to any audit that the Non-Federal Sponsor is required to conduct under the Single Audit Act. Any such Government audits shall be conducted in accordance with Government Auditing Standards and the cost principles in OMB Circular No. A-87 and other applicable cost principles and regulations. The costs of Government audits performed in accordance with this paragraph shall be included in total project costs and cost shared in accordance with the provisions of this Agreement.

ARTICLE X - FEDERAL AND STATE LAWS

In the exercise of their respective rights and obligations under this Agreement, the Non-Federal Sponsor and the Government agree to comply with all applicable Federal and State laws and Regulations, including, but not limited to, Section 601 of the Civil Rights Act of 1964, Public Law 88-352 (42 U.S.C. 2000d), and Department of Defense Directive 5500.11 issued pursuant thereto, as well as Army Regulations 600-7, entitled "Nondiscrimination on the Basis of Handicap in Programs and Activities Assisted or Conducted by the Department of the Army".

ARTICLE XI - RELATIONSHIP OF PARTIES

A. In the exercise of their respective rights and obligations under this Agreement, the Government and the Non-Federal Sponsor each act in an independent capacity, and neither is to be considered the officer, agent, or employee of the other.

B. In the exercise of its rights and obligations under this Agreement, neither party shall provide, without the consent of the other party, any contractor with a release that waives or purports to waive any rights such other party may have to seek relief or redress against such contractor either pursuant to any cause of action that such other party may have or for violation of any law.

ARTICLE XII - OFFICIALS NOT TO BENEFIT

No member of or delegate to the Congress, nor any resident commissioner, shall be admitted to any share or part of this Agreement, or to any benefit that may arise therefrom.

ARTICLE XIII - TERMINATION OR SUSPENSION

A. If at any time the Non-Federal Sponsor fails to fulfill its obligations under Article II.B., II.D., II.E., VI., or XVII.C

of this Agreement, the District Engineer shall terminate this Agreement or suspend future performance under this Agreement unless he determines that continuation of work on the Project is in the interest of the United States or is necessary in order to satisfy agreements with any other Non-Federal interests in connection with the Project.

B. If the Government fails to receive annual appropriations in amounts sufficient to meet Project expenditures for the then-current or upcoming fiscal year, the Government shall so notify the Non-Federal Sponsor in writing, and 60 calendar days thereafter, either party may elect without penalty to terminate this Agreement or to suspend future performance under this Agreement. In the event that either party elects to suspend future performance under this Agreement pursuant to this paragraph, such suspension shall remain in effect until such time as the Government receives sufficient appropriations or until either the Government or the Non-Federal Sponsor elects to terminate this agreement.

C. In the event that either party elects to terminate this Agreement pursuant to this Article or Article XIV of this Agreement, both parties shall conclude their activities relating to the Project and proceed to a final accounting in accordance with Article VI.D. of this Agreement.

D. Any termination of this Agreement or suspension of future performance under this Agreement in Accordance with this Article or Article XIV of this Agreement shall not relieve the parties of liability for any obligation previously incurred. Any delinquent payment shall be charged interest at a rate, to be determined by the Secretary of the Treasury, equal to 150 per centum of the average bond equivalent rate of the 13-week Treasury bills auctioned immediately prior to the date on which such payment became delinquent, or auctioned immediately prior to the beginning of each additional 3-month period if the period of delinquency exceeds 3 months.

ARTICLE XIV - HAZARDOUS SUBSTANCES

A. After execution of this Agreement and upon direction by the District Engineer, the Non-Federal Sponsor shall perform, or cause to be performed, any investigations for hazardous substances that the Government or the Non-Federal Sponsor determines to be necessary to identify the existence and extent of any hazardous substances regulated under the Comprehensive Environmental Response, Compensation, and Liability Act (hereinafter "CERCLA"), 42 U.S.C. Sections 9601-9675, that may exist in, on, or under lands, easements, and rights-of-way that the Government determines, pursuant to Article III of this Agreement, to be required for the design of the Project. However, for lands that the Government determines to be subject

to the navigation servitude, only the Government shall perform such investigations unless the District Engineer provides the Non-Federal Sponsor with prior specific written direction, in which case the Non-Federal Sponsor shall perform such investigations in accordance with such written direction. All actual costs incurred by the Non-Federal Sponsor for such investigations for hazardous substances shall be included in total project costs and cost shared in accordance with the provisions of this Agreement, subject to an audit in accordance with Article IX.C. of this Agreement to determine reasonableness, allocability, and allowability of costs.

B. In the event it is discovered through any investigation for hazardous substances or other means that hazardous substances regulated under CERCLA exist in, on, or under any lands, easements, or rights-of-way that the Government determines, pursuant to Article III of this Agreement, to be required for the design of the Project, the Non-Federal Sponsor and the Government shall provide prompt written notice to each other, and the Non-Federal Sponsor shall not proceed with the acquisition of the real property interests until both parties agree that the Non-Federal Sponsor should proceed.

C. The Government and the Non-Federal Sponsor shall determine whether to initiate design of the Project, or, if already in design, whether to continue with work on the Project, suspend future performance under this Agreement, or terminate this Agreement for the convenience of the Government, in any case where hazardous substances regulated under CERCLA are found to exist in, on, or under any lands, easements, or rights-of-way that the Government determines, pursuant to Article III of this Agreement, to be required for the design of the Project. Should the Government and the Non-Federal Sponsor determine to initiate design or continue with design after considering any liability that may arise under CERCLA, the Non-Federal Sponsor shall be responsible, as between the Government and the Non-Federal Sponsor, for the costs of clean-up and response, to include the costs of any studies and investigations necessary to determine an appropriate response to the contamination. Such costs shall not be considered a part of total project costs. In the event the Non-Federal Sponsor fails to provide any funds necessary to pay for clean up and response costs or to otherwise discharge the Non-Federal Sponsor's responsibilities under this paragraph upon direction by the Government, the Government may, in its sole discretion, either terminate this Agreement for the convenience of the Government, suspend further performance under this Agreement, or continue work on design of the Project.

D. The Non-Federal Sponsor and the Government shall consult with each other in accordance with Article V of this Agreement in an effort to ensure that responsible parties bear any necessary clean up and response costs as defined in CERCLA. Any decision

made pursuant to paragraph C. of this Article shall not relieve any third party from any liability that may arise under CERCLA.

E. As between the Government and the Non-Federal Sponsor, the Non-Federal Sponsor shall be considered the operator of the Project for purposes of CERCLA liability. To the maximum extent practicable, the Non-Federal Sponsor shall conduct its activities in a manner that will not cause liability to arise under CERCLA.

ARTICLE XV - NOTICES

A. Any notice, request, demand, or other communication required or permitted to be given under this Agreement shall be deemed to have been duly given if in writing and either delivered personally or by telegram or mailed by first class, registered, or certified mail, as follows:

If to the Non-Federal Sponsor:

Ronnie Stump, Chairman
Oakvale Road Public Service District
Post Office Box 880
Princeton, West Virginia 24740

If to the Government:

District Engineer
Huntington District, Corps of Engineers
502 Eighth Street
Huntington, West Virginia 25701-2070

B. A party may change the address to which such communications are to be directed by giving written notice to the other party in the manner provided in this Article.

C. Any notice, request, demand, or other communication made pursuant to this Article shall be deemed to have been received by the addressee at the earlier of such time as it is actually received or seven calendar days after it is mailed.

ARTICLE XVI - CONFIDENTIALITY

To the extent permitted by the laws governing each party, the parties agree to maintain the confidentiality of exchanged information when requested to do so by the providing party.

ARTICLE XV - HISTORIC PRESERVATION

A. The costs of identification, survey and evaluation of historic properties performed by the Government, as they relate

to the design, shall be included in total project costs and cost shared in accordance with the provisions of this Agreement.

B. As specified in Section 7(a) of Public Law 93-291 (16 U.S.C. Section 469c(a)), the costs of mitigation and data recovery activities associated with historic preservation shall be borne entirely by the Government and shall not be included in total project costs, up to the statutory limit of one percent of total project cost for design of the Project.

C. The Government shall not incur costs for mitigation and data recovery that exceed the statutory one percent limit specified in paragraph B. of this Article unless and until the District Engineer has waived that limit in accordance with Section 208(3) of Public Law 96-515 (16 U.S.C. Section 469c-2(3)). Any costs of mitigation and data recovery that exceed the one percent limit shall not be included in total project costs, but shall be cost shared between the Non-Federal Sponsor and the Government consistent with the minimum Non-Federal cost sharing requirements for design of the Project as follows: 25 percent borne by the Non-Federal Sponsor, and 75 percent borne by the Government.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, which shall become effective upon the date it is signed by the District Engineer.

THE DEPARTMENT OF THE ARMY

OAKVALE ROAD PUBLIC SERVICE DISTRICT

BY:

Dennis D. Fehrenbach
~~RICHARD W. JEMIOLA~~
~~Colonel, District Engineer~~
~~Huntington District~~
~~Corps of Engineers~~

BY:

Ronnie Stump
RONNIE STUMP
Chairman
Oakvale Road Public
Service District

DATE:

29 August 1995

DATE:

8-21-95

DENNIS D. FEHRENBACH
Major, Corps Engineers
Acting District Engineer
Huntington District
Corps of Engineers

ATTEST:

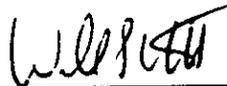
BY:

Hillis Warren
~~XXXXXXXXXXXX~~ HILLIS WARREN
Secretary/Treasurer
Oakvale Road Public
Service District

CERTIFICATE OF AUTHORITY

I, William S. Winfrey, II, do hereby certify that I am the principal legal officer of the OAKVALE ROAD PUBLIC SERVICE DISTRICT, that the OAKVALE ROAD PUBLIC SERVICE DISTRICT is a legally constituted public body with full authority and legal capability to perform the terms of the Agreement between the Department of the Army and the OAKVALE ROAD PUBLIC SERVICE DISTRICT in connection with the MERCER COUNTY WATER DISTRIBUTION SYSTEM PROJECT located primarily in Mercer County, West Virginia, and to pay damages in accordance with the terms of this Agreement, if necessary, in the event of the failure to perform, as required by Section 221 of Public Law 91-611 (42 U.S.C. Section 1962d-5b), and that the persons who have executed this Agreement on behalf of the OAKVALE ROAD PUBLIC SERVICE DISTRICT have acted within their statutory authority.

IN WITNESS WHEREOF, I have made and executed this certification this 21st day of August 1955.



WILLIAM S. WINFREY, II
Attorney at Law
Attorney at Law

CERTIFICATION REGARDING LOBBYING

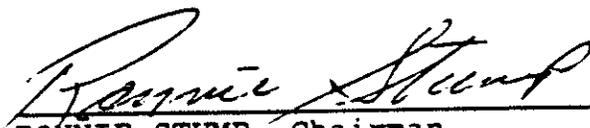
The undersigned certifies, to the best of his or her knowledge and belief that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee or a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.



RONNIE STUMP, Chairman
Oakvale Road Public Service District

DATE: 8-21-95

Mercer County Water Distribution System Project

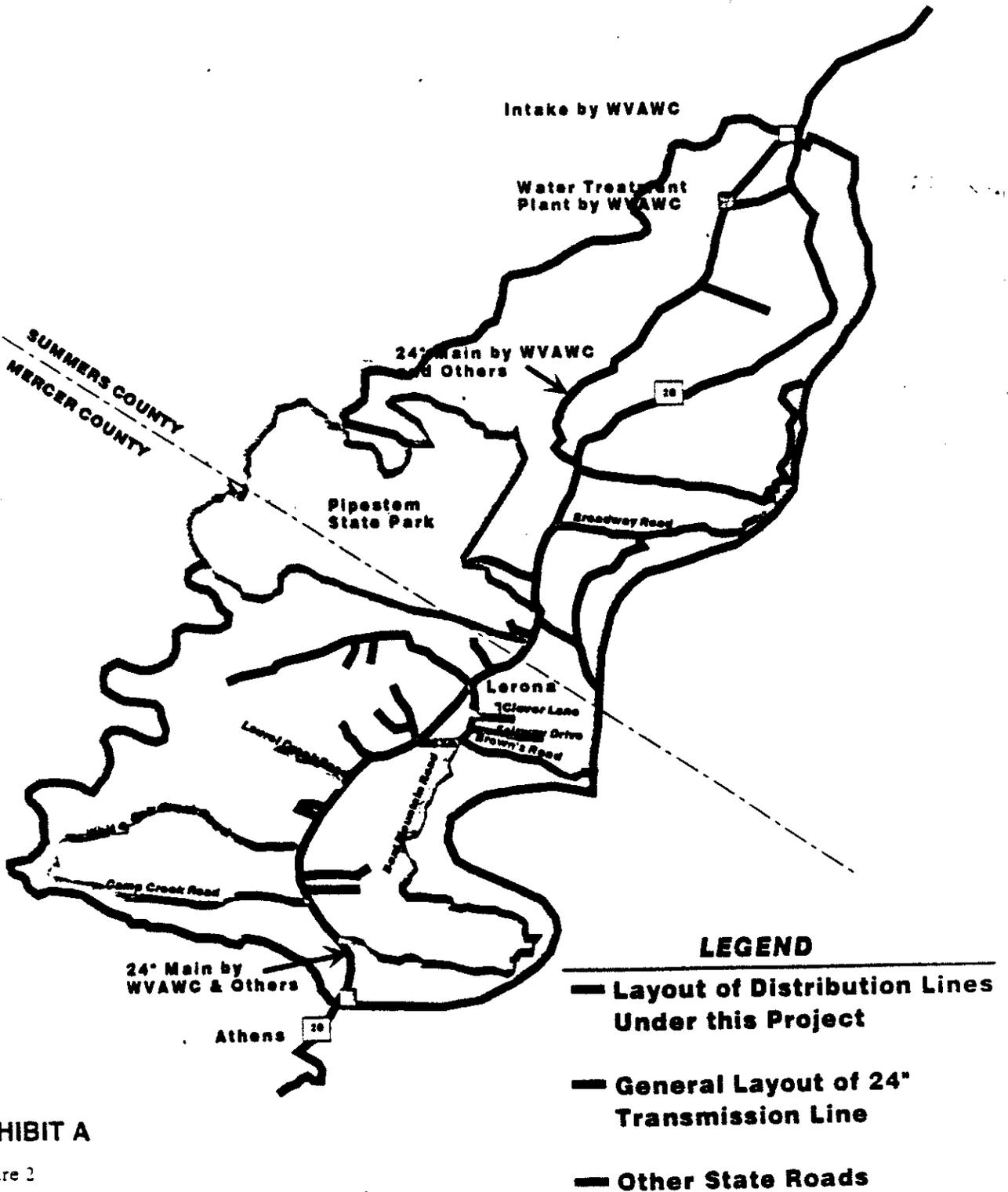


EXHIBIT A

Figure 2
Detailed Project Map

SCOPE OF WORK

The purpose of this Project Cooperation Agreement is to design the water distribution system described in Article I.A. of this agreement to provide public water and fire protection to certain areas of Mercer and Summers Counties, West Virginia. The areas are located along the state roads listed in Article I.A. of this agreement and highlighted on Exhibit A to this agreement. The design will consist of determining the facilities necessary for construction of the system, determining the layout and location of the facilities for the system, determining construction and associated costs for the system, and determining the construction schedule for the system. The design work to be accomplished is generally described, and consists of the following:

1. Fulfillment of the requirements contained in the National Environmental Protection Act (NEPA), the National Historic Preservation Act (NHPA), and the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA).
2. Advertisement, selection and procurement of an engineering firm to perform the design.
3. Review and approval of the design.
4. Preparation of a formal set of bid documents including necessary plans and specifications to be used for the solicitation of a construction contract for the water distribution system.
5. Processing of all necessary permits and certifications.
6. Development of a real estate plan to guide the sponsor in real estate acquisition.
7. Preparation of a baseline cost estimate for the construction phase of the project.
8. Preparation of the cost sharing agreement for the construction phase of the project.
9. Coordination of all aspects of the project with the project sponsor, designer, technical manager within the Huntington District and with higher headquarters. These activities are generally known as project management activities.

EXHIBIT B

U.S. ARMY ENGINEER DISTRICT, HUNTINGTON, WV
MERCER COUNTY WATER DISTRIBUTION PROJECT
DESIGN PHASE
MERCER COUNTY, WEST VIRGINIA
BASELINE ESTIMATE (FY-96) PRICE LEVEL

PROJECT COST SUMMARY

	ESTIMATED COST	CONTINGENCY %	CONTINGENCY AMT +/-	1-Oct-95 COST	OMB * FACTOR	OMB * AMT +/-	FULLY FUNDED PROJ. COST
01.---LANDS AND DAMAGES	\$ 4,618	10.00%	\$ 462	\$ 5,080	0.00%	\$ -	\$ 5,080
01.---LANDS AND DAMAGES	\$ 9,482	10.00%	\$ 948	\$ 10,430	4.40%	\$ 459	\$ 10,889
30.---PLANNING ENGINEERING AND DESIGN	\$ 264,745	13.98%	\$ 37,002	\$ 301,747	0.00%	\$ -	\$ 301,747
30.---PLANNING ENGINEERING AND DESIGN	\$ 57,145	14.11%	\$ 8,066	\$ 65,211	4.40%	\$ 2,869	\$ 68,080
30.---PLANNING ENGINEERING AND DESIGN	\$ 37,500	15.00%	\$ 5,625	\$ 43,125	3.00%	\$ 1,294	\$ 44,419
TOTAL PROJECT COSTS:	\$ 373,490	13.95%	\$ 52,103	\$ 425,593		\$ 4,622	\$ 430,215

Federal Share: \$ 322,661
Non-Federal Share: \$ 107,554

* Annual inflation Factors from OMB Table "Factors For Updating Cost Estimates For the FY 1997 Budget Submission to HQUSACE" dated 13 March 1995.

Mercer County Regional Water Project
 Cost Plus Contingencies by Fiscal Year

Cost Account and Activity Description	Org. Code	Conting.	Cost	Cost with Conting.	FY 1995 Total	FY 1996 Total *	FY 95-96 Total
01 REAL ESTATE ANALYSIS							
620 RE Mapping and Research	JJ	\$300	\$3,000	\$3,300	\$3,300	\$0	\$3,300
630 RE Gross Appraisal	JE	\$480	\$4,800	\$5,280	\$1,780	\$3,500	\$5,280
640 Prepare Real Estate Plan	JJ	\$630	\$6,300	\$6,930	\$0	\$6,930	\$6,930
TOTALS		\$1,410	\$14,100	\$15,510	\$5,080	\$10,430	\$15,510
30AG PUBLIC INVOLVEMENT							
200 Sponsor Coordination During Design	DB, LG	\$700	\$6,988	\$7,698	\$2,978	\$4,720	\$7,698
610 Public Review of Design	DB	\$650	\$6,498	\$7,148	\$2,978	\$4,170	\$7,148
	LG	\$50	\$500	\$550	\$0	\$550	\$550
	DB	\$239	\$2,394	\$2,633	\$0	\$2,633	\$2,633
TOTALS		\$839	\$9,392	\$10,331	\$2,978	\$7,353	\$10,331
30BP PROJ. COOP. AGREEMENT (DESIGN)							
120 Prepare Design Project Management Plan	DB, EM, FJ	\$1,119	\$9,362	\$10,481	\$10,481	\$0	\$10,481
	DB	\$672	\$6,720	\$7,392	\$7,392	\$0	\$7,392
	EM	\$245	\$1,628	\$1,873	\$1,873	\$0	\$1,873
	FJ	\$202	\$1,014	\$1,216	\$1,216	\$0	\$1,216
	DH	\$216	\$2,160	\$2,376	\$2,376	\$0	\$2,376
130 Prepare Financing Plan for Design	ED, DB	\$88	\$602	\$690	\$690	\$0	\$690
140 Prepare Design QC/QA Plan	ED	\$53	\$266	\$319	\$319	\$0	\$319
	DB	\$35	\$336	\$371	\$371	\$0	\$371
150 Prepare Draft Design PCA	JB, DB	\$674	\$6,744	\$7,418	\$7,418	\$0	\$7,418
	JB	\$525	\$5,250	\$5,775	\$5,775	\$0	\$5,775
	DB	\$149	\$1,494	\$1,643	\$1,643	\$0	\$1,643
	DB	\$34	\$336	\$370	\$370	\$0	\$370
	ED	\$107	\$532	\$639	\$639	\$0	\$639
160 Prepare Design LOI	DB	\$67	\$672	\$739	\$739	\$0	\$739
170 Prepare Design Cost Estimate	DB	\$595	\$5,947	\$6,542	\$6,542	\$0	\$6,542
510 ORH Design PCA Review	DB	\$34	\$336	\$370	\$370	\$0	\$370
520 ORD IPR on Design PCA Issues	DB	\$0	\$0	\$0	\$0	\$0	\$0
530 PSC Review of Design PCA	DB, DB	\$2,934	\$26,691	\$29,625	\$29,625	\$0	\$29,625
540 Execute Design PCA		\$0	\$0	\$0	\$0	\$0	\$0
TOTALS		\$2,934	\$26,691	\$29,625	\$29,625	\$0	\$29,625

Mercer County Regional Water Project
Cost Plus Contingencies by Fiscal Year

Cost Account and Activity Description	Org. Code	Conting.	Cost	Cost with Conting.	FY 1995 Total	FY 1996 Total*	FY 95-96 Total
30DA ENGINEERING ANALYSIS AND DESIGN							
590 Information Management ED Support	EA Contractor	\$630	\$4,200	\$4,830	\$2,415	\$2,415	\$4,830
600 Execute Preliminary Proj. Design/Tech. Specs./CWL	ED, EM, EU, LG	\$15,750	\$105,000	\$120,750	\$120,750	\$0	\$120,750
607 Preliminary Design Review	ED	\$581	\$3,840	\$4,431	\$4,431	\$0	\$4,431
	EM	\$213	\$1,064	\$1,277	\$1,277	\$0	\$1,277
	EU	\$172	\$1,150	\$1,322	\$1,322	\$0	\$1,322
	LG	\$131	\$876	\$1,007	\$1,007	\$0	\$1,007
		\$75	\$750	\$825	\$825	\$0	\$825
	EA, ED, EM, FJ, EU, LG	\$3,418	\$22,577	\$25,995	\$0	\$25,995	\$25,995
713 Conduct BCO/QA/QE Review	EA	\$1,520	\$10,137	\$11,657	\$0	\$11,657	\$11,657
	ED	\$532	\$2,661	\$3,193	\$0	\$3,193	\$3,193
	EM	\$358	\$2,394	\$2,753	\$0	\$2,753	\$2,753
	FJ	\$101	\$507	\$608	\$0	\$608	\$608
	EU	\$656	\$4,378	\$5,034	\$0	\$5,034	\$5,034
	NA	\$150	\$1,500	\$1,650	\$0	\$1,650	\$1,650
	LG	\$100	\$1,000	\$1,100	\$0	\$1,100	\$1,100
714 Finalize Design	Contractor	\$5,250	\$35,000	\$40,250	\$0	\$40,250	\$40,250
715 Prepare Specifications	FL	\$1,329	\$8,861	\$10,190	\$2,548	\$7,642	\$10,190
716 Incorporate BCO Comments/Finalize Specs	FL, Contractor	\$1,130	\$7,530	\$8,660	\$0	\$8,660	\$8,660
	FL	\$755	\$5,030	\$5,785	\$0	\$5,785	\$5,785
	Contractor	\$375	\$2,500	\$2,875	\$0	\$2,875	\$2,875
720 Value Engineering	AV	\$300	\$3,000	\$3,300	\$3,300	\$0	\$3,300
TOTALS		\$28,388	\$190,008	\$218,406	\$133,444	\$84,962	\$218,406

30DC ENVIRONMENTAL STUDIES							
723 Prepare Environmental Assessment	DH	\$2,500	\$25,000	\$27,500	\$26,000	\$1,500	\$27,500
724 Fish and Wildlife Studies	DH	\$626	\$6,264	\$6,890	\$6,890	\$0	\$6,890
TOTALS		\$3,126	\$31,264	\$34,390	\$32,890	\$1,500	\$34,390

30DD HTRW STUDIES							
725 Limited HTRW Phase I	EJ	\$8,348	\$55,654	\$64,002	\$64,002	\$0	\$64,002
TOTALS		\$8,348	\$55,654	\$64,002	\$64,002	\$0	\$64,002

Mercer County Regional Water Project
 Cost Plus Contingencies by Fiscal Year

8/7/95 3:44 PM

Cost Account and Activity Description	Orig. Code	Conting.		Cost		FY 1995 Total	FY 1996 Total *	FY 95-96 Total
		Conting.	Cost	Conting.	Cost			

30DE CULTURAL RESOURCES STUDIES

722 Cultural Resources Studies	DH	\$250	\$2,500	\$2,750	\$2,750	\$2,750	\$0	\$2,750
TOTALS		\$250	\$2,500	\$2,750	\$2,750	\$2,750	\$0	\$2,750

30DF COST ESTIMATES

712 Prepare Baseline Estimate	ED, EU, FJ, LG	\$2,190	\$13,385	\$15,575	\$0	\$0	\$15,575	\$15,575
	ED	\$320	\$1,596	\$1,916	\$0	\$0	\$1,916	\$1,916
	EU	\$1,313	\$8,755	\$10,068	\$0	\$0	\$10,068	\$10,068
	FJ	\$507	\$2,534	\$3,041	\$0	\$0	\$3,041	\$3,041
	LG	\$50	\$500	\$550	\$0	\$0	\$550	\$550
TOTALS		\$2,190	\$13,385	\$15,575	\$0	\$0	\$15,575	\$15,575

30DP PROJ. COOP. AGREEMENT (CONSTR)

760 Prepare Construction Financing Plan	DH	\$432	\$4,320	\$4,752	\$0	\$0	\$4,752	\$4,752
770 Prepare Draft Construction PCA	JB, DB, LG	\$694	\$6,944	\$7,638	\$0	\$0	\$7,638	\$7,638
	JB	\$525	\$5,250	\$5,775	\$0	\$0	\$5,775	\$5,775
	DB	\$149	\$1,494	\$1,643	\$0	\$0	\$1,643	\$1,643
	LG	\$20	\$200	\$220	\$0	\$0	\$220	\$220
775 Prepare LOI for Construction PCA	DB	\$34	\$336	\$370	\$0	\$0	\$370	\$370
810 ORH Construction PCA Review	DB	\$67	\$672	\$739	\$0	\$0	\$739	\$739
820 ORD Review of Construction PCA	DB	\$67	\$672	\$739	\$0	\$0	\$739	\$739
825 HQUSACE Review of Construction PCA	DB	\$34	\$336	\$370	\$0	\$0	\$370	\$370
830 PSC Review of Construction PCA	DB	\$34	\$336	\$370	\$0	\$0	\$370	\$370
840 Execute Construction PCA	DB, JB	\$0	\$0	\$0	\$0	\$0	\$0	\$0
TOTALS		\$1,362	\$13,616	\$14,978	\$0	\$0	\$14,978	\$14,978

30DX MANAGEMENT DOCUMENTS

550 Solicit for AE Design Contract	ED, KM	\$485	\$3,246	\$3,731	\$3,731	\$0	\$0	\$3,731
	ED	\$320	\$1,596	\$1,916	\$1,916	\$0	\$0	\$1,916
	KM	\$165	\$1,650	\$1,815	\$1,815	\$0	\$0	\$1,815
551 AE Preselection /Selection	EA, KM	\$1,277	\$6,516	\$7,793	\$7,793	\$0	\$0	\$7,793
	EA	\$1,277	\$6,386	\$7,663	\$7,663	\$0	\$0	\$7,663
	KM	\$0	\$130	\$130	\$130	\$0	\$0	\$130
552 AE Proposal (ED costs included in Act #550)	Engr, ED	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Mercer County Regional Water Project
Cost Plus Contingencies by Fiscal Year

Cost Account and Activity Description	Org. Code	Conting.	Cost	Cost with Conting.	FY 1995 Total	FY 1996 Total*	FY 95-96 Total
553 Contract Negotiation (ED costs included in Act #550)	ED, KM	\$0	\$245	\$245	\$245	\$0	\$245
560 Prepare AE Scope of Work	ED, LG	\$1,084	\$5,522	\$6,606	\$6,606	\$0	\$6,606
	ED	\$1,084	\$5,322	\$6,386	\$6,386	\$0	\$6,386
	LG	\$20	\$200	\$220	\$220	\$0	\$220
	KM	\$0	\$287	\$287	\$287	\$0	\$287
570 Award AE Contract	DB, ED, LG	\$258	\$2,040	\$2,298	\$0	\$2,298	\$2,298
701 Prepare Construction Management Plan	DB	\$101	\$1,008	\$1,109	\$0	\$1,108	\$1,109
	ED	\$107	\$532	\$639	\$0	\$639	\$639
	LG	\$50	\$500	\$550	\$0	\$550	\$550
TOTALS		\$3,104	\$17,856	\$20,960	\$18,662	\$2,298	\$20,960

30E PROGRAMS AND PROJ MANAGEMENT

300 Design Project Management	DB, FJ, RL	\$2,775	\$23,689	\$26,474	\$10,344	\$16,130	\$26,474
	DB	\$1,814	\$18,144	\$19,958	\$8,316	\$11,642	\$19,958
	FJ	\$811	\$4,055	\$4,866	\$2,028	\$2,838	\$4,866
	RL	\$150	\$1,500	\$1,650	\$0	\$1,650	\$1,650
717 PRB to Review Constr Estimate	DB	\$67	\$672	\$739	\$0	\$739	\$739
910 Public Service Commission Prefiling	DB	\$67	\$672	\$739	\$0	\$739	\$739
920 PSC Certification Processing	DB	\$67	\$672	\$739	\$0	\$739	\$739
TOTALS		\$2,976	\$25,715	\$28,691	\$10,344	\$18,347	\$28,691

30F PROJECT CLOSEOUT ACTIVITIES

845 Fiscal Closeout Design (DB costs included in Act # 30)	DB, AK	\$0	\$0	\$0	\$0	\$0	\$0
TOTALS		\$0	\$0	\$0	\$0	\$0	\$0

Grand Total	\$55,037	\$400,181	\$455,218	\$299,775	\$155,443	\$455,218
Federally Funded Design Costs**	\$2,934	\$26,691	\$29,625	\$29,625	\$0	\$29,625
Cost-Shared Design Costs	\$52,103	\$373,490	\$425,593	\$270,150	\$155,443	\$425,593
Federal Share	\$39,077	\$280,118	\$319,195	\$202,613	\$116,582	\$319,195
Non-Federal Share	\$13,026	\$93,373	\$106,398	\$67,538	\$38,861	\$106,398

* Costs listed are from 1995 pay scales. See summary page at the beginning of this section for total project costs which reflect OMB inflation factors

** Costs associated with the preparation of the Project Cooperation Agreement for the design phase (cost code 30BP) are fully funded. All other costs are cost-shared at 75 % Federal and 25 % Non-Federal.



DEPARTMENT OF THE ARMY
HUNTINGTON DISTRICT, CORPS OF ENGINEERS
502 EIGHTH STREET
HUNTINGTON, WEST VIRGINIA 25701-2070

REPLY TO
ATTENTION OF

October 21, 1994

Planning Division
Resource Evaluation Branch

Region I Planning and Development Council
Attn: Mr. Norman Kirkham
P.O. Box 1442
Princeton, West Virginia 24740

David
RECEIVED
OCT 24 1994

REGION I PLANNING AND
DEVELOPMENT COUNCIL

Dear Mr. Kirkham:

The Corps of Engineers has recently received authority to provide design and construction assistance to the 16 county region that makes up the Third Congressional District. This authority comes to us through Public Law 102-580, Section 340, and is known as the Southern West Virginia Environmental Restoration Infrastructure and Resource Protection Development Pilot Program.

Corps of Engineers planners have already been in contact with you or your representatives to discuss the specifics of our program. Let me update you on our progress thus far. In the past six months we have been very busy working out the details of how we will conduct business under this program. We interviewed state and Federal agencies involved in infrastructure delivery and conducted workshops with each of the planning and development councils to inform them of our program and solicit suggestions on how we might implement it in the best possible way. From this input we have drafted a set of internal policies and procedures that we will use to guide us in this effort. We have also established a draft set of selection criteria that we will use to select projects for future funding. Finally, as you know, we have been negotiating with you on our first demonstration project, the Summers/Mercer County Regional Water Project. From our experience with your project, we have learned a great deal about our capabilities under this program.

In the near future, we will begin reviewing a list of prospective projects and selecting our second demonstration project. We have already received a number of informal inquiries from prospective project sponsors. We would now like to formalize this list by permitting the Regional Planning and Development Councils (RPDC) to nominate projects for our consideration. We are asking each RPDC to provide two nominations.

We have already received proposals in varying degrees of detail for the following projects in your region:

<u>TITLE</u>	<u>COST (mil)</u>	<u>COUNTY</u>
SUMMERS-MERCER CO REGIONAL WATER SUPPLY	\$2.5	MERCER
MCDOWELL CO WATER	unk	MCDOWELL

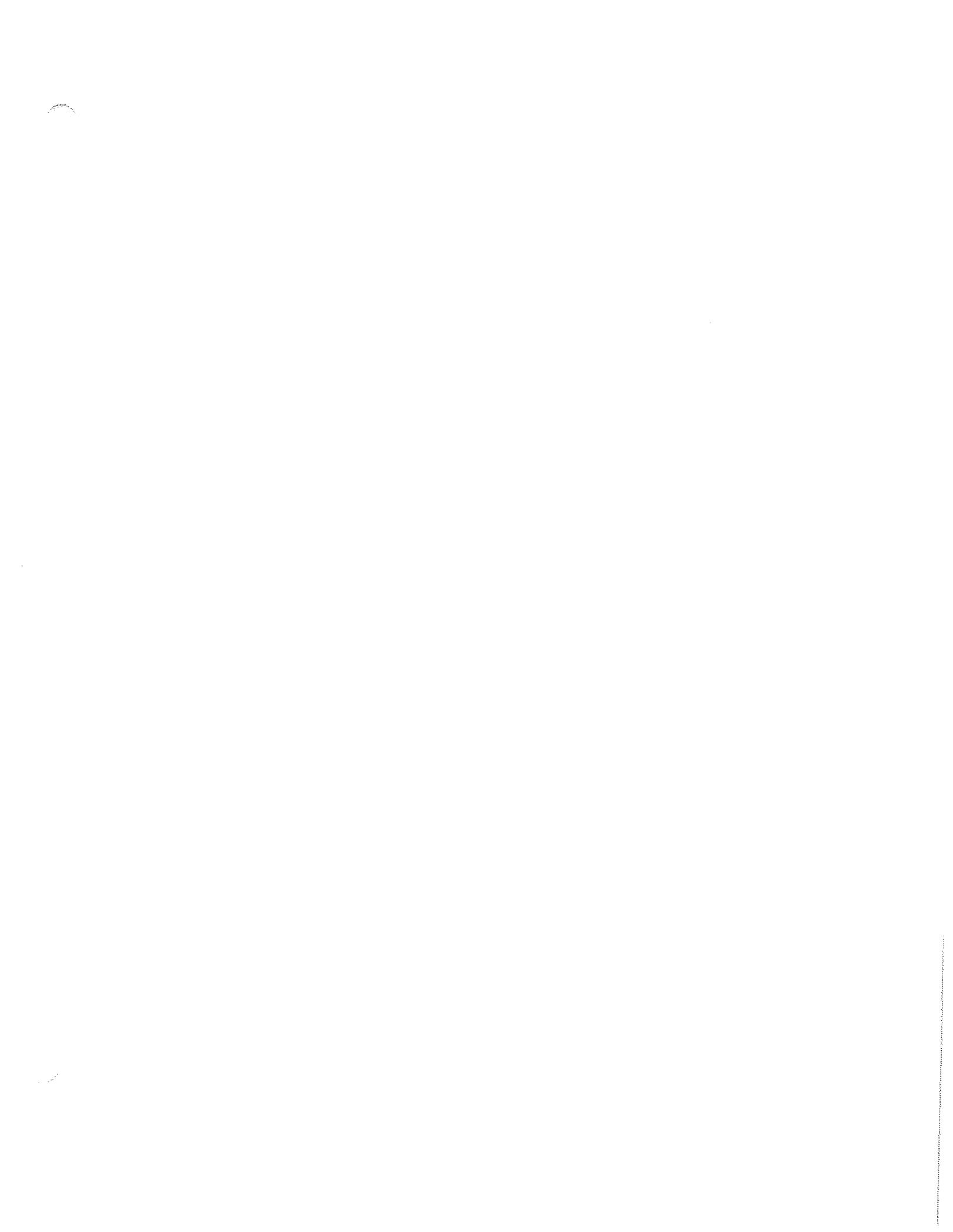
We hope to make our selection prior to December 1994. Your timely response will help ensure a construction or design start within Fiscal Year 1995. Please submit applications by November 30, 1994.

Thank you for the invaluable assistance you have already provided in helping us develop our program. Should you have any specific information requests regarding our program, please direct them to the study managers, Major Nick Krupa and Mr. John Yeager. Both can be reached at (304) 529-5647.

Sincerely,


James S. Everman
Chief, Planning Division

Enclosures



3030

Oakvale Road Public Service District
Waterworks Facilities Bond and Grant Anticipation Notes, Series 1996 A

REQUISITION NO.: One

DATE: December 4, 1996

You are authorized to disburse to Oakvale Road Public Service District (the "District") the sum of \$ 230,837.69, which will be paid by the District to the payees and in the amounts set forth on the attached ORPSD Note Series 1996 A
Requisition No. 1.

In accordance with the Resolution of the District adopted December 4, 1996, pursuant to which the above-captioned Notes were issued (the "Resolution"), I hereby certify as follows:

I. None of the items for which payment is proposed to be made has formed the basis for any disbursement heretofore made;

II. Each item for which payment is proposed to be made is or was necessary in connection with the Project and constitutes either Costs of the Project or Costs of Issuance, as such terms are defined in the Resolution;

III. Each of such costs has been otherwise properly incurred;

IV. Payment for each of the items proposed is now due and owing.

V. The District is in compliance with all provisions of the Resolution.

OAKVALE ROAD PUBLIC SERVICE DISTRICT

By *Rennie Stued*
Its Chairman

APPROVED:

WEST VIRGINIA-AMERICAN WATER COMPANY

By *Michael A. Miller*
Its *V.P. & Treasurer*

STAFFORD CONSULTANTS, INC.

By *Edward J. Smith*
Its *Vice President*

43

Region I Planning & Development Council

P.O. Box 1442
Princeton, WV 24740

(304) 425-9508
Fax (304) 425-0653

MEMORANDUM

To: Mark Bias, VP, One Valley Bank

From: LeAnn Croy

Date: December 4, 1996

RE: ORPSD NOTE SERIES 1996 A - REQUISITION #1

Please make the following disbursements from the proceeds of the first advance on the Series 1996 A Construction Notes for the Oakvale Road PSD.

PAYEE	AMOUNT
1) One Valley Bank, NA Pay-off of existing note	\$ 217,170.30
2) One Valley Bank, NA Letter of Credit fee	13,667.39

TOTAL DISBURSEMENT	\$ 230,837.69

INTERIM FINANCING REQUISITION - ARC

To: One Valley Bank, NA

From: Oakvale Road Public Service District

Date: December 4, 1996

RE: **REGIONAL WATER PROJECT SERIES 1996 A - REQUISITION #1**

COST OF FINANCING

ARC portion of OVB letter of credit fee	\$ 2,300.00
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TOTAL AMOUNT----- \$2,300.00

INTERIM FINANCING REQUISITION - COE

To: One Valley Bank, NA
From: Oakvale Road Public Service District
Date: December 4, 1996
RE: REGIONAL WATER PROJECT SERIES 1996 A - REQUISITION #1

COST OF FINANCING

COE portion of OVB letter of credit fee \$ 410.00

LOAN PAY-OFF

Pay-off of COE principal balance on existing note \$214,110.30

INTEREST EXPENSE

COE share of interest expense through 12/04/96 \$3,060.00

TOTAL AMOUNT-----\$217,580.30

INTERIM FINANCING REQUISITION - EDA

To: One Valley Bank, NA
From: Oakvale Road Public Service District
Date: December 4, 1996
RE: **REGIONAL WATER PROJECT SERIES 1996 A - REQUISITION #1**

COST OF FINANCING

EDA portion of OVB letter of credit fee \$ 130.00

TOTAL AMOUNT----- \$ 130.00

INTERIM FINANCING REQUISITION - ORPSD

To: One Valley Bank, NA
From: Oakvale Road Public Service District
Date: December 4, 1996
RE: **REGIONAL WATER PROJECT SERIES 1996 A - REQUISITION #1**

COST OF FINANCING

ORPSD portion of OVB letter of credit fee	\$ 9,597.39
---	--------------------

TOTAL AMOUNT-----\$9,597.39

INTERIM FINANCING REQUISITION - SCBG

To: One Valley Bank, NA
From: Oakvale Road Public Service District
Date: December 4, 1996
RE: **REGIONAL WATER PROJECT SERIES 1996 A - REQUISITION #1**

COST OF FINANCING

SCBG portion of OVB letter of credit fee	\$1,230.00
--	-------------------

TOTAL AMOUNT-----\$1,230.00

OAKVALE ROAD PUBLIC SERVICE DISTRICT

Water Revenue Bonds, Series 1996
(West Virginia Infrastructure Fund)

CLOSING MEMORANDUM

I. Infrastructure Council Bonds (\$12,700,000 principal amount).

A. First Advance = \$8,507,286.40

IFC wire to: One Valley Bank of Mercer County, Inc.
ABA No. 051502942
For Credit to: Oakvale Road Public Service District
Construction Account No. 061736

B. First Advance Applied as follows: •

1.	\$8,470,686.40	-	Payoff portion of Prior Notes
2.	\$ 36,500.00	-	Check to Steptoe & Johnson for Costs of Issuance
3.	\$ 100.00	-	Check to Nancy Hodges for Costs of Issuance

Total = \$8,507,286.40

II. Series 1996 A Construction Notes (\$3,000,000 principal amount).

A. First Advance = \$230,837.69

B. Applied as follows:

1.	\$217,170.30	-	Payoff balance of Prior Notes
2.	\$ 13,667.39	-	Initial Letter of Credit fee to One Valley Bank, National Association

Total = \$230,837.69

NOTE: Prior Notes payoff total = \$8,687,856.70 (\$8,470,686.40 + \$217,170.30)