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January 24, 2009

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MBC

Town of Wardensville
Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

John Sayers, Recorder
Town of Wardensville
Post Office Box 7
Wardensville, West Virginia 26851

Dear Mr. Sayers:

Enclosed is the transcript of closing documents for the above-referenced financing for the Town of Wardensville. For auditing purposes, the Town should keep the transcript on file until three years after the Bonds mature. Upon receipt, should you have any questions, please call me.

It was a pleasure working with you and the Council. We look forward to working with you again.

My best regards.

Very truly yours,

A handwritten signature in black ink, appearing to read 'John C. Stump', written over a horizontal line.

John C. Stump

JCS/rmc
Enclosures
cc: Distribution List (attached)

940540.00002

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**TOWN OF WARDENSVILLE
WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA DWTRF PROGRAM)**

Transcript Distribution List

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01/24/2009

TOWN OF WARDENSVILLE

**WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA DWTRF PROGRAM)**

DATE OF CLOSING: DECEMBER 10, 2008

BONDS TRANSCRIPT

STEPTOE & JOHNSON PLLC

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TOWN OF WARDENSVILLE

**Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)**

BOND TRANSCRIPT

Table of Contents

BASIC DOCUMENTS

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

OPINIONS OF COUNSEL

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

CERTIFICATES

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

16. Certificate as to Use of Proceeds

DOCUMENTS OF THE ISSUER

17. Charter and Rules of Procedure

18. Oaths of Office of Officers and Councilmembers

19. Water Rate Ordinance

20. Affidavit of Publication of Water Rate Ordinance and Notice of Public Hearing

21. Minutes on Adoption and Enactment of Water Rate Ordinance

22. Affidavit of Publication of Abstract of Bond Ordinance and Notice of Public Hearing

23. Minutes on Adoption and Enactment of Bond Ordinance, Adoption of Supplemental Resolution, First Draw Resolution and Sweep Resolution

24. Municipal Bond Commission New Issue Report

MISCELLANEOUS DOCUMENTS

25. Acceptance of Appointment as Depository Bank

26. Acceptance of Duties as Registrar

27. Certificate of Registration of Bonds

28. Registrar's Agreement

29. Health Permit

30. Evidence of Insurance

31. Receipt and Release of Capon Valley Bank

32. Closing Memorandum

33. Sweep Resolution

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TOWN OF WARDENSVILLE

**WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA DWTRF PROGRAM)**

BOND ORDINANCE

Table of Contents

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

- Section 1.01. Authority for this Resolution.
- Section 1.02. Findings.
- Section 1.03. Bond Legislation Constitutes Contract.
- Section 1.04. Definitions.

ARTICLE II

**AUTHORIZATION OF ACQUISITION AND CONSTRUCTION
OF THE PROJECT AND AUTHORIZATION OF PAYMENT OF PRIOR NOTES**

- Section 2.01. Authorization of Acquisition and Construction of the Project.
- Section 2.02. Authorization of Payment of Prior Notes

ARTICLE III

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

- Section 3.01. Authorization of Bonds.
- Section 3.02. Terms of Bonds.
- Section 3.03. Execution of Bonds.
- Section 3.04. Authentication and Registration.
- Section 3.05. Negotiability, Transfer and Registration.
- Section 3.06. Bonds Mutilated, Destroyed, Stolen or Lost.
- Section 3.07. Bonds not to be Indebtedness of the Issuer.
- Section 3.08. Bonds Secured by Pledge of Gross Revenues.
- Section 3.09. Delivery of Bonds.
- Section 3.10. Form of Bonds.
- Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement.
- Section 3.12. "Amended Schedule A" Filing.

**ARTICLE IV
[RESERVED]**

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

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

**ARTICLE VI
BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS**

- Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds.
- Section 6.02. Disbursement from the Bond Construction Trust Fund

**ARTICLE VII
ADDITIONAL COVENANTS OF THE ISSUER**

- Section 7.01. General Covenants of the Issuer.
- Section 7.02. Bonds not to be Indebtedness of the Issuer.
- Section 7.03. Bonds Secured by Pledge of Gross Revenues.
- Section 7.04. Initial Schedule of Rates and Charges.
- Section 7.05. Sale of the System.
- Section 7.06. Issuance of Other Obligations Payable Out of Revenues and General Covenant Against Encumbrances.
- Section 7.07. Additional Parity Bonds.
- Section 7.08. Books; Records and Audit.
- Section 7.09. Rates.
- Section 7.10. Operating Budget and Monthly Financial Report.
- Section 7.11. Engineering Services and Operating Personnel.
- Section 7.12. No Competing Franchise.
- Section 7.13. Enforcement of Collections.
- Section 7.14. No Free Services.
- Section 7.15. Insurance and Construction Bonds.
- Section 7.16. Mandatory Connections.
- Section 7.17. Completion of Project; Permits and Orders.
- Section 7.18. Compliance with Loan Agreement and Law.
- Section 7.19. Reserved.
- Section 7.20. Securities Law Compliance
- Section 7.21. Contracts; Change Orders; Public Releases

**ARTICLE VIII
INVESTMENT OF FUNDS**

- Section 8.01. Investments.
- Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds.

**ARTICLE IX
DEFAULT AND REMEDIES**

- Section 9.01. Events of Default.
- Section 9.02. Remedies.
- Section 9.03. Appointment of Receiver.

**ARTICLE X
PAYMENT OF BONDS**

- Section 10.01. Payment of Bonds.

**ARTICLE XI
MISCELLANEOUS**

- Section 11.01. Amendment or Modification of Bond Legislation.
- Section 11.02. Bond Legislation Constitutes Contract.
- Section 11.03. Severability of Invalid Provisions.
- Section 11.04. Headings, Etc.
- Section 11.05. Notices.
- Section 11.06. Conflicting Provisions Repealed.
- Section 11.07. Covenant of Due Procedure, Etc.
- Section 11.08. Statutory Notice and Public Hearing
- Section 11.09. Effective Date

SIGNATURES
CERTIFICATION
EXHIBIT A

TOWN OF WARDENSVILLE

ORDINANCE AUTHORIZING THE PAYMENT OF THE WATERWORKS SYSTEM BOND ANTICIPATION NOTE, SERIES 2007 AND THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE TOWN OF WARDENSVILLE AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF WARDENSVILLE OF NOT MORE THAN \$1,750,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA DWTRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

BE IT ORDAINED AND ENACTED BY THE COUNCIL OF THE TOWN OF WARDENSVILLE:

ARTICLE I

STATUTORY AUTHORITY, FINDINGS AND DEFINITIONS

Section 1.01. Authority for this Ordinance. This Ordinance (together with any ordinance, order or resolution supplemental hereto or amendatory hereof, the "Bond Legislation") is enacted pursuant to the provisions of Chapter 16, Article 13C and Chapter 8, Article 19 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. The Town of Wardensville (the "Issuer") is a municipal corporation and political subdivision of the State of West Virginia in Hardy County of said State.

B. The Issuer presently owns and operates a public waterworks system. However, it is deemed necessary and desirable for the health and welfare of the inhabitants of the Issuer that there be acquired and constructed certain additions, betterments and improvements for the existing public waterworks system of the Issuer, consisting of installation of additional treatment facilities, the drilling of a new well and installation of a new well pump, installation of a telemetry system, installation of radio read water metering equipment, installation of 6,000 LF of new 6" water main between the treatment

facility and the Warden Acres water storage tank, installation of additional isolation valves and fire hydrants in the distribution system, construction of a maintenance garage and material storage building, and all necessary appurtenances (collectively, the "Project") in accordance with the plans and specifications prepared by the Consulting Engineers, which plans and specifications have heretofore been filed with the Issuer. The existing public waterworks system of the Issuer, the Project and any further additions, betterments and improvements thereto are herein called the "System". The acquisition and construction of the Project and the financing hereby authorized and provided for are public purposes of the Issuer and are ordered for the purpose of meeting and serving public convenience and necessity.

C. The Issuer has heretofore temporarily financed the design and other preliminary costs of the Project by the issuance of the Waterworks System Bond Anticipation Note, Series 2007, dated March 1, 2007 issued in the original aggregate principal amount of \$200,000 (the "Prior Notes").

D. The Prior Notes were issued pursuant to an Ordinance of the Issuer previously enacted for such purpose (such ordinance, as amended and supplemented is herein called the "Prior Notes Ordinance").

E. It is deemed necessary and desirable for the Issuer to pay the Prior Notes.

F. The Issuer intends to pay the Prior Notes and to permanently finance the costs of acquisition and construction of the Project through the issuance of its revenue bonds to the West Virginia Water Development Authority (the "Authority"), which administers the West Virginia DWTRF Program (the "DWTRF Program") for the West Virginia Bureau for Public Health (the "BPH").

G. It is deemed necessary for the Issuer to issue its Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), in the total aggregate principal amount of not more than \$1,750,000 (the "Series 2008 A Bonds"), initially to be represented by a single bond, to permanently finance a portion of the costs of acquisition and construction of the Project; pay the Prior Notes and pay costs of issuance. The remaining costs of the Project shall be funded from the sources set forth in Section 2.01 hereof. Such costs shall be deemed to include the cost of all property rights, easements and franchises deemed necessary or convenient therefor; interest, if any, upon the Series 2008 A Bonds prior to and during acquisition or construction and for a period not exceeding 6 months after completion of acquisition and construction of the Project; amounts which may be deposited in the Series 2008 A Bonds Reserve Account (as hereinafter defined); engineering and legal expenses; expenses for estimates of costs and revenues, expenses for plans, specifications and surveys; other expenses necessary or incident to determining the feasibility or practicability of the enterprise, administrative expense, commitment fees, fees and expenses of the Authority; discount, initial fees for the services of registrars, paying agents, depositories or trustees or other costs in connection with the sale of the Series 2008 A Bonds and such other expenses as may be necessary or incidental to the financing herein authorized, the acquisition or construction of the Project and the placing of same in operation, and the performance of the things herein required or permitted, in connection with any thereof, provided, that reimbursement to the Issuer for any amounts expended by it for allowable costs prior to the issuance of the Series 2008 A Bonds or the repayment of indebtedness incurred by the Issuer for such purposes shall be deemed Costs of the Project, as hereinafter defined.

H. The period of usefulness of the System after completion of the Project is not less than 32 years.

I. It is in the best interests of the Issuer that its Series 2008 A Bonds be sold to the Authority pursuant to the terms and provisions of a loan agreement (the "Loan Agreement") by and between the Issuer and the Authority, on behalf of the BPH, in form satisfactory to the Issuer, the Authority and the BPH, to be approved hereby if not previously approved by resolution of the Issuer.

J. Upon repayment of the Prior Notes, there will be no outstanding obligations of the Issuer which will rank on a parity with the Series 2008 A Bonds as to liens, pledge, source of and security for payment or are secured by revenues or assets of the System.

K. The estimated revenues to be derived in each year after completion of the Project from the operation of the System will be sufficient to pay all costs of operation and maintenance of the System, the principal of and interest, if any, on the Series 2008 A Bonds and to make payments into all funds and accounts and other payments provided for herein.

L. 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 2008 A Bonds, or will have so complied prior to issuance of any thereof, including, among other things, the approval of the Project and the financing thereof by the West Virginia Bureau for Public Health and the obtaining of a Certificate of Public Convenience and Necessity 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 2008 A Bonds or such final order will not be subject to appeal.

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

Section 1.03. Bond Legislation Constitutes Contract. In consideration of the acceptance of the Series 2008 A Bonds by 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 Bondholders of any and all of such Series 2008 A Bonds, all which shall be of equal rank and without preference, priority or distinction between any one Bond and any other Bonds and 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 13C and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended and in effect on the date of enactment hereof.

“Administrative Fee” means any administrative fee required to be paid pursuant to the Loan Agreement for the Series 2008 A Bonds.

“Authority” means the West Virginia Water Development Authority, which is expected to be the original purchaser and Registered Owner of the Series 2008 A Bonds, or any other agency, board or department of the State that succeeds to the functions of the Authority.

“Authorized Officer” means the Mayor of the Issuer, or any other officer of the Issuer specifically designated by resolution of the Governing Body.

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

“Bond Legislation,” “Ordinance,” “Bond Ordinance” or “Local Act” means this Bond Ordinance and all ordinances, orders and resolutions supplemental hereto or amendatory hereof.

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

“Bonds” means the Series 2008 A Bonds and, where appropriate, any bonds on a parity therewith subsequently authorized to be issued hereunder or by another ordinance 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.

“BPH” means the West Virginia Bureau for Public Health and any successor thereto.

“Closing Date” means the date upon which there is an exchange of the Series 2008 A Bonds for all or a portion of the proceeds of the Series 2008 A Bonds from the Authority.

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

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

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

“Costs” or “Costs of the Project” means those costs described in Section 1.02D hereof to

be a part of the cost of acquisition and construction of the Project.

“Depository Bank” means the bank designated as such in the Supplemental Resolution, and its successors and assigns.

“DWTRF Regulations” means the DWTRF regulations set forth in the West Virginia Code of State Regulations, as amended from time to time.

“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” means the Council 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.

“Gross Revenues” means the aggregate gross operating and non-operating revenues of the System, 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.

“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.

“Issuer” means the Town of Wardensville, a municipal corporation and political subdivision of the State of West Virginia, in Hardy County, West Virginia, and, unless the context clearly indicates otherwise, includes the Governing Body of the Issuer.

“Loan Agreement” means the loan agreement heretofore entered, or to be entered, into between the Issuer and the Authority, on behalf of the BPH, providing for the purchase of the Series 2008 A Bonds from the Issuer by the Authority, the form of which shall be approved, and the execution and delivery by the Issuer authorized and directed or ratified by the Supplemental Resolution.

“Mayor” means the Mayor of the Issuer.

“Net Proceeds” means the face amount of the Series 2008 A Bonds, plus accrued interest and premium, if any, less original issue discount, if any, and less proceeds, if any, deposited in the Series 2008 A Bonds Reserve Account.

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

“Operating Expenses” means the reasonable, proper and necessary costs of repair, operation and maintenance 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, the Administrative Fee, fees and expenses of the Authority, fiscal agents, the Depository Bank, the Registrar and Paying Agent (all as herein defined), 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, if any, 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 monies, 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, or holders of any Bonds registered to the Issuer.

“Parity Bonds” means Parity 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 by the Issuer in the Supplemental Resolution with the written consent of the Authority and the BPH.

“Prior Notes” means the Issuer’s Waterworks System Bond Anticipation Note, Series 2007, dated March 1, 2007 issued in the original aggregate principal amount of \$200,000.

“Prior Notes Ordinance” means the ordinance authorizing the Prior Notes.

“Project” means the Project as described in Section 1.02B hereof.

“Qualified Investments” means and includes any of the following, unless otherwise set forth in the Supplemental Resolution:

- (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 Board of Treasury Investments pursuant to Chapter 12, Article 6C 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.

“Recorder” means the Recorder of the Issuer.

“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 thereto.

“Renewal and Replacement Fund” means the Renewal and Replacement Fund created by Section 5.01 hereof.

“Revenue Fund” means the Revenue Fund created by Section 5.01 hereof.

“Series 2008 A Bonds” means the Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), of the Issuer, authorized by this Bond Legislation.

“Series 2008 A Bonds Construction Trust Fund” means the Series 2008 A Bonds Construction Trust Fund established by Section 5.01 hereof.

“Series 2008 A Bonds Reserve Account” means the Series 2008 A Bonds Reserve Account established in Section 5.02 hereof.

“Series 2008 A Bonds Reserve Requirement” means, as of any date of calculation, the maximum amount of principal and interest, if any, which will become due on the Series 2008 A Bonds in the then current or any succeeding year.

“Series 2008 A Bonds Sinking Fund” means the Series 2008 A Bonds Sinking Fund established by Section 5.02 hereof.

“State” means the State of West Virginia.

“Supplemental Resolution” means any resolution, ordinance or order of the Issuer

supplementing or amending this Ordinance and, when preceded by the article “the,” refers specifically to the supplemental resolution authorizing the sale of the Series 2008 A Bonds; provided, that any matter intended by this Ordinance to be included in the Supplemental Resolution with respect to the Series 2008 A Bonds, and not so included may be included in another Supplemental Resolution.

“Surplus Revenues” means the Net Revenues not required by the Bond Legislation to be set aside and held for the payment of or security for the Bonds or any other obligations of the Issuer, including, without limitation, the Renewal and Replacement Fund, the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account.

“System” means, collectively, the complete public waterworks system of the Issuer, as presently existing in its entirety or any integral part thereof, and shall include the Project and any additions, betterments and improvements thereto hereafter acquired or constructed for the System from any sources whatsoever.

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

“West Virginia DWTRF Program” means the West Virginia DWTRF Program established by the State, administered by BPH and funded by capitalization grants awarded to the State pursuant to the federal Safe Drinking Water Act, as amended, for the purpose of establishing and maintaining a permanent perpetual fund for the acquisition, construction and improvement of drinking water projects.

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 AND AUTHORIZATION OF PAYMENT OF PRIOR NOTES

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 not to exceed \$1,750,000, 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 2008 A Bonds shall be applied as provided in Article VI hereof. The Issuer has received bids and will enter into contracts for the acquisition and construction of the Project, compatible with the financing plan submitted to the BPH and the Authority. The cost of the Project is estimated not to exceed \$1,750,000, which will be obtained from proceeds of the Series 2008 A Bonds.

Section 2.02. Authorization of Payment of Prior Notes. There is hereby authorized and ordered the payment in full of the entire outstanding principal of and the interest on the Prior Notes on the Closing Date from the proceeds of the Series 2008 A Bonds. Upon payment of the Prior Notes, any funds pledged in favor of the holders of the Prior Notes imposed by the Prior Notes Ordinance are hereby ordered terminated, discharged and released.

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 paying the Prior Notes, paying Costs of the Project not otherwise provided for and paying certain costs of issuance of the Series 2008 A Bonds and related costs, or any or all of such purposes, as determined by the Supplemental Resolution, there shall be and hereby are authorized to be issued the negotiable Series 2008 A Bonds of the Issuer. The Series 2008 A Bonds shall be issued as a single bond, designated "Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program)", in the principal amount of not more than \$1,750,000, and shall have such terms as set forth hereinafter and in the Supplemental Resolution. The proceeds of the Series 2008 A Bonds remaining after, funding of the Series 2008 A Bonds Reserve Account (if funded from Bond proceeds) and capitalization of interest, if any, shall be deposited in or credited to the Series 2008 A Bonds Construction Trust Fund established by Section 5.01 hereof.

Section 3.02. Terms of Bonds. The Series 2008 A Bonds shall be issued in such principal amounts; shall bear interest, if any, at such rate or rates, not exceeding the then legal maximum, 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 2008 A Bonds shall be payable as to principal at the office of the Paying Agent, in any coin or currency which, on the dates of payment of principal is legal tender for the payment of public or private debts under the laws of the United States of America. Interest on the Series 2008 A Bonds, if any, 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 2008 A 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 2008 A Bonds. The Series 2008 A Bonds shall be exchangeable at the option and expense of the Registered Owner for another fully registered Bond or Bonds of the same series in aggregate principal amount equal to the amount of said Bonds then Outstanding and being exchanged, with principal installments or maturities, as applicable, corresponding to the dates of payment of principal installments of said Bonds; provided, that the Authority shall not be obligated to pay any expenses of such exchange.

Subsequent series of Bonds, if any, shall be issued in fully registered form and in denominations as determined by a Supplemental Resolution. Such Bonds shall be dated and shall bear interest, if any, as specified in a Supplemental Resolution.

Section 3.03. Execution of Bonds. The Series 2008 A Bonds shall be executed in the name of the Issuer by the Mayor, and the seal of the Issuer shall be affixed thereto or imprinted thereon and attested by the Recorder. In case any one or more of the officers who shall have signed or sealed the Series 2008 A Bonds shall cease to be such officer of the Issuer before the Series 2008 A Bonds so signed and sealed have been actually sold and delivered, such Bonds may nevertheless be sold and delivered as

herein provided and may be issued as if the person who signed or sealed such Bonds had not ceased to hold such office. Any Series 2008 A Bonds may be signed and sealed on behalf of the Issuer by such person as at the actual time of the execution of such Bonds shall hold the proper office in the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 3.04. Authentication and Registration. No Series 2008 A Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Bond Legislation unless and until the Certificate of Authentication and Registration on such Bond, substantially in the 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 2008 A Bond shall be deemed to have been executed by the Bond Registrar if manually signed by an authorized officer of the Bond Registrar, but it shall not be necessary that the same officer sign the Certificate of Authentication and Registration on all of the Bonds issued hereunder.

Section 3.05. Negotiability, Transfer and Registration. Subject to the provisions for transfer of registration set forth below, the Series 2008 A Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder, in accepting the Series 2008 A Bonds shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the Uniform Commercial Code of the State of West Virginia, and each successive Holder shall further be conclusively deemed to have agreed that said Bonds shall be incontestable in the hands of a bona fide holder for value.

So long as the Series 2008 A Bonds remain outstanding, the Issuer, through the Bond Registrar or its agent, shall keep and maintain books for the registration and transfer of such Bonds.

The registered Series 2008 A Bonds shall be transferable only upon the books of the Bond Registrar, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereto together with a written instrument of transfer satisfactory to the Bond Registrar duly executed by the registered owner or his duly authorized attorney.

In all cases in which the privilege of exchanging Series 2008 A Bonds or transferring the registered Series 2008 A Bonds are exercised, all Series 2008 A Bonds shall be delivered in accordance with the provisions of this Bond Legislation. All Series 2008 A Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Bond Registrar. For every such exchange or transfer of Series 2008 A 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 2008 A Bonds during the period commencing on the 15th day of the month next preceding an interest payment date on the Series 2008 A Bonds or, in the case of any proposed redemption of Series 2008 A 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 2008 A Bond shall become mutilated or be destroyed, stolen or lost, the Issuer may, in its discretion, issue, and the Bond Registrar shall, if so advised by the Issuer, authenticate and deliver, a new Bond of the same series and of like tenor as the Bonds so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond, or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Holder's furnishing satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer and the Bond Registrar may incur. All Bonds so surrendered shall be cancelled by the Bond Registrar and held for the account of the Issuer. If any such Bond shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Section 3.07. Bonds not to be Indebtedness of the Issuer. The Series 2008 A Bonds shall not, in any event, be or constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation, but shall be payable solely from the Gross Revenues derived from the operation of the System as herein provided. No holder or holders of the Series 2008 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2008 A Bonds or the interest, if any, thereon.

Section 3.08. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service on the Series 2008 A Bonds shall be secured by a first lien on the Gross Revenues derived from the System. The Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on and other payments for the Series 2008 A Bonds and to make all other payments hereinafter set forth, 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 2008 A Bonds to the Bond Registrar, and the Bond Registrar shall authenticate, register and deliver the Series 2008 A Bonds to the original purchasers upon receipt of the documents set forth below:

- A. If other than the Authority, a list of the names in which the Series 2008 A Bonds are to be registered upon original issuance, together with such taxpayer identification and other information as the Bond Registrar may reasonably require;
- B. A request and authorization to the Bond Registrar on behalf of the Issuer, signed by an Authorized Officer, to authenticate and deliver the Series 2008 A Bonds to the original purchasers;
- C. An executed and certified copy of the Bond Legislation;
- D. An executed copy of the Loan Agreement; and

E. The unqualified approving opinion of bond counsel on the Series 2008 A Bonds.

Section 3.10. Form of Bonds. The text of the Series 2008 A Bonds shall be in substantially the following form, with such omissions, insertions and variations as may be necessary and desirable and authorized or permitted hereby, or by any Supplemental Resolution adopted prior to the issuance thereof:

(FORM OF BOND)

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF WARDENSVILLE
WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA DWTRF PROGRAM)

No. AR-_____

\$ _____

KNOW ALL MEN BY THESE PRESENTS: This _____ day of _____, 2008 that the TOWN OF WARDENSVILLE, a municipal corporation and political subdivision of the State of West Virginia in Hardy County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of _____ DOLLARS (\$ _____), or such lesser amount as shall have been advanced to the Issuer hereunder and not previously repaid, as set forth in the "Record of Advances" attached as EXHIBIT A hereto and incorporated herein by reference, in quarterly installments on March 1, June 1, September 1 and December 1 of each year, commencing _____ 1, 200____, to and including _____ 1, 20____, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This bond shall not bear interest. The Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year commencing _____ 1, 20____, as set forth on EXHIBIT B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the BPH, dated _____, 2008.

This Bond is issued (i) to pay the Issuer's Waterworks System Bond Anticipation Note, Series 2007 (the "Prior Notes"); (ii) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); and (iii) to pay certain costs of issuance of the Bonds and related costs. The existing public waterworks system of the Issuer, the Project, and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16,

Article 13C and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on _____, 2008, and a Supplemental Resolution duly adopted by the Issuer on _____, 2008 (collectively, the "Bond Legislation"), and is subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THE ISSUER HAS NO BONDS OR OBLIGATIONS OTHER THAN THIS BOND WHICH IS SECURED BY GROSS REVENUES OF THE SYSTEM.

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System and from monies in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2008 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Gross Revenues, the monies in the Series 2008 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds; provided however, that so long as there exists in the Series 2008 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. 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 (as defined in the Bond Legislation) by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance described in the Bond Legislation, and there shall be and hereby is created and granted a lien upon such monies, 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 do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Gross 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 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.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the TOWN OF WARDENSVILLE has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated the day and year first written above.

[SEAL]

Mayor

ATTEST:

Recorder

(Form of)

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2008 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: _____, 2008.

THE HUNTINGTON NATIONAL BANK,
as Registrar

Authorized Officer

(Form of)

EXHIBIT A

RECORD OF ADVANCES

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

TOTAL \$ _____

EXHIBIT B

DEBT SERVICE SCHEDULE

(Form of)

ASSIGNMENT

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

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

Dated: _____, _____.

In the presence of:

Section 3.11. Sale of Bonds; Approval and Ratification of Execution of Loan Agreement. The Series 2008 A Bonds shall be sold to the Authority, pursuant to the terms and conditions of the Loan Agreement. If not so authorized by previous ordinance or resolution, the Mayor 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 Recorder 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. The Loan Agreement, including all schedules and exhibits attached thereto, is hereby approved and incorporated in this Bond Legislation.

Section 3.12. "Amended Schedule A" Filing. Upon completion of the acquisition and construction of the Project, the Issuer will file with the Authority and the BPH a schedule of the form of which will be provided by the BPH, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE IV

[RESERVED]

ARTICLE V

FUNDS AND ACCOUNTS; SYSTEM REVENUES AND APPLICATION THEREOF

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

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund; and
- (3) Series 2008 A Bonds Construction Trust Fund.

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

- (1) Series 2008 A Bonds Sinking Fund; and
- (2) Series 2008 A Bonds Reserve Account.

Section 5.03. System Revenues; Flow of Funds. A. The entire Gross Revenues derived from the operation of the System and all parts thereof shall be deposited upon receipt by the Issuer 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 monies in the Revenue Fund shall be disposed of only in the following manner and order of priority:

- (1) The Issuer shall on the first day of each month, transfer from the Revenue Fund and remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2008 A Bonds, for deposit in the Series 2008 A Bonds Sinking Fund, an amount equal to 1/3rd of the amount of principal which will mature and become due on the Series 2008 A Bonds on the next ensuing quarterly principal payment date; provided that, in the event the period to elapse between the date of such initial deposit in the Series 2008 A Bonds Sinking Fund and the next quarterly principal payment date is less than 3 months, then such monthly payments shall be increased proportionately to provide, 1 month prior to the next quarterly principal payment date, the required amount of principal coming due on such date.
- (2) The Issuer shall next, on the first day of each month, transfer

from the Revenue Fund and remit to the Commission, commencing 3 months prior to the first date of payment of principal of the Series 2008 A Bonds, if not fully funded upon issuance of the Series 2008 A Bonds, for deposit in the Series 2008 A Bonds Reserve Account, an amount equal to 1/120th of the Series 2008 A Bonds Reserve Requirement; provided that, no further payments shall be made into the Series 2008 A Bonds Reserve Account when there shall have been deposited therein, and as long as there shall remain on deposit therein, an amount equal to the Series 2008 A Bonds Reserve Requirement.

(3) The Issuer shall next, each month, pay from the Revenue Fund the current Operating Expenses of the System.

(4) The Issuer shall next, on the first day of each month, transfer from the Revenue Fund and remit to the Depository Bank for deposit in the Renewal and Replacement Fund, a sum equal to 2 1/2% of the Gross Revenues each month, exclusive of any payments for account of any reserve account. All funds in the Renewal and Replacement Fund shall be kept apart from all other funds of the Issuer or of the Depository Bank and shall be invested and reinvested in as provided herein. Withdrawals and disbursements may be made from the Renewal and Replacement Fund for replacements, emergency repairs, improvements or extensions to the System; provided that, any deficiencies in any reserve account (except to the extent such deficiency exists because the required payments into such account have not, as of the date of determination of a deficiency, funded such account to the maximum extent required hereof) shall be promptly eliminated with monies from the Renewal and Replacement Fund.

Monies in the Series 2008 A Bonds Sinking Fund shall be used only for the purposes of paying principal of and interest, if any, on the Series 2008 A Bonds as the same shall become due. Monies in the Series 2008 A Bonds Reserve Account shall be used only for the purposes of paying principal of and interest, if any, on the Series 2008 A Bonds as the same shall come due, when other monies in the Series 2008 A Bonds Sinking Fund are insufficient therefor, and for no other purpose.

All investment earnings on monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be returned, not less than once each year, by the Commission to the Issuer, and such amounts shall, during construction of the Project, be deposited in the Series 2008 A Bonds Construction Trust Fund, and following completion of construction of the Project, shall be deposited in the Revenue Fund and applied in full, first to the next ensuing interest payment, if any, due on the Series 2008 A Bonds and then to the next ensuing principal payment due thereon.

Any withdrawals from the Series 2008 A Bonds Reserve Account which result in a reduction in the balance of the Series 2008 A Bonds Reserve Account to below the Series 2008 A Bonds Reserve Requirement shall be subsequently restored from the first Gross Revenues available after all

required payments have been made in full in the priority as set forth above.

As and when additional Bonds ranking on a parity with the Series 2008 A Bonds are issued, provision shall be made for additional payments into the respective sinking fund sufficient to pay the interest on such additional parity Bonds and accomplish retirement thereof at maturity and to accumulate a balance in the respective reserve account in an amount equal to the requirement therefor.

The Issuer shall not be required to make any further payments into the Series 2008 A Bonds Sinking Fund or the Series 2008 A Bonds Reserve Account when the aggregate amount of funds therein are at least equal to the aggregate principal amount of the Series 2008 A Bonds issued pursuant to this Bond Legislation then Outstanding and all interest, if any, to accrue until the maturity thereof.

The Commission is hereby designated as the fiscal agent for the administration of the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account created hereunder, and all amounts required for said accounts shall be remitted to the Commission from the Revenue Fund by the Issuer at the times provided herein. All remittances made by the Issuer to the Commission shall clearly identify the fund or account into which each amount is to be deposited. If required by the Authority at anytime, the Issuer shall make the necessary arrangements whereby required payments into said accounts shall be automatically debited from the Revenue Fund and electronically transferred to the Commission on the dates required hereunder.

Monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be invested and reinvested by the Commission in accordance with Section 8.01 hereof.

The Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be used solely and only for, and are hereby pledged for, the purpose of servicing the Series 2008 A Bonds under the conditions and restrictions set forth herein.

B. The Issuer shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required principal, interest, if any, and reserve payments with respect to the Series 2008 A Bonds and all such payments shall be remitted to the Commission with appropriate instructions as to the custody, use and application thereof consistent with the provisions of this Bond Legislation. The Issuer shall also on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the Administrative Fee as set forth in the Schedule Y attached to the Loan Agreement.

C. Whenever all of the required and provided transfers and payments from the Revenue Fund into the several special funds, as hereinabove provided, are current and there remains in the Revenue Fund a balance in excess of the estimated amounts required to be so transferred and paid into such funds during the following month or such other period as required by law, such excess shall be considered as surplus revenues (the "Surplus Revenues"). Surplus Revenues may be used for any lawful purpose of the System.

D. The Issuer shall complete the "Monthly Payment Form," a form of which is attached to the Loan Agreement, and submit a copy of said form along with a copy of its payment check

to the Authority by the 5th day of such calendar month.

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

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

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

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

ARTICLE VI

BOND PROCEEDS; CONSTRUCTION DISBURSEMENTS

Section 6.01. Application of Bond Proceeds; Pledge of Unexpended Bond Proceeds.

From the monies received from the sale of the Series 2008 A Bonds, the following amounts shall be first deducted and deposited in the order set forth below:

A. From the proceeds of the Series 2008 A Bonds, there shall first be paid the amounts required to fully satisfy the outstanding amount of said Prior Notes.

B. Next, from the proceeds of the Series 2008 A Bonds, there shall be deposited with the Commission in the Series 2008 A Bonds Reserve Account, the amount, if any, set forth in the Supplemental Resolution for funding of the Series 2008 A Bonds Reserve Account.

C. As the Issuer receives advances of the remaining monies derived from the sale of the Series 2008 A Bonds, such monies shall be deposited with the Depository Bank in the Series 2008 A Bonds Construction Trust Fund and applied solely to payment of the costs of the Project in the manner set forth in Section 6.02 hereof and, until so expended, are hereby pledged as additional security for the Series 2008 A Bonds.

D. After completion of construction of the Project, as certified by the Consulting Engineers, and all costs have been paid, any remaining proceeds of the Series 2008 A Bonds shall be expended as directed by the Authority and the BPH.

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

Except as provided in Section 6.01 hereof, disbursements from the Series 2008 A Bonds Construction Trust Fund shall be made only after submission to, and approval from, the BPH of a certificate, signed by an Authorized Officer stating that:

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

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

- (C) Each of such costs has been otherwise properly incurred; and
- (D) Payment for each of the items proposed is then due and owing.

Pending such application, monies in the Series 2008 A Bonds Construction Trust Fund shall be invested and reinvested in Qualified Investments at the written direction of the Issuer.

ARTICLE VII

ADDITIONAL COVENANTS OF THE ISSUER

Section 7.01. General Covenants of the Issuer. All the covenants, agreements and provisions of this Bond Legislation shall be and constitute valid and legally binding covenants of the Issuer and shall be enforceable in any court of competent jurisdiction by any Holder or Holders of the Series 2008 A Bonds. In addition to the other covenants, agreements and provisions of this Bond Legislation, the Issuer hereby covenants and agrees with the Holders of the Series 2008 A Bonds as hereinafter provided in this Article VII. All such covenants, agreements and provisions shall be irrevocable, except as provided herein, as long as any of the Series 2008 A Bonds or the interest, if any, thereon is Outstanding and unpaid.

Section 7.02. Bonds not to be Indebtedness of the Issuer. The Series 2008 A Bonds shall not be nor constitute a corporate indebtedness of the Issuer within the meaning of any constitutional, statutory or charter limitation of indebtedness, but shall be payable solely from the funds pledged for such payment by this Bond Legislation. No Holder or Holders of the Series 2008 A Bonds shall ever have the right to compel the exercise of the taxing power of the Issuer to pay the Series 2008 A Bonds or the interest, if any, thereon.

Section 7.03. Bonds Secured by Pledge of Gross Revenues. The payment of the debt service on the Series 2008 A Bonds shall be secured by a first lien on the Gross Revenues derived from the System. The Gross Revenues in an amount sufficient to pay the principal of and interest, if any, on the Series 2008 A Bonds and to make the payments into all funds and accounts and all other payments provided for in the Bond Legislation are hereby irrevocably pledged, in the manner provided herein, to such payments as they become due, and for the other purposes provided in the Bond Legislation.

Section 7.04. Initial Schedule of Rates and Charges. The Issuer has obtained any and all approvals of rates and charges required by State law and has taken any other action required to establish and impose such rates and charges, with all requisite appeal periods having expired without successful appeal and the Issuer shall provide an opinion of counsel to such effect. Such rates and charges shall be sufficient to comply with the requirements of the Loan Agreement and the Issuer shall provide a certificate of certified public accountant to such effect. The initial schedule of rates and charges for the services of the facilities of the System shall be as set forth in the water rate ordinance of the Issuer enacted March 4, 2008, as amended by a Recommended Decision entered by the Public Service Commission on October 17, 2008, in Case No. 08-0282-W-MA, which rates are incorporated herein by reference as a part hereof.

So long as the Series 2008 A Bonds are outstanding, the Issuer covenants and agrees to fix and collect rates, fees and other charges for the use of the System and to take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Bond Legislation and in compliance with the Loan Agreement. In the event the Series 2008 A Bonds shall prove to be insufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement, the Issuer 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 and take all such actions necessary to provide funds

sufficient to produce the required sums set forth in this Bond Legislation and the Loan Agreement.

Section 7.05. Sale of the System. So long as the Series 2008 A Bonds are outstanding and except as otherwise required by law or with the written consent of the Authority and the BPH, 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 fully pay all the Bonds Outstanding, in accordance with Article X hereof. The proceeds from any such sale, mortgage, lease or other disposition of the System shall, with respect to the Series 2008 A Bonds, immediately be remitted to the Commission for deposit in the Series 2008 A 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 of and interest, if any, on the Series 2008 A Bonds. Any balance remaining after the payment of the Series 2008 A Bonds and interest, if any, 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 is not in excess of \$10,000, the Issuer shall, by resolution duly adopted, determine that such property comprising a part of the System is no longer necessary, useful or profitable in the operation thereof, and may then provide for the sale of such property. The proceeds of any such sale shall be deposited in the Renewal and Replacement Fund. If the amount to be received from such sale, lease or other disposition of said property shall be in excess of \$10,000 but not in excess of \$50,000, 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 may then, if it be so advised, by resolution duly adopted, authorize such sale, lease or other disposition of such property in accordance with the laws of the State. The proceeds derived from any such sale, lease or other disposition of such property, in excess of \$10,000 and not in excess of \$50,000, shall be deposited in the Renewal and Replacement Fund. The payment of such proceeds into 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 shall be in excess of \$50,000 and insufficient to pay all Bonds then Outstanding without the prior approval and consent in writing of the Holders of the Series 2008 A Bonds then Outstanding. The Issuer shall prepare the form of such approval and consent for execution by the then Holders of the Series 2008 A 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 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 2008 A Bonds. All obligations issued by the Issuer after the issuance of the Series 2008 A Bonds and payable from the

revenues of the System, except such additional parity Bonds, shall contain an express statement that such obligations are junior and subordinate, as to lien on and source of and security for payment from such revenues and in all other respects, to the Series 2008 A Bonds; provided, that no such subordinate obligations shall be issued unless all payments required to be made into all funds and accounts set forth herein have been made and are current at the time of the issuance of such subordinate obligations.

Except as provided above, the Issuer shall not create, or cause or permit to be created, any debt, lien, pledge, assignment, encumbrance or any other charge having priority over or being on a parity with the lien of the Series 2008 A Bonds, and the interest, if any, thereon, upon any of the income and revenues of the System pledged for payment of the Series 2008 A Bonds and the interest, if any, thereon in this Bond Legislation, or upon the System or any part thereof.

The Issuer shall give the Authority and the BPH 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 Project, or any other obligations related to the Project or the System.

Section 7.07. Additional Parity Bonds. No additional Parity Bonds payable out of the revenues of the System, shall be issued after the issuance of the Series 2008 A Bonds pursuant to this Ordinance, without the prior written consent of the Authority and the BPH and without complying with the conditions and requirements herein provided.

All Parity Bonds issued hereafter shall be on a parity in all respects with the Series 2008 A Bonds.

No Parity Bonds shall be issued except for the purposes of financing the costs of design, acquisition and construction of additions, betterments or improvements to the System or refunding the Bonds issued pursuant hereto, or both such purposes.

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

- (1) The Bonds then Outstanding;
- (2) Any Parity Bonds theretofore issued pursuant to the provisions contained in this Bond Legislation then Outstanding; and
- (3) The Parity Bonds then proposed to be issued.

The "estimated average increased annual Net Revenues to be received in each of the 3 succeeding years," as that term is used in the computation provided in the above paragraph, shall refer only to the increased Net Revenues estimated to be derived from (a) the improvements to be financed by such Parity Bonds and (b) any increase in rates enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to the date of issuance of such Parity Bonds and shall not exceed the amount to be stated in a certificate of the Independent Certified Public Accountants, which shall be filed in the office of the Recorder of the Issuer prior to the issuance of such Parity Bonds.

The Net Revenues actually derived from the System during the 12-consecutive-month period hereinabove referred to may be adjusted by adding to such Net Revenues such additional Net Revenues which would have been received, in the opinion of the Independent Certified Public Accountants, as stated in a certificate filed with the Recorder, on account of increased rates, rentals, fees and charges for the System enacted by the Issuer, the time for appeal of which shall have expired (without successful appeal) prior to issuance of such Parity Bonds.

All the 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 Series 2008 A 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. All the Bonds issued on a parity, regardless of the time or times of their issuance, shall rank equally with respect to their lien on the Net Revenues of the System, and their source of and security for payment from said Net Revenues, without preference of any Bond over any other. 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 on the revenues of the System of which is subject to the prior and superior lien of the Series 2008 A Bonds on such revenues. Any such subordinate bonds, notes, certificates or other obligations shall be payable from the Net Revenues remaining after all payments required to be made in accordance with this Bond Legislation have first been paid. The Issuer shall not issue any obligations whatsoever payable from the revenues of the System, or any part thereof, which rank prior to or equally, as to lien and source of and security for payment from such revenues, with the Series 2008 A Bonds except in the manner and under the conditions provided in this section.

No Parity Bonds shall be issued at any time, however, unless all of the payments into the respective funds and accounts provided for in this Bond Legislation on account of the Series 2008 A Bonds then Outstanding, and any other payments provided for in this Bond Legislation, shall have been made in full as required to the date of issuance of the Parity Bonds and the Issuer is then in full compliance with all the covenants, agreements and terms of this Bond Legislation and every ordinance supplemental thereto, or shall have fully corrected any delinquency or deficiency in such payments.

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

The Issuer shall permit the Authority and the BPH, or their agents and representatives, to inspect all records pertaining to the operation and maintenance 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 Issuer shall direct.

The Issuer shall file with the Authority and the BPH, or any other original purchaser of the Series 2008 A Bonds, and shall mail in each year to any Holder or Holders of the Series 2008 A Bonds, requesting the same, an annual report containing the following:

- (A) A statement of Gross Revenues, Operating Expenses, Net Revenues and Surplus Revenues derived from and relating to the System.
- (B) A balance sheet statement showing all deposits in all the funds and accounts provided for in this Bond Legislation and the status of all said funds and accounts.
- (C) The amount of any bonds, notes or other obligations outstanding.

The Issuer shall also, at least once a year, cause the books, records and accounts of the System to be audited by Independent Certified Public Accountants (and to the extent legally required, be in compliance with the applicable OMB Circular, or any successor thereof, and the Single Audit Act, or

any successor thereof), and shall mail upon request, and make available generally, the report of the Independent Certified Public Accountants, or a summary thereof, to any Holder or Holders of the Series 2008 A Bonds and shall submit the report to the Authority and the BPH, or any other original purchaser of the Series 2008 A Bonds. Such audit report submitted to the Authority and the BPH shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the revenues of the System are adequate to meet the Issuer's Operating Expenses and debt service and reserve requirements.

Subject to the terms, conditions and provisions of the Loan Agreement and the Act, the Issuer 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 by the Consulting Engineers. 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 Issuer.

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

Section 7.09. Rates. Prior to the issuance of the Series 2008 A Bonds, rates or charges for the use of the services and facilities of the System will be fixed and established, all in the manner and form required by law, and a copy of such rates and charges so fixed and established shall at all times be kept on file in the office of the Recorder of the Issuer, which copy will be open to inspection by all interested parties. The schedule or schedules 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 and accounts created hereunder. Such schedule or schedules of rates and charges shall be revised from time to time, whenever necessary, so that the aggregate of the rates and charges will be sufficient for such purposes. In order to assure full and continuous performance of this covenant with a margin for contingencies and temporary unanticipated reduction in income and revenues, the Issuer hereby covenants and agrees that the schedule or schedules 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 115% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2008 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 A Bonds; provided that, in the event that amounts equal to or in excess of the reserve requirement are on deposit respectively in the Series 2008 A Bonds Reserve Account and reserve accounts for obligations on a parity with the Series 2008 A Bonds, are funded at least at the requirement therefor, such balance each year need only equal at least 110% of the maximum amount required in any year for payment of principal of and interest, if any, on the Series 2008 A Bonds and all other obligations secured by a lien on or payable from such revenues on a parity with the Series 2008 A Bonds. In any

event, the Issuer shall not reduce the rates or charges for services set forth in the rate ordinance currently in effect.

The Issuer hereby covenants to commence enactment of such ordinance or ordinances as shall be required to increase the rates and charges for the services and facilities of the System within 30 days following a determination of the Issuer that less than the above-required coverage exists or in the event that the annual audit report shows less than the above-required coverage, such increase to provide rates and charges sufficient to produce such required coverage.

Section 7.10. Operating Budget and Monthly Financial Report. The Issuer shall annually, at least 45 days preceding the beginning of each Fiscal Year, prepare and adopt by resolution a detailed, balanced budget of the estimated revenues and expenditures for operation and maintenance of the System during the succeeding Fiscal Year and shall submit a copy of such budget to the Authority and the BPH 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, the BPH and to any Holder of any Bonds who shall file his or her address with the Issuer and request in writing that copies of all such budgets 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 the Authority, the BPH and 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, and forward a copy of such report to the Authority and the BPH by the 10th 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 BPH, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and the BPH 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 engineering services satisfactory to the Authority and the BPH 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 engineer shall certify to the Authority, the BPH and the Issuer at the completion of construction that construction of the Project is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies.

The Issuer shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the DWTRF Regulations, to it within 60 days of the completion of the Project. The Issuer shall notify the BPH in writing of such receipt.

The Issuer shall require the consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the DWTRF Regulations, to the BPH when the Project is 90% completed. The Issuer shall at all times provide operation and maintenance of the System in compliance with all State and federal standards.

The Issuer shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such certified operator to operate the System during the entire term of the Loan Agreement. The Issuer shall notify BPH in writing of the certified operator employed at 50% completion stage,

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

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

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

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 either 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 2008 A 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 greater of the fair appraised value or 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. In the event of any damage to or destruction of any portion of the System, the proceeds of all such insurance policies shall be placed in the Renewal and Replacement Fund and used only for the repair or reconstruction of such damages or destroyed portion 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 prime contractor 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 not less than 100% of the amount of any construction contract and to be required of each contractor dealing 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 any additions, extensions or improvements for the System in compliance with West Virginia Code, Section 38-2-39.

(4) FIDELITY BONDS will be provided as to every officer and employee of the Issuer or the Issuer 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.

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

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

B. The Issuer shall require all contractors engaged in the construction of the Project to furnish a performance bond and a payment bond, each in an amount equal to 100% of the contract price of the portion of the Project covered by the particular contract as security for the faithful performance of such contract. The Issuer shall verify such bonds prior to commencement of construction.

The Issuer shall also require all contractors engaged in the construction of the Project to carry such worker's compensation coverage for all employees working on the Project and public liability insurance, vehicular liability insurance and property damage insurance in amounts adequate for such purposes and as is customarily carried with respect to works and properties similar to the Project; provided that the amounts and terms of such coverage are satisfactory to the Authority and the BPH, and the Issuer shall verify such insurance prior to commencement of construction. In the event the Loan Agreement so requires, such insurance shall be made payable to the order of the Authority, the Issuer, the prime contractor and all subcontractors, as their interests may appear.

Section 7.16. Mandatory 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 has obtained all permits required by state and federal laws for the acquisition and construction of the Project, all orders and approvals from the Public Service Commission of West Virginia and the BPH necessary for the acquisition and construction of the Project and the operation of the System and all approvals for the issuance of the Series 2008 A Bonds required by State law, with all appeal periods having expired without successful appeal and the Issuer shall provide an opinion of counsel to such effect.

Section 7.18. Compliance with Loan Agreement and Law. The Issuer shall perform, satisfy and comply with all the terms and conditions of the Loan Agreement and the Act. Notwithstanding anything herein to the contrary, the Issuer will provide the BPH with copies of all documents submitted to the Authority. The Issuer also agrees to comply with all applicable laws, rules and regulations issued by the Authority, the BPH or other state, federal or local bodies in regard to the acquisition and construction of the Project and the operation, maintenance and use of the System.

Section 7.19. Reserved.

Section 7.20. Securities Law Compliance. The Issuer will provide the Authority, in a timely manner, with any and all information that may be requested of it (including its annual audit report, financial statements, related information and notices of changes in usage and customer base) so that the Authority may comply with the provisions of SEC Rule 15c2-12 (17 CFR Part 240).

Section 7.21. Contracts; Change Orders; Public Releases. A. The Issuer shall, simultaneously with the delivery of the Series 2008 A Bonds or immediately thereafter, enter into written contracts for the immediate acquisition or construction of the Project.

B. The Issuer shall submit all proposed change orders to the BPH for written approval. The Issuer shall obtain the written approval of the BPH before expending any proceeds of the Series 2008 A Bonds held in "contingency" as set forth in the schedule attached to the certificate of the Consulting Engineer. The Issuer shall also obtain the written approval of the BPH before expending any proceeds of the Series 2008 A Bonds made available due to bid or construction or project underruns.

C. The Issuer shall list the funding as being provided by the BPH and the Authority in any press release, publication, program bulletin, sign or other public communication that references the Project, including but not limited to any program document distributed in conjunction with any ground breaking or dedication of the Project.

ARTICLE VIII

INVESTMENT OF FUNDS

Section 8.01. Investments. Any monies 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 monies 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 monies 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 as reasonably requested by the Issuer, a summary of such funds, accounts and investment earnings.

Section 8.02. Certificate as to Use of Proceeds; Covenants as to Use of Proceeds. The Issuer shall deliver a certificate as to use of proceeds or other similar certificate to be prepared by nationally recognized bond counsel relating to restrictions on the use of proceeds of the Series 2008 A Bonds as a condition to issuance of the Series 2008 A Bonds. In addition, the Issuer covenants (i) to comply with the Code and all Regulations from time to time in effect and applicable to the Series 2008 A Bonds as may be necessary in order to maintain the status of the Series 2008 A Bonds as governmental bonds; (ii) that it shall not take, or permit or suffer to be taken, any action with respect to the Issuer's use of the proceeds of the Series 2008 A Bonds which would cause any bonds, the interest on which is exempt from federal income taxation under Section 103(a) of the Code, issued by the Authority or the BPH, as the case may be, from which the proceeds of the Series 2008 A Bonds are derived, to lose their status as tax-exempt bonds; and (iii) to take such action, or refrain from taking such action, as shall be deemed necessary by the Issuer, or requested by the Authority or the BPH, to ensure compliance with the covenants and agreements set forth in this Section, regardless of whether such actions may be contrary to any of the provisions of this Ordinance.

The Issuer shall annually furnish to the Authority information with respect to the Issuer's use of the proceeds of the Series 2008 A Bonds and any additional information requested by the Authority.

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 2008 A Bonds:

- (1) If default occurs in the due and punctual payment of the principal of or interest, if any, on any Series 2008 A Bonds; or
- (2) If default occurs in the Issuer’s observance of any of the covenants, agreements or conditions on its part relating to the Series 2008 A Bonds set forth in this Bond Legislation, any supplemental resolution or in the Series 2008 A Bonds, and such default shall have continued for a period of 30 days after the Issuer shall have been given written notice of such default by the Commission, the Depository Bank, 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, if any, 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 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 do.

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 said System shall remain in the Issuer, and no court shall have any jurisdiction to enter any order or decree permitting or requiring such receiver to sell, assign, mortgage or otherwise dispose of any assets of the System.

ARTICLE X

PAYMENT OF BONDS

Section 10.01. Payment of Bonds. If the Issuer shall pay or there shall otherwise be paid, to the Holders of the Series 2008 A Bonds, the principal of and interest, if any, due or to become due thereon, if any, at the times and in the manner stipulated therein and in this Bond Legislation, then the pledge of Gross Revenues and other monies and securities pledged under this Bond Legislation and all covenants, agreements and other obligations of the Issuer to the Registered Owners of the Series 2008 A Bonds shall thereupon cease, terminate and become void and be discharged and satisfied, except as may otherwise be necessary to assure the exclusion of interest, if any, on the Series 2008 A Bonds from gross income for federal income tax purposes.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Amendment or Modification of Bond Legislation. Prior to issuance of the Series 2008 A Bonds, this Ordinance may be amended or supplemented in any way by the Supplemental Resolution. Following issuance of the Series 2008 A Bonds, no material modification or amendment of this Ordinance, or of any ordinance, resolution or order amendatory or supplemental hereto, that would materially and adversely affect the rights of Registered Owners of the Series 2008 A Bonds shall be made without the consent in writing of the Registered Owners of the Series 2008 A Bonds so affected and then Outstanding; provided, that no change shall be made in the maturity of the Series 2007 A Bonds or the rate of interest, if any, 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 2008 A Bonds required for consent to the above-permitted amendments or modifications. Notwithstanding the foregoing, this Bond Legislation may be amended without the consent of any Bondholder as may be necessary to assure compliance with Section 148(f) of the Code relating to rebate requirements or otherwise as may be necessary to assure the excludability of interest on the Series 2008 A Bonds from gross income of the holders thereof.

Section 11.02. Bond Legislation Constitutes Contract. The provisions of the Bond Legislation shall constitute a contract between the Issuer and the Registered Owners of the 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 Ordinance 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 Ordinance, the Supplemental Resolution or the Series 2008 A Bonds.

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

Section 11.05. Notices. All notices to be sent to the Issuer, the Authority or the BPH shall be in writing and shall have been given when delivered in person or mailed by first class mail, postage prepaid, addressed as follows:

ISSUER:
Town of Wardensville
Post Office Box 7
Wardensville, West Virginia 26851
Attention: Mayor

AUTHORITY:
West Virginia Water Development Authority
180 Association Drive
Charleston, West Virginia 25311-1571
Attention: Director

BPH:
West Virginia Bureau for Public Health
One Davis Square
Charleston, West Virginia 25301
Attention: Infrastructure and Capacity Development

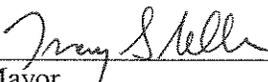
Section 11.06. Conflicting Provisions Repealed. All ordinances, orders or resolutions and or parts thereof in conflict with the provisions of this Ordinance are, to the extent of such conflict, hereby repealed.

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 Ordinance 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 Mayor, the Recorder and members of the Governing Body were at all times when any actions in connection with this Ordinance occurred and are duly in office and duly qualified for such office.

Section 11.08. Statutory Notice and Public Hearing. Upon adoption hereof, an abstract of this Ordinance determined by the Governing Body to contain sufficient information as to give notice of the contents hereof shall be published once a week for 2 successive weeks within a period of fourteen consecutive days, with at least 6 full days intervening between each publication, in *The Moorefield Examiner*, a newspaper published and of general circulation in the Town of Wardensville, together with a notice stating that this Ordinance has been adopted and that the Issuer contemplates the issuance of the Series 2008 A Bonds, and that any person interested may appear before the Governing Body upon a date certain, not less than ten days subsequent to the date of the first publication of such abstract of this Ordinance and notice, and present protests, and that a certified copy of this Ordinance is on file with the Governing Body for review by interested persons during office hours of the Governing Body. At such hearing, all objections and suggestions shall be heard and the Governing Body shall take such action as it shall deem proper in the premises.

Section 11.09. Effective Date. This Ordinance shall take effect immediately following public hearing hereon.

Passed on First Reading: October 7, 2008
Passed on Second Reading: November 3, 2008
Passed on Final Reading
Following Public Hearing: December 2, 2008



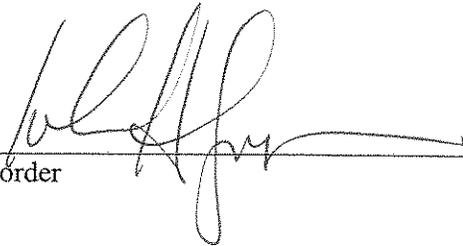
Mayor

CERTIFICATION

Certified a true copy of an Ordinance duly enacted by the Council of the TOWN OF WARDENSVILLE on the 2nd day of December, 2008.

Dated: December 10, 2008.

[SEAL]


Recorder

11.13.08
940540.00002

EXHIBIT A

Loan Agreement included in bond transcript as Document No. 3



TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

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 2008 A (WEST VIRGINIA DWTRF PROGRAM), OF THE TOWN OF WARDENSVILLE; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

WHEREAS, the council (the "Governing Body") of the Town of Wardensville (the "Issuer") has duly and officially adopted and enacted a bond ordinance, effective December 2, 2008 (the "Bond Ordinance"), entitled:

ORDINANCE AUTHORIZING THE PAYMENT OF THE WATERWORKS SYSTEM BOND ANTICIPATION NOTE, SERIES 2007 AND THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE TOWN OF WARDENSVILLE AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF WARDENSVILLE OF NOT MORE THAN \$1,750,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA DWTRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE

SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF
SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING
THERE TO.

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

WHEREAS, the Bond Ordinance provides for the issuance of Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), of the Issuer (the "Bonds"), in an aggregate principal amount not to exceed \$1,750,000, and has authorized the execution and delivery of the loan agreement relating to the Bonds, including all schedules and exhibits attached thereto, by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH") (the "Loan Agreement"), all in accordance with Chapter 16, Article 13C and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), and in the Bond Ordinance it is provided that the form of the Loan Agreement and the exact principal amount, date, maturity date, redemption provision, interest rate, interest and principal payment dates, sale price and other terms of the Bonds should be established by a supplemental resolution pertaining to the Bonds; and that other matters relating to the Bonds be herein provided for;

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

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

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

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF TOWN OF WARDENSVILLE:

Section 1. Pursuant to the Bond Ordinance and the Act, this Supplemental Resolution is adopted and there are hereby authorized and ordered to be issued the Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), of the Issuer, originally represented by a single bond, numbered AR-1, in the principal amount of \$1,550,000. The Series 2008 A Bonds shall be dated the date of delivery thereof, shall finally mature March 1, 2040 and shall not bear interest. The principal on the Series 2008 A Bonds shall be payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2010, to and including March 1, 2040, and in the amounts as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Series 2008 A Bonds. The Series 2008 A Bonds shall be subject to redemption upon the written consent of the Authority and the BPH, and upon payment of the redemption premium, if any, and otherwise in compliance with the Loan Agreement, so long as the Authority shall be the registered owner of the

Series 2008 A Bonds. The Issuer does hereby approve and shall pay the Administrative Fee equal to 1% of the principal amount of the Series 2008 A Bonds set forth in "Schedule Y" attached to the Loan Agreement.

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 Ordinance.

Section 3. The Issuer does hereby authorize, approve, ratify 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 Mayor, 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 applications to the BPH and the Authority. The price of the Bonds shall be 100% of par value, there being no interest accrued thereon, provided that the proceeds of the Bonds shall be advanced from time to time as requisitioned by the Issuer.

Section 4. The Issuer does hereby appoint and designate Huntington National Bank, Charleston, West Virginia, to serve as Registrar (the "Registrar") for the Bonds under the Bond Ordinance 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 Mayor, and the performance of the obligations contained therein, on behalf of the Issuer, are hereby authorized, approved and directed.

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

Section 6. The Issuer does hereby appoint and designate Capon Valley Bank, Wardensville, West Virginia, to serve as Depository Bank under the Bond Ordinance.

Section 7. Series 2008 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2008 A Bonds Sinking Fund, as capitalized interest.

Section 8. Series 2008 A Bonds proceeds in the amount of \$-0- shall be deposited in the Series 2008 A Bonds Reserve Account.

Section 9. Series 2008 A Bonds proceeds in the amount of \$218,015 shall be deposited with the Capon Valley Bank, Moorefield, West Virginia to pay the outstanding principal balance of and all accrued interest on the Issuer's Waterworks System Bond Anticipation Note, Series 2007 (the "Prior Notes") at Closing.

Section 10. The balance of the proceeds of the Series 2008 A Bonds shall be deposited in or credited to the Series 2008 A Bonds Construction Trust Fund as received from the BPH from time to time for payment of the costs of the Project, including, without limitation, costs of issuance of the Bonds and related costs.

Section 11. The Mayor and the Recorder are hereby authorized and directed to execute and deliver such other documents and certificates required or desirable in connection with the Bonds hereby and by the Bond Ordinance approved and provided for, to the end that the Bonds may be delivered on or about December 10, 2008, to the Authority pursuant to the Loan Agreement.

Section 12. Payment of the Prior Notes, 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 does hereby approve and authorize all contracts relating to the financing, acquisition and construction of the Project.

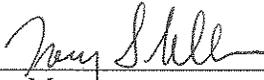
Section 14. The Issuer hereby determines to invest all monies in the funds and accounts established by the Bond Ordinance held by the Depository Bank until expended, in repurchase agreements or time accounts, secured by a pledge of Government Obligations, and therefore, the Issuer hereby directs the Depository Bank to take such actions as may be necessary to cause such monies to be invested in such repurchase agreements or time accounts until further directed in writing by the Issuer. Monies in the Series 2008 A Bonds Sinking Fund and the Series 2008 A Bonds Reserve Account shall be invested by the West Virginia Municipal Bond Commission in the West Virginia Consolidated Fund.

Section 15. The Issuer shall not permit at any time or times any of the proceeds of the Bonds or any other funds of the Issuer to be used directly or indirectly in a manner which would result in the exclusion of the Bonds from the treatment afforded by Section 103(a) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder or under any predecessor thereto (the "Code"), by reason of the classification of the Bonds as "private activity bonds" within the meaning of the Code. The Issuer will take all actions necessary to comply with the Code and Treasury Regulations promulgated or to be promulgated thereunder.

Section 16. This Supplemental Resolution shall be effective immediately following adoption hereof.

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Adopted this 2nd day of December, 2008.

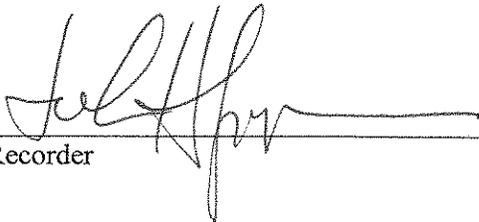
By: 
Its: Mayor

CERTIFICATION

Certified a true copy of a Supplemental Resolution duly adopted by the Council of the Town of Wardensville on the 2nd day of December, 2008.

Dated: December 10, 2008.

[SEAL]


Recorder

11.24.08
940540.00002

DWTRF
(12/01/07)

LOAN AGREEMENT

THIS DRINKING WATER TREATMENT REVOLVING FUND LOAN AGREEMENT (the "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 under the direction of the WEST VIRGINIA BUREAU FOR PUBLIC HEALTH, a division of the West Virginia Department of Health and Human Resources (the "BPH"), and the local entity designated below (the "Local Entity").

TOWN OF WARDENSVILLE
W I T N E S S E T H:

WHEREAS, the United States Congress under Section 1452 of the Safe Drinking Water Act, as amended (the "Safe Drinking Water Act"), has provided for capitalization grants to be awarded to states for the express purpose of establishing and maintaining drinking water treatment revolving funds for the construction, acquisition and improvement of drinking water systems;

WHEREAS, pursuant to the provisions of Chapter 16, Article 13C of the Code of West Virginia, 1931, as amended (the "Act"), the State of West Virginia (the "State") has established a drinking water treatment revolving fund program (the "Program") to direct the distribution of loans to eligible Local Entities pursuant to the Safe Drinking Water Act;

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

WHEREAS, the Act establishes a permanent perpetual fund known as the "West Virginia Drinking Water Treatment Revolving Fund" (hereinafter the "Fund"),

which fund is to be administered and managed by the Authority under the direction of the BPH;

WHEREAS, pursuant to the Act, the Authority and BPH are empowered to make loans from the Fund to Local Entities for the acquisition or construction of drinking water projects by such Local Entities, all subject to such provisions and limitations as are contained in the Safe Drinking Water Act and the Act;

WHEREAS, the Local Entity constitutes a local entity as defined by the Act;

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

WHEREAS, the Local Entity is authorized and empowered by the statutes of the State to acquire, construct, improve, operate and maintain a drinking water project and to finance the cost of acquisition and construction of the same by borrowing money to be evidenced by revenue bonds issued by the Local Entity;

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

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

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

ARTICLE I

Definitions

1.1 Except where the context clearly indicates otherwise, the terms “Authority,” “cost,” “fund,” “local entity,” and “project” have the definitions and meanings ascribed to them in the Act or in the DWTRF Regulations.

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

1.3 “Loan” means the loan to be made by the Authority and BPH to the Local Entity through the purchase of Local Bonds, as hereinafter defined, pursuant to this Loan Agreement.

1.4 “Local Act” means the official action of the Local Entity required by Section 4.1 hereof, authorizing the Local Bonds.

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

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

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

1.8 “Program” means the drinking water facility acquisition, construction and improvement program coordinated through the capitalization grants program established under the Safe Drinking Water Act and administered by BPH.

1.9 “Project” means the drinking water project hereinabove referred to, to be constructed or being constructed by the Local Entity in whole or in part with the net proceeds of the Local Bonds or being or having been constructed by the Local Entity in whole or in part with the proceeds of bond anticipation notes or other interim financing, which is to be paid in whole or in part with the net proceeds of the Local Bonds.

1.10 “DWTRF Regulations” means the regulations set forth in the West Virginia Code of State Regulations.

{C1288741.1}

1.11 "System" means the drinking water system owned by the Local Entity, of which the Project constitutes all or to which the Project constitutes an improvement, and any improvements thereto hereafter constructed or acquired from any sources whatsoever.

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

ARTICLE II

The Project and the System

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

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

2.3 All real estate and interests in real estate and all personal property constituting the Project and the Project site heretofore or hereafter acquired shall at all times be and remain the property of the Local Entity, subject to any mortgage lien or other security interest as is provided for in the Local Statute unless a sale or transfer of all or a portion of said property is approved by BPH and the Authority.

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

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

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

2.7 The Local Entity 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 and shall verify or have verified such bonds prior to commencement of construction.

2.8 The Local Entity shall require that each of its contractors and all subcontractors maintain, during the life of the construction contract, workers' compensation coverage, public liability insurance, property damage insurance and vehicle liability insurance in amounts and on terms satisfactory to the Authority and BPH and shall verify or have verified such insurance prior to commencement of construction. Until the Project facilities are completed and accepted by the Local Entity, the Local Entity or (at the option of the Local Entity) the contractor shall maintain builder's risk insurance (fire and extended coverage) on a one hundred percent (100%) basis (completed value form) on the insurable portion of the Project, such insurance to be made payable to the order of the Authority, the Local Entity, the prime contractor and all subcontractors, as their interests may appear. If facilities of the System which are detrimentally affected by flooding are or will be located in designated special flood or mudslide-prone areas and if flood insurance is available at a reasonable cost, a flood insurance policy must be obtained by the Local Entity on or before the Date of Loan Closing, as hereinafter defined, and maintained so long as any of the Local Bonds are outstanding. Prior to commencing operation of the Project, the Local Entity must also obtain, and maintain so long as any of the Local Bonds are outstanding, business interruption insurance if available at a reasonable cost.

2.9 The Local Entity shall provide and maintain competent and adequate engineering services satisfactory to the Authority and BPH 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 engineer shall certify to the Authority, BPH and the Local Entity at the completion of construction that construction is in accordance with the approved plans, specifications and designs, or amendments thereto, approved by all necessary governmental bodies. The Local Entity shall require the Consulting Engineers to submit Recipient As-Built Plans, as defined in the DWTRF Regulations, to it within 60 days of the completion of the Project. The Local Entity shall notify BPH in writing of such receipt.

2.10 The Local Entity shall require the Consulting Engineers to submit the final Operation and Maintenance Manual, as defined in the DWTRF Regulations, to BPH when the Project is 90% completed. The Local Entity shall at all times provide operation and maintenance of the System in compliance with any and all State and federal standards. The Local Entity shall employ qualified operating personnel properly certified by the State before the Project is 50% complete and shall retain such a certified operator(s) to operate the System during the entire term of this Loan Agreement. The Local Entity shall notify BPH in writing of the certified operator employed at the 50% completion stage.

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

2.12 The Local Entity, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project, shall each month complete a Monthly Financial Report, the form of which is attached hereto as Exhibit A and incorporated herein by reference, and forward a copy by the 10th of each month to BPH and the Authority.

2.13 The Local Entity, during construction of the Project, shall complete Payment Requisition Forms, the form of which is attached hereto as Exhibit B and incorporated herein by reference, and forward such forms to BPH in compliance with the Local Entity's construction schedule.

ARTICLE III

Conditions to Loan; Issuance of Local Bonds

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

(a) The Local Entity shall have delivered to BPH and the Authority a report listing the specific purposes for which the proceeds of the Loan will be expended and the procedures as to the disbursement of loan proceeds, including an estimated monthly draw schedule;

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

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

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

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

(f) The Local Entity shall have obtained all requisite orders of and approvals from the Public Service Commission of West Virginia (the "PSC") and the West Virginia Infrastructure and Jobs Development Council 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 and BPH shall have received an opinion of counsel to the Local Entity, which may be local counsel to the Local Entity,

{C1288741.1}

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

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

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

(i) 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 and BPH shall have received a certificate of the accountant for the Local Entity, or such other person or firm experienced in the finances of local entities and satisfactory to the Authority and BPH, to such effect; and

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

3.2 Subject to the terms and provisions of this Loan Agreement, the rules and regulations promulgated by the BPH, including the DWTRF Regulations, or any other appropriate State agency and any applicable rules, regulations and procedures promulgated from time to time by the federal government, it is hereby agreed that the Authority shall make the Loan to the Local Entity and the Local Entity shall accept the Loan from the Authority, and in furtherance thereof it is agreed that the Local Entity shall sell to the Authority and the Authority shall make the Loan by purchasing the Local

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Bonds in the principal amount and at the price set forth in Schedule X hereto. The Local Bonds shall have such further terms and provisions as described in Article IV hereof.

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

3.4 The Local Bonds shall be delivered to the Authority, at the offices of the Authority, on a date designated by the Local Entity 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, BPH and the Local Entity. 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 Local Entity understands and acknowledges that it is one of several local entities which have applied to the Authority and BPH for loans from the Fund to finance drinking water projects and that the obligation of the Authority to make any such loan is subject to the Local Entity's fulfilling all of the terms and conditions of this Loan Agreement on or prior to the Date of Loan Closing and to the requirements of the Program. The Local Entity specifically recognizes that the Authority will not purchase the Local Bonds unless and until sufficient funds are available in the Fund to purchase all the Local Bonds and that, prior to execution of this Loan Agreement, the Authority may purchase the bonds of other local entities set out in the State Project Priority List, as defined in the DWTRF Regulations. The Local Entity further specifically recognizes that all loans will be originated in conjunction with the DWTRF Regulations and with the prior approval of BPH or such later date as is agreed to in writing by the BPH.

3.6 The Local Entity shall provide BPH with the appropriate documentation to comply with the special conditions regarding the public release requirements established by federal and State regulations as set forth in Exhibit D attached hereto at such times as are set forth therein.

ARTICLE IV

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

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

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

(i) to pay Operating Expenses of the System;

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

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

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

Provided that if the Local Entity 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 a pledge of either the gross or net revenues, as applicable, of the System as provided in the Local Act;

(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 is funded (whether by Local Bond proceeds, monthly deposits or otherwise) at an amount equal to the Reserve Requirement and any reserve account for any such prior or parity obligations is funded at least at the requirement therefor, equal to at least one hundred ten percent (110%) of the maximum amount required in any year for debt service on the Local Bonds and any such prior or parity obligations;

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

(iv) That, except as otherwise required by State law or the DWTRF Regulations, 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 from such sale, mortgage, lease or other disposition shall be sufficient to fully pay all of the Local Bonds outstanding and further provided that portions of the System when no longer required for the ongoing operation of the System as evidenced by certificates from the Consulting Engineer, may be disposed of with such restrictions as are normally contained in such covenants;

(v) That the Local Entity shall not issue any other obligations payable from the revenues of the System which rank prior to, or equally, as to lien and security with the Local Bonds, except parity bonds which shall only be issued if net revenues of the System prior to issuance of such parity bonds, plus reasonably projected revenues from rate increases and the improvements to be financed by such parity bonds, shall not be less than one hundred fifteen percent (115%) of the maximum debt service in any succeeding year on all Local Bonds and parity bonds theretofore and then being issued and on any obligations secured by a lien on or payable from the

revenues of the System prior to the Local Bonds and with the prior written consent of the Authority and BPH;

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

(vii) That the Local Entity will not render any free services of the System;

(viii) That the Authority may, by proper legal action, compel the performance of the duties of the Local Entity under the Local Act, including the making and collection of sufficient rates or charges for services rendered by the System, and shall also have, in the event of a default in payment of principal of or interest on the Local Bonds, the right to obtain the appointment of a receiver to administer the System or construction of the Project, or both, as provided by law and all rights as set forth in Section 5 of the Act;

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

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

(xi) That the Local Entity shall annually, within six months of the end of the fiscal year, cause the records of the System to be audited by an independent certified public accountant or independent public accountant and shall submit the report of said audit to the Authority and BPH. If the Local Entity receives \$300,000 or more (in federal funds) in a fiscal year, the audit shall be obtained in accordance with the Single Audit Act (as amended from time to time) and the applicable OMB Circular (or any successor thereto). Financial statement audits are required once all funds have been received by the Local Entity. The audit shall include a statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under government auditing standards and, if they are, describes the instances of noncompliance and the audited financial statements shall include a statement that notes whether the Local Entity's revenues are adequate to meet its Operating Expenses and debt service and reserve requirements;

(xii) That the Local Entity shall annually adopt a detailed, balanced budget of the estimated revenues and expenditures for operation and

maintenance of the System during the succeeding fiscal year and shall submit a copy of such budget to the Authority and BPH within 30 days of adoption thereof;

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

(xiv) That the proceeds of the Local Bonds, advanced from time to time, except for accrued interest and capitalized interest, if any, must (a) be deposited in a construction fund, which, except as otherwise agreed to in writing by the Authority, shall be held separate and apart from all other funds of the Local Entity 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) and/or (b) be used to pay (or redeem) bond anticipation notes or other interim funding of such Local Entity, the proceeds of which were used to finance the construction of the Project; provided that, with the prior written consent of the Authority and BPH, the proceeds of the Local Bonds may be used to fund all or a portion of the Reserve Account, on which the owner of the Local Bonds shall have a lien as provided herein;

(xv) That, as long as the Authority is the owner of any of the Local Bonds, the Local Entity may authorize redemption of the Local Bonds with 30 days written notice to BPH and the Authority;

(xvi) That the West Virginia Municipal Bond Commission (the "Commission") shall serve as paying agent for all Local Bonds;

(xvii) That the Local Entity shall on the first day of each month (if the first day is not a business day, then the first business day of each month) deposit with the Commission the required interest, principal and reserve account payment. The Local Entity shall complete the Monthly Payment Form, attached hereto as Exhibit E and incorporated herein by reference, and submit a copy of said form along with a copy of the check or electronic transfer to the Authority by the 5th day of such calendar month;

(xviii) That, if required by the Authority and BPH and, unless it qualifies for an exception to the provisions of Section 148 of the Internal Revenue Code of 1986, as amended, which exception shall be set forth in an opinion of bond counsel, the Local Entity will furnish to the Authority, annually, at such time as it is required to perform its rebate calculations under the Internal Revenue Code of 1986, as amended, a certificate with respect to its rebate calculations and, at any time, any additional information requested by the Authority;

(xix) That the Local Entity shall have obtained the certificate of the Consulting Engineers to the effect that the Project has been or will be constructed in accordance with the approved plans, specifications and design as submitted to the Authority and BPH, the Project is adequate for the purposes for which it was designed, the funding plan as submitted to the Authority and BPH 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;

(xx) That the Local Entity shall, to the full extent permitted by applicable law and the rules and regulations of the PSC, terminate its services to any customer of the System who is delinquent in payment of charges for services provided by the System and will not restore such services until all delinquent charges for the services of the System have been fully paid; and

(xxi) That the Local Entity shall submit all proposed change orders to the BPH for written approval. The Local Entity shall obtain the written approval of the BPH before expending any proceeds of the Local Bonds held in "contingency" as set forth in the final Schedule A attached to the certificate of the Consulting Engineer. The Local Entity shall obtain the written approval of the BPH before expending any proceeds of the Local Bonds available due to bid/construction/project underruns.

The Local Entity hereby represents and warrants that the Local Act has been or shall be duly adopted or enacted 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, validity, sale and delivery of the Local Bonds shall be approved without qualification by nationally recognized bond counsel acceptable to the Authority in substantially the form of legal opinion attached hereto as Exhibit F.

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

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

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Schedule Y hereto. In no event shall the interest rate on or the net interest cost of the Local Bonds exceed any statutory limitation with regard thereto.

4.4 The Local Bonds shall be delivered to the Authority in fully registered form, transferable and exchangeable as provided in the Local Act at the expense of the Local Entity. Anything to the contrary herein notwithstanding, the Local Bonds may be issued in one or more series.

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

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

ARTICLE V

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

5.1 The Local Entity hereby irrevocably covenants and agrees to comply with all of the terms, conditions and requirements of this Loan Agreement and the Local Act. The Local Entity 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 and will take all such actions necessary to provide funds sufficient to produce the required sums 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 required sums set forth in the Local Act and this Loan Agreement, the Local Entity 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,

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fees and charges (or where applicable, immediately file with the PSC for a rate increase) and take all such actions necessary to provide funds sufficient to produce the required sums set forth in the Local Act and this Loan Agreement.

5.3 In the event the Local Entity defaults in any payment due to the Authority pursuant to this Loan Agreement, the amount of such default shall bear interest at the interest rate of the installment of the Loan next due, from the date of the default until the date of the payment thereof.

5.4 The Local Entity hereby irrevocably covenants and agrees with the Authority that, in the event of any default hereunder by the Local Entity, the Authority may exercise any or all of the rights and powers granted under Section 5 of the Act, including, without limitation, the right to impose, enforce and collect charges of the System.

ARTICLE VI

Other Agreements of the Local Entity

6.1 The Local Entity hereby acknowledges to the Authority and BPH its understanding of the provisions of the Act, vesting in the Authority and BPH certain powers, rights and privileges with respect to drinking water projects in the event of default by local entities in the terms and covenants of this Loan Agreement, and the Local Entity hereby covenants and agrees that, if the Authority should hereafter have recourse to said rights and powers, the Local Entity shall take no action of any nature whatsoever calculated to inhibit, nullify, void, delay or render nugatory such actions of the Authority in the due and prompt implementation of this Loan Agreement.

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

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

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

6.5 Notwithstanding Section 6.4, the Authority and BPH may at any time, in their sole discretion, cause the rebate calculations prepared by or on behalf of the

Local Entity to be monitored or cause the rebate calculations for the Local Entity to be prepared, in either case at the expense of the Local Entity.

6.6 The Local Entity hereby agrees to give the Authority and BPH prior written notice of the issuance by it of any other obligations to be used for the System, payable from the revenues of the System or from any grants for the Project or otherwise related to the Project or the System.

6.7 The Local Entity hereby agrees to file with the Authority and BPH upon completion of acquisition and construction of the Project a schedule in substantially the form of Amended Schedule B to the Application, setting forth the actual costs of the Project and sources of funds therefor.

ARTICLE VII

Miscellaneous

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

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

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

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

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

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

7.7 This Loan Agreement shall terminate upon the earlier of:

(i) written notice of termination to the Local Entity from either the Authority or BPH;

(ii) the end of ninety (90) days after the date of execution hereof by the Authority or such later date as is agreed to in writing by the BPH if the Local Entity has failed to deliver the Local Bonds to the Authority;

(iii) termination by the Authority and BPH pursuant to Section 6.2 hereof; or

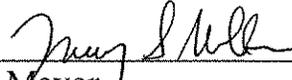
(iv) payment in full of the principal of and interest on the Loan and of any fees and charges owed by the Local Entity to the Authority or BPH.

In the event funds are not available to make all of the Loan, the responsibility of the Authority and BPH to make all the Loan is terminated; provided further that the obligation of the Local Entity to repay the outstanding amount of the Loan made by the Authority and BPH is not terminated due to such non-funding on any balance of the Loan. The BPH agrees to use its best efforts to have the amount contemplated under this Loan Agreement included in its budget. Non-funding of the Loan shall not be considered an event of default under this Loan Agreement.

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

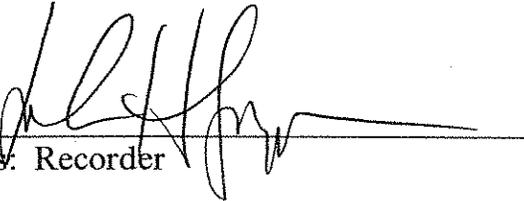
TOWN OF WARDENSVILLE

(SEAL)

By: 
Its: Mayor

Attest:

Date: December 10, 2008


Its: Recorder

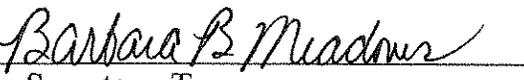
WEST VIRGINIA WATER
DEVELOPMENT AUTHORITY

(SEAL)

By: 
Its: Executive Director

Attest:

Date: December 10, 2008


Its: Secretary-Treasurer

000832/00520
11/01/04

EXHIBIT A

MONTHLY FINANCIAL REPORT

Name of Local Entity _____
 Name of Bond Issue(s) _____
 Type of Project _____ Water _____ Wastewater _____
 Fiscal Year _____ Report Month _____

<u>Item</u>	<u>Current Month</u>	<u>Total Year To Date</u>	<u>Budget Year To Date</u>	<u>Budget Year To Date Minus Total Year To Date</u>
1. Gross Revenues	_____	_____	_____	_____
2. Operating Expenses	_____	_____	_____	_____
3. Bond Payments:				
<u>Type of Issue</u>				
Clean Water SRF	_____	_____	_____	_____
Drinking Water TRF	_____	_____	_____	_____
Infrastructure Fund	_____	_____	_____	_____
Water Development Authority	_____	_____	_____	_____
Rural Utilities Service	_____	_____	_____	_____
Economic Development Administration	_____	_____	_____	_____
Other (Identify)	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
4. Renewal and Replacement Fund Deposits	_____	_____	_____	_____

 Name of Person Completing Form

 Address

 Telephone

INSTRUCTIONS FOR COMPLETING MONTHLY FINANCIAL REPORT

- Item 1 You will need a copy of the current fiscal year budget adopted by the Local Entity to complete Items 1 and 2. In Item 1, provide the amount of actual **Gross Revenues** for the current month and the total amount year-to-date in the respective columns. Divide the budgeted annual Gross Revenues by 12. For example, if Gross Revenues of \$1,200 are anticipated to be received for the year, each month the base would be increased by \$100 ($\$1,200/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 2 Provide the amount of actual **Operating Expenses** for the current month and the total amount year-to-date in the respective columns. Any administrative fee should be included in the Operating Expenses. Divide the budgeted annual Operating Expenses by 12. For example, if Operating Expenses of \$900 are anticipated to be incurred for the year, each month the base would be increased by \$75 ($\$900/12$). This is the incremental amount for the Budget Year-to-Date column.
- Item 3 Provide the **Bond Payments (principal, interest and reserve account)** for all the outstanding bonds of the Local Entity according to the source of funding. For example, Clean Water State Revolving Fund loan from Department of Environmental Protection, Drinking Water Treatment Revolving Fund loan from Bureau for Public Health, Infrastructure Fund loan from Infrastructure and Jobs Development Council, or a loan from the Water Development Authority, etc.
- Item 4 Provide the amount deposited into the **Renewal and Replacement Fund** each month. This amount is equal to 2.5% of Gross Revenues minus the total reserve account payments included in Item 3. If Gross Revenues are \$1,200, then \$30 (2.5% of \$1,200), LESS the amount of all reserve account payments in Item 3 should be deposited into the Renewal and Replacement Fund. The money in the Renewal and Replacement Fund should be kept separate and apart from all other funds of the Local Entity.

The Local Entity must complete the Monthly Financial Report and forward it to the Water Development Authority by the 10th day of each month, commencing on the date contracts are executed for the acquisition or construction of the Project and for two years following the completion of acquisition or construction of the Project.

EXHIBIT B

PAYMENT REQUISITION FORM

EXHIBIT C

FORM OF CERTIFICATE OF CONSULTING ENGINEER

(Issuer)

(Name of Bonds)

I, _____, Registered Professional Engineer, West Virginia License No. _____, of _____ Consulting Engineers, _____, _____, hereby certify as follows:

1. My firm is engineer for the acquisition and construction of _____ to the _____ system (the "Project") of _____ (the "Issuer"), to be constructed primarily in _____ County, West Virginia, which acquisition and construction are being permanently financed in part by the above-captioned bonds (the "Bonds") of the Issuer. Capitalized words used herein and not defined herein shall have the same meaning set forth in the bond _____ adopted or enacted by the Issuer on _____, and the Loan Agreement by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH"), dated _____.

2. The Bonds are being issued for the purposes of (i) _____, and (ii) paying certain issuance and other costs in connection therewith.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by BPH and any change orders approved by the Issuer, BPH and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least _____ years, if properly operated and maintained, excepting anticipated replacements due to normal wear and tear; (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 set forth in Schedule B attached hereto as Exhibit

A, and my firm¹ has ascertained that all successful bidders 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 for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the BPH and the bid forms provided to the bidders contain all critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all permits required by the laws of the State of West Virginia and the United States necessary for the acquisition and construction of the Project and operation of the System; (ix) as of the effective date thereof², the rates and charges for the System as adopted by the Issuer will be sufficient to comply with the provisions of the Loan Agreement; (x) the net proceeds of the Bonds, together with all other moneys on deposit or to be simultaneously deposited and irrevocably pledged thereto and the proceeds of grants, if any, irrevocably committed therefor, are sufficient to pay the costs of acquisition and construction of the Project approved by BPH; and (xi) attached hereto as Exhibit A is the final amended "Schedule B - Total Cost of Project; Sources of Funds and Cost of Financing" for the Project.

WITNESS my signature and seal on this ____ day of _____, _____.

By: _____

West Virginia License No. _____

[SEAL]

¹If another responsible party, such as the Issuer's attorney, reviews the insurance and payment bonds, then insert the following: [and in reliance upon the opinion of _____, Esq.] and delete "my firm has ascertained that".

²If the Rule 42 Exhibit and/or rate structure was prepared by an accountant, then insert the following: "In reliance upon the certificate of _____ of even date herewith," at the beginning of (ix).

EXHIBIT D

SPECIAL CONDITIONS

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

EXHIBIT E

MONTHLY PAYMENT FORM

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

Re: [Name of bond issue]

Ladies and Gentlemen:

The following deposits were made to the West Virginia Municipal Bond Commission on behalf of _____ on _____.

[Local Entity] [Date]

Sinking Fund:

Interest \$ _____

Principal \$ _____

Total: \$ _____

Reserve Account: \$ _____

Witness my signature this ____ day of _____.

[Name of Local Entity]

By: _____
Authorized Officer

Enclosure: wire transfer form

{C1288741.1}

M0312328.1

EXHIBIT F

OPINION OF BOND COUNSEL FOR LOCAL ENTITY

December 10, 2008

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

West Virginia Bureau for Public Health
One Davis Square, Suite 200
Charleston, WV 25301-1798

Ladies and Gentlemen:

We are bond counsel to _____ (the "Local Entity"), a
_____.

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

The Local Bonds are issued for the purposes of (i) _____, and (ii) 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 adopted or enacted by the Local Entity on _____, as supplemented by the supplemental resolution duly adopted by the Local Entity on _____ (collectively, the "Local Act"), pursuant to and under which Local Statute and Local Act the Local Bonds are authorized and issued, and the Loan

(C1288741.1)

Agreement has been undertaken. The Local Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Local Act and the Loan Agreement.

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

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

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

3. The Local Entity is a duly organized and validly existing _____, with full power and authority to acquire and construct the Project, to operate and maintain the System, to adopt or enact the Local Act and to issue and sell the Local Bonds, all under the Local Statute and other applicable provisions of law.

4. The Local Act and all other necessary orders and resolutions have been legally and effectively adopted or enacted by the Local Entity and constitute valid and binding obligations of the Local Entity, enforceable against the Local Entity in accordance with their terms. 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 have been duly authorized, issued, executed and delivered by the Local Entity to the Authority and are valid, legally enforceable and binding special obligations of the Local Entity, payable from the gross or net revenues of the System set forth in the Local Act and secured by a first lien on and pledge of the gross or net revenues of the System, all in accordance with the terms of the Local Bonds and the Local Act.

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

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

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

Very truly yours,

SCHEDULE X

DESCRIPTION OF LOCAL BONDS

Principal Amount of Local Bonds	<u>\$1,550,000</u>
Purchase Price of Local Bonds	<u>\$1,550,000</u>

The Local Bonds shall bear no interest. Commencing June 1, 2010, principal of the Local Bonds is payable quarterly, with an administrative fee of 1%. Quarterly payments will be made on March 1, June 1, September 1 and December 1 of each year as set forth on the Schedule Y attached hereto and incorporated herein by reference.

The Local Entity shall submit its payments monthly to the Commission with instructions that the Commission will make quarterly payments to the Authority at such address as is given to the Commission in writing by the Authority. If the Reserve Account is not fully funded at closing, the Local Entity shall commence the payment of the 1/120 of the maximum annual debt service on the first day of the month it makes its first monthly payment to the Commission. The Local Entity shall instruct the 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 Local Bonds are fully registered in the name of the Authority as to principal and interest, if any, and the Local Bonds shall grant the Authority a first lien on the gross or net revenues of the Local Entity's system as provided in the Local Act.

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

As of the date of the Loan Agreement, the Local Bonds are on a parity as to liens, pledge and source of and security for payment with the following obligations of the Local Entity:

None

SCHEDULE Y

BOND DEBT SERVICE - \$1,550,000

Town of Wardensville

0% Interest Rate; 1.0% Administrative Fee

Dated Date 12/10/2008
 Delivery
 Date 12/10/2008

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
6/1/2010	12,917.		12,917.	
9/1/2010	12,917.		12,917.	
12/1/2010	12,917.		12,917.	
3/1/2011	12,917.		12,917.	51,668.
6/1/2011	12,917.		12,917.	
9/1/2011	12,917.		12,917.	
12/1/2011	12,917.		12,917.	
3/1/2012	12,917.		12,917.	51,668.
6/1/2012	12,917.		12,917.	
9/1/2012	12,917.		12,917.	
12/1/2012	12,917.		12,917.	
3/1/2013	12,917.		12,917.	51,668.
6/1/2013	12,917.		12,917.	
9/1/2013	12,917.		12,917.	
12/1/2013	12,917.		12,917.	
3/1/2014	12,917.		12,917.	51,668.
6/1/2014	12,917.		12,917.	
9/1/2014	12,917.		12,917.	
12/1/2014	12,917.		12,917.	
3/1/2015	12,917.		12,917.	51,668.
6/1/2015	12,917.		12,917.	
9/1/2015	12,917.		12,917.	
12/1/2015	12,917.		12,917.	
3/1/2016	12,917.		12,917.	51,668.
6/1/2016	12,917.		12,917.	
9/1/2016	12,917.		12,917.	
12/1/2016	12,917.		12,917.	
3/1/2017	12,917.		12,917.	51,668.
6/1/2017	12,917.		12,917.	
9/1/2017	12,917.		12,917.	
12/1/2017	12,917.		12,917.	
3/1/2018	12,917.		12,917.	51,668.
6/1/2018	12,917.		12,917.	
9/1/2018	12,917.		12,917.	
12/1/2018	12,917.		12,917.	
3/1/2019	12,917.		12,917.	51,668.
6/1/2019	12,917.		12,917.	
9/1/2019	12,917.		12,917.	
12/1/2019	12,917.		12,917.	
3/1/2020	12,917.		12,917.	51,668.
6/1/2020	12,917.		12,917.	
9/1/2020	12,917.		12,917.	
12/1/2020	12,917.		12,917.	
3/1/2021	12,917.		12,917.	51,668.
6/1/2021	12,917.		12,917.	
9/1/2021	12,917.		12,917.	

BOND DEBT SERVICE
Town of Wardensville
0% Interest Rate; 1.0% Administrative Fee

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
12/1/2021	12,917.		12,917.	
3/1/2022	12,917.		12,917.	51,668.
6/1/2022	12,917.		12,917.	
9/1/2022	12,917.		12,917.	
12/1/2022	12,917.		12,917.	
3/1/2023	12,917.		12,917.	51,668.
6/1/2023	12,917.		12,917.	
9/1/2023	12,917.		12,917.	
12/1/2023	12,917.		12,917.	
3/1/2024	12,917.		12,917.	51,668.
6/1/2024	12,917.		12,917.	
9/1/2024	12,917.		12,917.	
12/1/2024	12,917.		12,917.	
3/1/2025	12,917.		12,917.	51,668.
6/1/2025	12,917.		12,917.	
9/1/2025	12,917.		12,917.	
12/1/2025	12,917.		12,917.	
3/1/2026	12,917.		12,917.	51,668.
6/1/2026	12,917.		12,917.	
9/1/2026	12,917.		12,917.	
12/1/2026	12,917.		12,917.	
3/1/2027	12,917.		12,917.	51,668.
6/1/2027	12,917.		12,917.	
9/1/2027	12,917.		12,917.	
12/1/2027	12,917.		12,917.	
3/1/2028	12,917.		12,917.	51,668.
6/1/2028	12,917.		12,917.	
9/1/2028	12,917.		12,917.	
12/1/2028	12,917.		12,917.	
3/1/2029	12,917.		12,917.	51,668.
6/1/2029	12,917.		12,917.	
9/1/2029	12,917.		12,917.	
12/1/2029	12,917.		12,917.	
3/1/2030	12,917.		12,917.	51,668.
6/1/2030	12,916.		12,916.	
9/1/2030	12,916.		12,916.	
12/1/2030	12,916.		12,916.	
3/1/2031	12,916.		12,916.	51,664.
6/1/2031	12,916.		12,916.	
9/1/2031	12,916.		12,916.	
12/1/2031	12,916.		12,916.	
3/1/2032	12,916.		12,916.	51,664.
6/1/2032	12,916.		12,916.	
9/1/2032	12,916.		12,916.	
12/1/2032	12,916.		12,916.	
3/1/2033	12,916.		12,916.	51,664.
6/1/2033	12,916.		12,916.	
9/1/2033	12,916.		12,916.	
12/1/2033	12,916.		12,916.	
3/1/2034	12,916.		12,916.	51,664.

BOND DEBT SERVICE
Town of Wardensville
 0% Interest Rate; 1.0% Administrative Fee

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
6/1/2034	12,916.		12,916.	
9/1/2034	12,916.		12,916.	
12/1/2034	12,916.		12,916.	
3/1/2035	12,916.		12,916.	51,664.
6/1/2035	12,916.		12,916.	
9/1/2035	12,916.		12,916.	
12/1/2035	12,916.		12,916.	
3/1/2036	12,916.		12,916.	51,664.
6/1/2036	12,916.		12,916.	
9/1/2036	12,916.		12,916.	
12/1/2036	12,916.		12,916.	
3/1/2037	12,916.		12,916.	51,664.
6/1/2037	12,916.		12,916.	
9/1/2037	12,916.		12,916.	
12/1/2037	12,916.		12,916.	
3/1/2038	12,916.		12,916.	51,664.
6/1/2038	12,916.		12,916.	
9/1/2038	12,916.		12,916.	
12/1/2038	12,916.		12,916.	
3/1/2039	12,916.		12,916.	51,664.
6/1/2039	12,916.		12,916.	
9/1/2039	12,916.		12,916.	
12/1/2039	12,916.		12,916.	
3/1/2040	12,916.		12,916.	51,664.
	1,550,000.		1,550,000.	1,550,000.

Plus \$1,953.62 one-percent Administrative Fee paid quarterly.
 Total Administrative Fee paid over life of loan is \$234,434.40.



**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

Entered: October 17, 2008

CASE NO. 08-0282-W-MA

TOWN OF WARDENSVILLE
a municipal utility.

Investigation and suspension of increase
in water rates and charges as a result
of petitions filed in accordance with
W. Va. Code §24-2-4b.

CASE NO. 08-0574-W-CN

TOWN OF WARDENSVILLE,
a municipal utility, Wardensville, Hardy County.

Application for a certificate of convenience and
necessity to construct improvements to the existing
water treatment and distribution system.

RECOMMENDED DECISION

PROCEDURE

Case No. 08-0282-W-MA

On February 26, 2008, the Town of Wardensville (Wardensville) adopted an ordinance increasing its water rates and charges for service to its customers to become effective 45 days after passage. On March 3, 2008, the Commission received a petition signed by not less than twenty-five percent (25%) of Wardensville's water utility customers protesting Wardensville's increased water rates. The petitioners objected to the proposed rate increase and requested that the water rate increase be suspended, pending Commission review.

By Commission Order dated March 4, 2008, the Commission invoked its jurisdiction in this matter under *West Virginia Code* §24-2-4b, made Wardensville respondent in this proceeding and, pending investigation, hearing and decision, suspended the ordinance and deferred the use of the increased water rates and charges until 12:01 a.m., August 23, 2008, unless otherwise ordered by the Commission. The Order also referred this matter to the Division of Administrative Law Judges (ALJ Division) for decision no later than July 24, 2008. The March 4, 2008 Order required that

Commission Staff file its report in this matter on or before June 9, 2008. The Commission also required that the Executive Secretary of the Commission cause a copy of said Order to be published as a Class I legal advertisement, once, in a newspaper duly qualified by the Secretary of State, published and generally circulated in Wardensville, Hardy County, within five days of the date of said Order. Any petitions or motions to intervene in this proceeding were to be filed with the Commission within 10 days of the date of publication.

Also on March 4, 2008, Wardensville filed a copy of its Rule 42 Exhibit for the year ended June 30, 2007, prepared by J. C. Kunkle & Associates, A.C., which was used as the basis to establish Wardensville's proposed increased water rates.

On March 6, 2008, the Commission received additional protests to Wardensville's increased water rates.

On April 1, 2008, Wardensville filed an affidavit of publication reflecting that a post-enactment Public Notice of Change in Water Rates had been published on March 5 and 12, 2008, in *The Moorefield Examiner*, a newspaper duly qualified by the West Virginia Secretary of State, published and generally circulated in Hardy County. Wardensville also filed an Affidavit of Public Notice by Posting, executed by its Recorder, reflecting that the Public Notice of Change in Water Rates had been posted in a conspicuous place on the premises where Wardensville conducts its utility business with the public on February 27, 2008, and had remained so posted until March 31, 2008.

Also on April 1, 2008, the Commission received an affidavit of publication from *The Moorefield Examiner* reflecting that the March 4, 2008 Commission Order Suspending Rates had been published in said newspaper on March 12, 2008.

On April 7, 2008, Staff Attorney Carrie F. DeHaven filed an Initial Joint Staff Memorandum, attaching the March 11, 2008 Initial Internal Memorandum from Utilities Analyst Susan L. Brown, Water and Wastewater Division, and Technical Analyst Jim Spurlock, Engineering Division. Commission Staff reported that it was investigating Wardensville's proposed water rate increase and would file its final substantive recommendation in a timely manner.

On April 9, 2008, the Hardy County Public Service District (District), a resale customer of Wardensville, filed a Petition to Intervene. The District wished to be made a party in this matter to ensure that Wardensville's rate increase, and any resulting Order from the Commission, took into account the District's interest as a water resale customer of Wardensville.

On April 11, 2008, Chief Administrative Law Judge Melissa K. Marland issued a Procedural Order assigning this matter to Administrative Law Judge John Carter¹ for further disposition.

¹On the day before this matter was scheduled for a final hearing, Judge Carter became ill and was hospitalized. For that reason, Chief Judge Marland verbally reassigned this case to the undersigned, Deputy Chief Administrative Law Judge Ronnie Z. McCann, to conduct the hearing and enter a written recommended decision in the absence of Judge Carter.

By Procedural Order dated April 11, 2008, Judge Carter scheduled this matter for hearing to convene on June 18, 2008, and directed that, on or before June 9, 2008, Wardensville publish a copy of the Notice of Hearing, attached to the April 11, 2008 Order, in a newspaper duly qualified by the Secretary of State, published and generally circulated in Hardy County, making due return to the Commission of a proper affidavit of publication by June 18, 2008. Additionally, Judge Carter granted the District's Petition to Intervene in this matter.

On April 17, 2008, Larry D. Garrett, Esquire, filed a Notice of Appearance of Counsel stating that he would be representing Wardensville in this proceeding.

Case No. 08-0574-W-CN

On April 16, 2008, Wardensville filed an application under *West Virginia Code* §24-2-11 for a certificate of public convenience and necessity to construct improvements to its existing water treatment and distribution system, including, but not limited to: (a) installation of additional treatment facilities; (b) drilling of a new well and installation of a well pump; (c) installation of a telemetry system; (d) installation of radio-read water metering equipment; (e) installation of 6,000 linear feet of new 6-inch water main between the treatment facilities and the Warden Acres water storage tank; (f) installation of additional isolation valves and fire hydrants in the distribution system; and (g) construction of a maintenance garage and materials storage building. Wardensville estimated that the proposed project would cost approximately \$1,550,000, proposing to finance the project by a West Virginia Drinking Water Treatment Revolving Fund (DWTRF) loan in an amount not to exceed \$1,550,000 with an interest rate of 0% and an administrative fee of 1%, for a term of not more than 30 years. A commitment letter for the DWTRF loan was attached to the certificate application as Exhibit G. Wardensville clarified that the rate ordinance which is the subject of Case No. 08-0282-W-MA would cover the additional operation and maintenance (O&M) expenses and debt service required by the project. In anticipation of receiving construction bids within the projected project cost, Wardensville stated that it intended to bid the proposed project as originally designed, with alternative deductibles which will allow Wardensville the flexibility to have as much of the proposed project as possible constructed within the reduced loan amount. A Rule 42 Exhibit for the year ended June 30, 2007, prepared by J. C. Kunkle & Associates, A.C., was attached to the certificate application as Exhibit A, as was a proposed Notice of Filing and various other exhibits. Wardensville has only one resale customer, i.e., the District.

By Commission Order dated April 16, 2008, the Commission directed Wardensville to provide notice of the filing of the application by publishing a copy of said Order as a Class I legal advertisement once in a newspaper duly qualified by the Secretary of State, published and generally circulated in Hardy County, making due return to the Commission of a proper publication affidavit immediately after publication. The Notice specifically noted that, while the proposed increases, as set forth in the Notice, were based on averages of all customers in the indicated class, individual customers might receive increases that are greater or less than average and the requested rates and charges were only a proposal and were subject to change (increase or decrease) by the Public Service Commission in its review of the application. The Notice provided a 30-day period to object to the certificate application or petition to intervene in said proceeding, in writing. The Notice also provided

that, if no protests were received within the 30-day period, the Commission could waive formal hearing and grant the certificate application based upon its review of the evidence submitted in the application.

By Commission Order dated April 30, 2008, the Commission referred Case No. 08-0574-W-CN to the ALJ Division for decision no later than August 29, 2008, if no public protests to the certificate application had been received within the 30-day protest period, and on or before November 12, 2008, if public protests were received.

On May 7, 2008, Wardensville filed an affidavit of publication reflecting that, in compliance with the Commission's April 16, 2008 Order, the Notice of Filing had been published on April 30, 2008, in *The Moorefield Examiner*, a newspaper duly qualified by the Secretary of State published and generally circulated in Hardy County, West Virginia.

Consolidation

On May 8, 2008, Wardensville filed a Petition requesting: (1) a waiver of that portion of Rule 10.3.d. of the Commission's *Rules of Practice and Procedure (Procedural Rules)* that requires a utility seeking a rate increase in a certificate application to mail, within thirty (30) days of the date of the Commission's Notice of Filing, separate notice to each of its customers by one (1) of three (3) stated methods; (2) consolidation of Case No. 08-0574-W-CN and Case No. 08-0282-W-MA; and (3) with respect to Case No. 08-0282-W-MA, the Commission toll the statutory time period to provide for a statutory deadline of October 13, 2008, so that the statutory deadline will coincide with the statutory deadline in Case No. 08-0574-W-CN, which will allow greater efficiency in processing the cases as a consolidated matter.

On May 12, 2008, Staff Attorney DeHaven filed a written response to Wardensville's Petition stating that Commission Staff had no objections to the relief requested by Wardensville in its May 8, 2008 Petition. Ms. DeHaven also noted that counsel for the District had been contacted and that he also had no objections to the tolling of the applicable statutory deadline or the consolidation of Cases Nos. 08-0282-W-MA and 08-0574-W-CN.

On May 22, 2008, Staff Attorney DeHaven filed a Further Joint Staff Memorandum, attaching the May 21, 2008 Initial Internal Memorandum from Michael Quinlan, Utilities Analyst I, Water and Wastewater Division, and from Mr. Spurlock. Commission Staff reported that it was continuing its investigation into Wardensville's certificate application and would file its final substantive recommendation in a timely manner.

By Commission Order dated May 22, 2008, the Commission granted Wardensville's request to consolidate Cases Nos. 08-0282-W-MA and 08-0574-W-CN, to toll the statutory deadline in Case No. 08-0282-W-MA and to extend the decision deadline to October 14, 2008, in Case No. 08-0574-W-CN. The Commission also extended the ALJ's decision due date in Case No. 08-0282-W-MA until August 29, 2008. The Commission denied Wardensville's request for a waiver of that portion of *Procedural Rule* 10.3.d. requiring a utility seeking a rate increase in a certificate application to

mail, within thirty 30 days of the date of the Commission's Notice of Filing, separate notice to each of its customers by one of three stated methods, and directed that Wardensville fully comply with *Procedural Rule* 10.3.d. and provide notice by mail to its individual customers by separate mailing or inclusion with its June 2008 bills.

By Procedural Order entered on June 3, 2008, in light of the consolidation of Case No. 08-0574-W-CN with Case No. 08-0282-W-MA, Judge Carter canceled the hearing in Case No. 08-0282-W-MA previously set for Wednesday, June 18, 2008, and scheduled a hearing in Case Nos. 08-0282-W-MA and 08-0574-W-CN, to convene at 10:00 a.m., on July 25, 2008. The June 3, 2008 Order directed Wardensville to cause to be published on or before July 15, 2008, a copy of the Notice of Hearing, attached thereto as Appendix A, in a newspaper duly qualified by the Secretary of State, published and generally circulated in Hardy County, making due return to the Commission of a proper publication affidavit on or before July 25, 2008.

On June 27, 2008, Wardensville again filed a Petition to Toll the Statutory Time Period and Establish an Administrative Law Judge Decision Due Date.

Also on June 27, 2008, Wardensville and Commission Staff filed a Joint Motion to Establish a Revised Procedural Schedule.

On June 30, 2008, Wardensville filed a copy of Permit No. 18,026 issued by the State of West Virginia Office of Environmental Health Services (OEHS) on June 25, 2008, granting approval for Wardensville to drill one (1) new public water system well.

By Commission Order dated July 15, 2008, and Corrective Order dated July 17, 2008, the Commission granted Wardensville's Petition to Toll the Statutory Time Period and Establish an Administrative Law Judge Decision Due Date. The statutory deadlines in Case Nos. 08-0282-W-MA and 08-0574-W-CN were tolled and extended to 12:01 a.m., December 1, 2008. Commission Staff's final report due date was extended to September 5, 2008, and the Administrative Law Judge's decision due date of August 29, 2008, was extended until October 17, 2008.

Responding to all of the above, by the July 17, 2008 Procedural Order, Administrative Law Judge John Carter held that the hearing in these consolidated matters previously set for July 25, 2008, should be cancelled and rescheduled for hearing to commence at 10:00 a.m., on September 11, 2008, in the Wardensville War Memorial Building, 190 E. Main Street, Wardensville, West Virginia. The July 17, 2008 Order, noting that Wardensville had caused the July 25, 2008 Notice of Hearing to be published in *The Moorefield Examiner*, additionally required Wardensville to immediately publish the Notice of Cancellation and Rescheduling of Hearing, attached as Appendix A to the July 17, 2008 Order, and cause a copy of said Notice to be affixed to the entrance door of the Wardensville War Memorial Building as soon as possible, as well as post a copy of said notice in a prominent place in its municipal building. Finally, the July 17, 2008 Order directed that Commission Staff file its final substantive recommendations in Case Nos. 08-0282-W-MA and 08-0574-W-CN on or before September 5, 2008.

On September 11, 2008, the undersigned ALJ, in the absence of Judge Carter as previously noted, convened the hearing as scheduled. Wardensville appeared at the hearing by counsel, Larry D. Garrett, Esquire; Commission Staff appeared by Staff Attorney Wendy Braswell, Esquire; and the District did not make a formal appearance at the hearing. Approximately 10 Wardensville customers attended the hearing. Wardensville presented the testimony of four witnesses and presented nine exhibits. Commission Staff presented the testimony of three witnesses and presented three exhibits. Five of the customers gave public comments.

On September 17, 2008, the reporter submitted a 122-page transcript and a one-page certificate that the transcript is a true and accurate record of the September 11, 2008 hearing.

At the hearing, the ALJ directed that the parties file any written briefs or proposed findings of fact and conclusions of law, pursuant to *West Virginia Code* §24-1-9(b), no later than one week from receiving the transcript, and, if any such written legal arguments were filed, to file replies within one week after the initial briefs were filed. None of the parties filed any written legal arguments.

On October 7, 2008, Wardensville moved the Commission to bifurcate the capacity improvement fee (CIF) from this consolidated case and to initiate a new case. As grounds, Wardensville noted that this issue could best be dealt with in a separate proceeding, since it is not a central issue to the municipal appeal or the certificate application.

On October 10, 2008, Staff Attorney DeHaven submitted a letter agreeing that the CIF issue should be bifurcated from this consolidated proceeding and handled in a separate case.

EVIDENCE

Those present to protest either the rate ordinance and/or the project made public statements questioning whether the project was needed, especially if it caused current customers to have to pay higher rates so other people could get water service. Some believed that subdivision developers were being given special treatment. Some depicted Wardensville as a community that had stopped growing and questioned the need for a new water main or other aspects of the certificate project. James Robison obtained the signatures on the petition that gave rise to this municipal appeal. Mr. Robison opined that the minimum bill should be based on 1,000 gallons consumption, not on 2,000 gallons. Steve Rhoades opposed the rate increase because he believes that the need for additional water is just to help new developments. He does not believe that existing customers should have a rate increase just so new customers can be added. Robin Walker believes that Wardensville is wasting money. Jacqueline Markle was concerned that, if she was not able to pay her water bill, her water service would be terminated. Robin Walker also opined that Wardensville's government was "just a big family affair" that have conflicts of interests. (Tr., pp. 40-47, 121).

The first witness who testified was Technical Analyst James Spurlock of the Commission's Engineering Division. Mr. Spurlock identified the September 5, 2008 Final Internal Memorandum and Staff Report prepared by Mr. Spurlock and by Utilities Analyst Supervisor David L. Accord and Utilities Analyst Nathan Nelson, both of the Water and Wastewater Division, received as Staff

Exhibit No. 1. Several years ago, the Commission authorized a moratorium on new connections to Wardensville's water system, but that moratorium was lifted in 2007. The certificate project is designed to further address the underlying causes for the moratorium so that another moratorium will not be needed in the foreseeable future. (Tr., pp. 9-11).

Mr. Spurlock related that the certificate project will increase Wardensville's potable water source. Currently, Wardensville uses a spring and a fairly new water well as its water source. The project will enable Wardensville to drill another water well. The project also will make needed improvements to the treatment plant, which are necessary to meet Health Department requirements, and will install a six-inch water main to interconnect all of the system to make it more dependable and to address any water pressure and volume problems. The new main will incidentally add six or seven new customers. The project also will make several needed repairs to the distribution system and the storage tank and will add several fire hydrants and a new garage. Currently, Wardensville has no suitable place to store vehicles and other equipment, which is why the garage is needed. The project will also include telemetry equipment for each storage tank. The project will not increase O&M expenses. The project will cost approximately \$1,550,000. The project will enable Wardensville to serve all customers in the area who request public water service. The Commission had approved a moratorium on new customers until the new water well was drilled recently. The second well will prevent a need for reimposition of the moratorium. Mr. Spurlock opined that the \$4,155 cost per customer is reasonable given the circumstances of the recent moratorium and the need to meet Health Department requirements. He opined that the project as proposed is the most cost-effective alternative, and the Commission should approve the project. The project will provide Wardensville with adequate water capacity to meet all demands on the system. (Tr., pp. 11-15, 17-18; Staff Exhibit No. 1).

Commission Staff recommended that the Commission grant the certificate application and the proposed financing, comprised of a \$1,550,000 DWTRF loan bearing 0% interest and a 1% administrative fee for a 40-year term. The project has been approved by the IJDC. Staff opined that any changes to the plans, scope or financing require separate Commission approval prior to commencing construction. However, if changes do not affect rates, Wardensville does not need separate Commission approval, but must file a verification from a certified public accountant that rates will not change. Staff recommended that Wardensville file the bid tabulations as soon as they are received and tabulated and that Wardensville submit the certificate of substantial completion as soon as it is available. Staff recommended an annual cash flow surplus of approximately \$10,100 based on Staff's review of historical plant additions. As of September 3, 2008, Wardensville had a checking account balance of \$615.77, a savings account balance of \$19,485 and a security deposit account balance, shared with Wardensville's sewer operations, of \$3,400. During the test year, Wardensville incurred short-term debt to purchase a truck and touch meters and to pay for preliminary costs of the project. Staff recommended a two-step rate increase, i.e., Phase I to take effect upon entry of a final order of the Commission in these cases and Phase II to take effect upon substantial completion of the project. Currently, a minimum bill based on 2,000 gallons is \$13.54 and an average bill based on 4,500 gallons is \$22.29. Under the Staff-recommended Phase I rates, the minimum bill would be \$16.40 and a bill based on 4,500 gallons would be \$26.98. The resale rate would increase from \$2.09 per 1,000 gallons at going-level to \$2.51 per 1,000 gallons under Phase I rates. Under

Phase II rates, the minimum bill would be \$24.88, the average bill would be \$40.88 and the resale rate would be \$3.69 per 1,000 gallons. (Staff Exhibit No. 1).

Staff noted that Wardensville currently charges a capacity improvement capital cost fee (CIF) of \$1,500 for each new connection. Staff believes that it applies to all customers, not just developers. Staff opined that this fee is contrary to Commission policy and that Wardensville had not met the Commission's guidelines for obtaining approval of a CIF. Staff noted that the Commission requires utilities seeking a CIF to prove that population growth exceeds 2% annually or 20% over ten years and that a reasonable expectation exists that water reserves would be depleted within five to seven years. CIFs should apply only to for-profit developers or other entities that request an alternate mainline extension agreement. Specifically, owners of single-family structures or individuals building a single-family structure to be owner-occupied are to be exempt from paying a CIF. Staff opined that the CIF should not be approved. (See, Staff Exhibit No. 1).

Mr. Spurlock developed the allocation factors for the customer class cost of service study conducted by Staff in the instant municipal appeal case. Use of this study to design rates eliminates the possibility that one customer class will subsidize another customer class and establishes rates that are fair, just and reasonable. The allocation factors are applied to the total cost of service to arrive at the cost of service for each respective customer class. Wardensville's customer classes are residential, commercial, industrial and resale. The cost of service study not only considers the volumes of water purchased by each class, but also considers the actual demands each class places on the system. (Tr., pp. 15-17).

Several new fire hydrants will be added by Wardensville as a result of the project. The rate design based on the allocation factors provided by Mr. Spurlock would not differentiate between customers living inside and outside of Wardensville's town limits. Any new fire hydrants could be added only where the water main diameter is at least six inches. Wardensville does have several mains that are two and four inches in diameter, which are perfectly acceptable for the provision of public water service, but will not accommodate fire hydrants. Mr. Spurlock is not aware of any Commission rule that requires Wardensville to provide fire hydrants. As to the water meters, Mr. Spurlock opined that the Commission requires all water utilities to periodically check and replace water meters. (Tr., pp. 18-22).

Mr. Spurlock explained how alternate water mainline extension agreements generally work, i.e., a developer will build the water distribution lines within a subdivision at the direction, inspection and specifications of a utility, and connect to the utility's water main, with the cost being borne by the developer, and then the developer will turn over the ownership of the lines, including responsibility for O&Ms, to the utility. (Tr., pp. 22-23).

Next, Commission Staff presented the testimony of Utilities Analyst Nathan Nelson. Mr. Nelson reviewed Wardensville's operations, financial books and records and the certificate application. He prepared the financial analysis contained in Staff Exhibit No. 1. He stated that the Staff-recommended tariff inadvertently omitted reconnection and administrative fees, which Staff believes should be included. Mr. Nelson identified Staff Exhibit Nos. 2 and 3, which contain the

previously omitted reconnection and administrative fees. Staff is recommending that rates be approved for use immediately to cover going-level operations, i.e., Phase I, and for use after the project is substantially completed, i.e., Phase II. Staff Exhibit No. 2 contains the Staff-recommended rates for Phase I and Staff Exhibit No. 3 contains the Staff-recommended rates for Phase II. Staff Exhibit Nos. 2 and 3 do not change the Staff-recommended rates, except to add the reconnection and administrative fees. (Tr., pp. 24-27; Staff Exhibit Nos. 2 and 3).

Mr. Nelson performed a cash flow analysis for Wardensville. At going-level, Wardensville is operating at an \$11,480 cash flow deficit. The Staff-recommended Phase I rates will provide a cash flow surplus of approximately \$10,154. At going-level, Wardensville has no long-term debt. The Staff-recommended Phase II rates will provide a cash flow surplus of approximately \$5,408, a renewal and replacement reserve of \$4,833 and a 135.07% debt service coverage ratio. The Phase I rates are needed whether or not the certificate project is built. If the certificate project is built, the Phase II rates will be required. The new debt service requirement is the only material difference between the revenue requirement recommended for Phases I and II. The project will require that Wardensville pay approximately \$51,667 annually for long-term debt principal and interest. The amount payable to the renewal and replacement fund required by the project loan will reduce the cash flow surplus. Wardensville has a debt service requirement of approximately \$2,711 for short-term debt. (Tr., pp. 28-30; Staff Exhibit No. 1).

Mr. Nelson explained that, without the project, Wardensville's rates need to be increased by approximately 21%, which would increase a minimum bill, based on 2,000 gallons usage, from \$13.54 per month to \$16.40 per month, or by \$2.86 per month. Similarly, an average bill based on 4,500 gallons usage would increase from \$22.29 to \$26.98 per month. After the project is built, the rates need to be increased again, i.e., the average bill based on 4,500 gallons would then be \$40.88 per month. The Staff-recommended rates would be sufficient, but not more than sufficient, to provide Wardensville with the revenue it needs to meet its O&M expenses and to cover its debt service. A utility with a larger customer base can more easily keep its rates down by spreading out the costs over a larger number of customers. The loan for the project has zero percent (0%) interest. The rate increases proposed by Staff are in two steps, i.e., Phase I rates would be effective until the project is substantially complete and Phase II rates would become effective once the project is substantially complete. (Tr., pp. 30-35; Staff Exhibit Nos. 1, 2 and 3).

Mr. Nelson acknowledged that the Staff-recommended rates are higher than those contained in Wardensville's rate ordinance. The major reasons for this are that Wardensville passed the ordinance prior to knowing the final cost of the project and Wardensville did not consider that it is currently operating at an approximate \$11,000 cash flow deficit. The Staff-recommended rates were based upon the cash flow surplus recommended by Technical Analyst Spurlock, based on average plant additions, not by using the formula the Commission disapproved in the *Claywood Park*² case. (Tr., pp. 35-38).

²Case No. 07-0175-PWD-19A, *Claywood Park Public Service District*, Commission Order entered August 19, 2008.

Commission Staff called Utilities Analyst Manager William Nelson (referred to as Bill Nelson to distinguish him from Nathan Nelson) as its final witness. Bill Nelson stated that he was testifying instead of David Accord, since Mr. Accord is not available and Bill Nelson is Mr. Accord's supervisor. Bill Nelson reviewed and approved Mr. Accord's recommendations. Bill Nelson recommended that Wardensville's existing CIF be removed from its tariff and considered in a separate proceeding. Commission Staff does not believe enough information is before the Commission at this time to approve a CIF for Wardensville. The record needs additional development of this issue. Bill Nelson acknowledged that no Commission rule or state law controlled on the issue of allowing CIF's, but that Commission Staff has relied on Commission case law in making its recommendations on this issue. One of the key factors on the issue of approving a CIF is whether Wardensville's capacity is likely to be depleted within the next five to ten years. Wardensville has some of the criteria present that the Commission considers, but it is not clear that all of the criteria exist in Wardensville's situation. The instant certificate project will increase Wardensville's capacity, which might be all that it needs in the foreseeable future, even with the growth projected by Wardensville's consultant. Bill Nelson does not necessarily oppose approving a CIF for Wardensville, but he believes the issue needs more study in a separate case. When evaluating whether to approve a CIF in this case, Staff did not have all of the information made available at hearing, but additional study is still needed. Bill Nelson recommended that the issue of the CIF be bifurcated from the instant consolidated municipal appeal and certificate proceeding and be assigned a separate case number so that Staff could fully investigate the matter and make a more informed recommendation. (Tr., pp. 112-120).

Wardensville called Frederick Lee Hypes, P.E., of Dunn Engineers, Inc., to testify. Dunn Engineers, Inc., is Wardensville's project engineering firm. He identified the detailed construction plans for the project, designated as Phase II, which were received as Wardensville Exhibit No. 1. The design report that accompanies the plans and specifications for the project was received as Wardensville Exhibit No. 2. The preliminary engineering report that was submitted to the IJDC two years ago was received as Wardensville Exhibit No. 3. The drawings depicting the proposed garage to be built as part of the project were received as Wardensville Exhibit No. 4. (Tr., pp. 48-51; Wardensville Exhibit Nos. 1, 2, 3 and 4).

Mr. Hypes explained that, until a year and a half ago, Wardensville's only water source was a spring. This spring failed to keep up with the demand. Wardensville was not in compliance with the requirements of the West Virginia Office of Environmental Health Services (OEHS). The Phase I project, paid for with interim financing, included drilling one well and installing a pump for that well. The proposed project, or Phase II, will make improvements to the existing well and pump; add a second well and pump; add a six-inch water line to connect directly with the spring and the primary water storage tank; add telemetry to the two storage tanks; replace worn-out equipment at the spring house; change the electrical control system; and add radio units to approximately 325 existing water meters. Adding the radio units will substantially cut Wardensville's staff time required to read meters. Several other minor improvements are also included in the project, including the maintenance garage, approximately 20 isolation valves and approximately 10 new fire hydrants. Mr. Hypes explained that the facilities at the spring were installed over 45 years ago and simply cannot meet the demand now placed on the system. The size of Wardensville's system limits the relative cost to make

improvements. Larger systems might be able to change a few items at a time, but Wardensville's system needs a major overhaul in order to comply with OEHS regulations and the Safe Drinking Water Act. The maintenance garage is needed because Wardensville has no place to store equipment and tools. Wardensville has had a moratorium in place in the recent past, i.e., until it brought the new well online, and faces another moratorium and/or restrictions on water usage if the project is not built. (Tr., pp. 51-56).

Mr. Hypes identified the certified bid tabulations, received as Wardensville Exhibit No. 5. Two of the bids came in under the projected construction cost, i.e., approximately \$1,100,000, which pleased Mr. Hypes. The financing for the project will be adequate. (Tr., 56-57; Wardensville Exhibit No. 5). Mr. Hypes noted that some of the new fire hydrants would be located inside Wardensville's town limits and some would be located outside the town limits. (Tr., p. 58).

Mr. Hypes related that Wardensville's customer base had increased substantially since the 1960s, when the system was started. The system has grown from about 50 customers to around 300 customers. Over the past ten years, at least 100 new customers have been added. The amount of water produced by the spring has remained constant, but the demand from new customers has rendered the spring unable to meet all of the system's demands. Also, the Hardy County Public Service District is a resale customer that serves about 50 customers from the same water source as Wardensville. Once the project is completed, Wardensville's water source will be comprised of one spring and two wells. The approximate one mile of new six-inch line connecting the spring house to the main storage tank will also make it possible to serve six or seven new customers, i.e., the line is not being laid just to serve those customers, but to connect the storage tank to the spring, which will enable Wardensville to increase the available water pressure and volume to the existing lines. (Tr., pp. 59-62).

Mr. Hypes clarified that no new customers were added to Wardensville's system during the period when the moratorium was imposed, i.e., the 100 new customers were added during the eight years prior to the imposition of the moratorium in 2005. Mr. Hypes acknowledged that, at no time, has any Wardensville customer not been able to obtain water. However, in order to meet the demand, Wardensville has had to operate its pumps 24 hour per day for at least 24 or 25 days per month. That means that Wardensville has no reserve capacity. Had a fire or a major leak occurred, Wardensville's customers would have been without water. If Wardensville's tanks were drained, it would take several months to refill the tanks with the current water supply and the current demand. The addition of the first well increased Wardensville's capacity by about 60%. The project will increase Wardensville's pumping capacity from about 80 gallons per minute to about 130 gallons per minute, and the pumping system should no longer have to pump around the clock. Reserve capacity is important to ensure water for customers even during emergencies like a major leak or fire. (Tr., pp. 62-65).

Mr. Hypes explained that customers in new developments would experience the same rate increase as those living inside Wardensville's town limits. Some of them had to pay more for their houses, since the CIF was passed through from the developers to the homeowners. Wardensville did not foot the bill for the water lines serving the new developments, i.e., the lines were built by the

developers under alternate water mainline extension agreements and subsequently turned over to Wardensville, which now receives revenue from those new customers. Adding new customers enables Wardensville to spread out its cost of service over a larger customer base, which helps keep rates down. (Tr., pp. 65-68).

Next, Wardensville called John Kunkle, C.P.A., of J. C. Kunkle and Associates, who evaluated Wardensville's financial books and records and assisted Wardensville in developing the certificate application by preparing Wardensville's *Tariff Rule 42* exhibit. Originally, the project was to cost approximately \$1,075,000, but now it is projected to cost \$1,550,000. Wardensville currently has a CIF in its tariff. The purpose of a CIF is to shift the cost of adding new customers to developers. New customers place a greater demand on the water system and the CIF helps to shift the financial burden of this increased system demand away from Wardensville and its existing customers. Currently, Wardensville's CIF is \$1,500 per single family residence equivalency (EDU). Mr. Kunkle, who is familiar with the CIFs in Berkeley and Jefferson Counties, observed that Wardensville's CIF is approximately one-half of those in Berkeley and Jefferson Counties. CIFs are needed in areas where the population is growing at a rapid rate. Since Wardensville did not request a change in its CIF as a part of the rate ordinance, Mr. Kunkle opined that this issue is not properly before the Commission for decision. Wardensville passed the CIF by an ordinance that was never questioned, which means that the Commission has never reviewed it. (Tr., pp. 69-74).

Mr. Kunkle acknowledged that Wardensville's CIF, while intended to be charged only to developers, not to individuals, might be interpreted to be payable by entities other than those anticipated by the Commission in its prior rulings regarding CIFs for other utilities. For example, a 20-member church would have to pay a \$1,500 CIF to build a new building. Wardensville's CIF is not defined as applying only to for-profit residential and commercial land developers. (Tr., pp. 74-77).

The next witness who testified on Wardensville's behalf was Patrick Ford, a consultant hired by Wardensville. Mr. Ford prepared a document depicting population growth and related statistics for the Wardensville area, received as Wardensville Exhibit No. 6. In 1990, Wardensville's population was approximately 140. In 2000, Wardensville's population was approximately 246. In 2005, Wardensville's population was approximately 325. Mr. Ford projected that, in 2010, Wardensville's population would be 439. The population for Wardensville's water system service area has increased from about 570 in 1990 to a projected 1,000 by 2010. Wardensville's customer-count has increased from 248 in 1990 to 275 in 1997 and to 375 in 2007. Mr. Ford forecasts that, by 2010, Wardensville will serve approximately 475 customers. Mr. Ford characterized Wardensville's growth as substantial, with its water system customer base doubling in the 20 years from 1990 to 2010. (Tr., pp. 79-81; Wardensville Exhibit No. 6).

Wardensville next called its Recorder, John Sayers, to testify. Wardensville is governed by a seven-member council comprised of the Mayor, Recorder and five other Council Members, who also comprise the Wardensville Water Board. Wardensville decided to build the proposed project because the current water system's capacity no longer meets demands, is 40 years old, and needs to be replaced in order to work properly. Wardensville relied upon the expertise of Dunn Engineers to

design the project in order to comply with health regulations. Wardensville has obtained a very favorable loan, which charges no interest for 30 years and only a 1% administrative fee. Wardensville is very aware of the population growth in the past 20 years and the projected continued growth in the foreseeable future, both within Wardensville's corporate limits and the surrounding area to which Wardensville provides water service. Several residential subdivisions are either already being built or are planned to be built soon. Wardensville has not had a rate increase since 2005. It probably needed a rate increase sooner than now, but chose to hold off until it got the project ready. Wardensville accepts the Staff-recommended rates and charges, believing Staff's projected revenue requirements are more accurate than those used by Wardensville to design its rates and believing that Staff's customer class cost of service study has enabled Staff to design rates that are fair to every customer class. Wardensville's rate ordinance was an across-the-board percentage increase. Mr. Sayers acknowledged that the Staff-recommended tap fee of \$325 does not cover the cost of adding even a small 5/8" new water tap, let alone a larger tap. With its relatively cheap cost of living, Wardensville is becoming a bedroom community for the Washington, D.C. area or an area where people want to locate a second home. (Tr., pp. 82-89).

Mr. Sayers identified a report prepared by VIEW Engineering of Martinsburg in July 2005, which is a study of Wardensville's CIF, received as Wardensville Exhibit No. 7. Wardensville adopted its CIF based on the information contained in this report. The CIF was adopted at about the same time the moratorium on new connections was imposed, which means that the CIF has not been utilized much. The moratorium was lifted in September 2007. The developers who have paid the CIFs were pleased with paying those fees, i.e., those developers were used to paying much higher CIFs in developments they were building in Virginia and in Berkeley and Jefferson Counties in West Virginia. The CIF places a greater financial burden on those creating the increased demands on the system. (Tr., pp. 89-92; Wardensville Exhibit No. 7).

Mr. Sayers identified an alternate water mainline extension agreement between Wardensville and a developer, R. C. Adams, received as Wardensville Exhibit No. 8. This was for a 25-unit subdivision. About 13 houses have been built to date, all built after the moratorium was lifted. This developer paid the CIFs for each house built so far and installed all of the water lines serving the subdivision. Mr. Sayers identified a similar alternate water mainline extension agreement with Valley Development Group, Inc., received as Wardensville Exhibit No. 9. (Tr., pp. 92-96; Wardensville Exhibit Nos. 8 and 9).

Mr. Sayers has lived in Wardensville since 1990, and his wife has lived in Wardensville all of her life. He stated that Wardensville had approximately 100 residents for about 100 years. Now, Wardensville is growing. Mr. Sayers opined that at least 100 new homes would be built within Wardensville's water service area in the next five years. He cited the completion of Corridor H and other factors as the reason. Berkeley, Jefferson and Morgan Counties already have had a population explosion and that explosion is now overflowing into Wardensville, since it is so close to the Virginia border. (Tr., pp. 96-101). This case is the first time that the Commission has considered Wardensville's CIF, since no municipal appeal case developed out of the ordinance approving the CIF. Wardensville has collected 18 CIFs so far, 13 from one developer. Mr. Sayers acknowledged that, in addition to the developments with 25 or more houses, several people are splitting the family

farm into two or three lots. He opined that those smaller developments should be charged the CIF, too. He believes that the only entities who should not be charged a CIF are new owner-occupied single family dwellings. Anyone who is selling lots to others can pass the CIF on to the purchaser. Some of the developments are for commercial developments, not just for residential developments, such as restaurants, schools, churches and so forth. Mr. Sayers acknowledged that he was not totally familiar with the Commission's requirements for approving a CIF, including the definition contained in the Commission's Order in Case No. 04-0153-PSD-T, *Berkeley County Public Service Sewer District*, Commission Order entered March 28, 2005, on page 14, in the ordering paragraph which reads:

IT IS FURTHER ORDERED that the term "Developer" as used in this Order is defined as a person, corporation, or entity who is in the business of land and/or commercial or housing development, for profit, or a person, corporation, or entity who requests an alternate main line extension that includes the installation of mains by the person, corporation or entity.

Mr. Sayers acknowledged that the definition in Case No. 04-0153-PSD-T sounds different from Wardensville's current working definition. (Tr., pp. 101-108).

Mr. Sayers stated that Wardensville is not currently planning any certificate project or other significant project beyond the one proposed in this proceeding. Mr. Sayers opined that Wardensville's CIF is fair, irrespective of the language in Case No. 04-0153-PSD-T. Wardensville is obligated to sell water to whoever requests service within its service area, and, in order to meet that demand, Wardensville needs a CIF to help defray the costs of adding new customers. He cited three or four developments already planned that will add several hundred new customers to Wardensville's water system. Should the Commission approve a CIF for Wardensville that limits it to actual developers, Wardensville would comply with that ruling. (Tr., pp. 108-111).

DISCUSSION

Except for some concerns from a few of Wardensville's customers about the amount of the rate increase and whether Wardensville's project would benefit existing customers, the only real contested issue at hearing involved whether to approve a CIF for Wardensville. Wardensville has accepted the Staff-recommended rates and Staff has recommended approving the project.

It is clear that the public convenience and necessity require the project, since the Commission recently had to impose a moratorium on Wardensville adding new customers. Although the moratorium has been lifted, only a portion of the needed actions have been taken to alleviate the increased demand on Wardensville's water system. Wardensville's population and customers have almost doubled in 20 years and the existing system is not adequate to meet the foreseeable demand on Wardensville's system. Wardensville has to run its pump 24 hours per day for 24 or 25 days per month just to meet the demand. No reserve capacity exists in Wardensville's system to respond to an emergency such as a large leak or a major fire. Wardensville needs the project to comply with the OEHS's requirements. No evidence suggests that the project is not needed. Wardensville has secured

the funds to build the project and bids have already been received which are within the projected cost. For these reasons, the ALJ will approve the project.

As for the rate ordinance, Wardensville is operating at a substantial cash flow deficit and needs a rate increase immediately to cover going-level O&M expenses. Once the project is built, Wardensville will incur other O&M expenses related to the project and a substantial debt service requirement. Staff has recommended a two-step rate increase, i.e., Phase I to address immediate operations and Phase II to address post-project completion operations. This approach is logical and should be approved. The Staff-recommended rates and charges are sufficient, but not more than sufficient, to cover Wardensville's O&M expense and debt service obligations both prior to the project's completion and afterwards, while allowing a cash flow surplus which conforms to the standard set by the Commission in the *Claywood Park* case. Wardensville has agreed to accept the Staff-recommended rates. For all of these reasons, the ALJ will approve the Staff-recommended rates, with the exception of the Staff-recommendation on the CIF. Since the CIF was validly adopted by the Wardensville Town Council and Commission Staff acknowledged at hearing that it did not have enough information to determine if Wardensville's CIF complied with Commission policy, the *status quo* must be maintained. Further, in order to adopt the Staff recommendation on the CIF, the ALJ must actually disapprove the existing CIF, and the evidentiary record is not sufficient to do so.

FINDINGS OF FACT

1. The Town of Wardensville adopted an ordinance increasing its water rates and charges for service to its customers to become effective 45 days after passage. (See, February 26, 2008 rate ordinance).

2. The Commission received a petition signed by not less than twenty-five percent (25%) of Wardensville's water utility customers protesting Wardensville's increased water rates and the Commission invoked its jurisdiction in this matter under *West Virginia Code* §24-2-4b, made Wardensville respondent in this proceeding and, pending investigation, hearing and decision, suspended the ordinance and deferred the use of the increased water rates and charges until 12:01 a.m., August 23, 2008, unless otherwise ordered by the Commission. Subsequently, the statutory deadlines in Case Nos. 08-0282-W-MA and Case No. 08-0574-W-CN were tolled and extended to 12:01 a.m., December 1, 2008. (See, March 4, 2008 Commission Order in Case No. 08-0282-W-MA; Commission Order dated July 15, 2008; Corrective Order dated July 17, 2008).

3. The post-enactment Public Notice of Change in Water Rates was published on March 5 and 12, 2008, in *The Moorefield Examiner*. Wardensville posted the Public Notice of Change in Water Rates in a conspicuous place on the premises where Wardensville conducts its utility business with the public on February 27, 2008, and it remained so posted until March 31, 2008. The March 4, 2008 Commission Order Suspending Rates was published in *The Moorefield Examiner* on March 12, 2008. (See, publication affidavits filed April 1, 2008).

4. Wardensville filed an application under *West Virginia Code* §24-2-11 for a certificate of public convenience and necessity to construct improvements to its existing water treatment and

distribution system, including, but not limited to: (a) installation of additional treatment facilities; (b) drilling of a new well and installation of a well pump; (c) installation of a telemetry system; (d) installation of radio-read water metering equipment; (e) installation of 6,000 linear feet of new 6-inch water main between the treatment facilities and the Warden Acres water storage tank; (f) installation of additional isolation valves and fire hydrants in the distribution system; and (g) construction of a maintenance garage and materials storage building. Wardensville estimated that the proposed project would cost approximately \$1,550,000, to be funded by a \$1,550,000 West Virginia Drinking Water Treatment Revolving Fund loan with an interest rate of 0% and an administrative fee of 1% for a term of not more than 30 years. A commitment letter for the DWTRF loan was attached to the certificate application. (See, April 16, 2008 application in Case No. 08-0574-W-CN; Staff Exhibit No. 1).

5. The Commission directed that Wardensville provide notice of the filing of the application by publishing a copy of said Order as a Class I legal advertisement once in a newspaper duly qualified by the Secretary of State, published and generally circulated in Hardy County, making due return to the Commission of a proper publication affidavit immediately after publication. The Notice provided a 30-day protest period. (See, Commission Order dated April 16, 2008).

6. Wardensville published the Notice of Filing on April 30, 2008, in *The Moorefield Examiner*. (See, publication affidavit filed May 7, 2008).

7. The West Virginia Office of Environmental Health Services issued Permit No. 18,026 on June 25, 2008, granting approval for Wardensville to drill one new public water system well. (See, June 30, 2008 filing; Staff Exhibit No. 1).

8. In 2005, the Commission authorized a moratorium on new connections to Wardensville's water system, but that moratorium was lifted in 2007. The certificate project is designed to further address the underlying causes for the moratorium so that another moratorium will not be needed in the foreseeable future. (Tr., pp. 9-11).

9. The certificate project will increase Wardensville's potable water source. Currently, Wardensville uses a spring and a fairly new water well as its water source. The project will enable Wardensville to drill another water well. The project also will make needed improvements to the treatment plant, which are necessary to meet OEHS requirements, and will install a six-inch water main to interconnect all of the system to make it more dependable and to address any water pressure and volume problems. The new main will also add six or seven new customers. The project also will make several needed repairs to the distribution system and the storage tank and will add several fire hydrants and a new garage. Currently, Wardensville has no suitable place to store vehicles and other equipment. The project also will include telemetry equipment for each storage tank. The project will not increase O&M expenses. The project will cost approximately \$1,550,000. The project will enable Wardensville to serve all customers in the area who request public water service. Staff opined that the \$4,155 cost per customer is reasonable given the circumstances of the recent moratorium and the need to meet OEHS requirements. The project as proposed is the most cost-effective alternative and will provide Wardensville with adequate water capacity to meet all demands on the system. (Tr., pp. 11-15, 17-18; Staff Exhibit No. 1).

10. Commission Staff recommended that the Commission grant the certificate application and the proposed financing, comprised of a \$1,550,000 DWTRF loan bearing 0% interest and a 1% administrative fee for a 40-year term. The project has been approved by the IJDC. Staff opined that any changes to the plans, scope or financing require separate Commission approval prior to commencing construction. However, if changes do not affect rates, Wardensville does not need separate Commission approval, but must file a verification from a certified public accountant that rates will not change. Staff recommended that Wardensville submit the certificate of substantial completion as soon as it is available. (See, Staff Exhibit No. 1).

11. Staff recommended an annual cash flow surplus of approximately \$10,100 based on Staff's review of historical plant additions. During the test year, Wardensville incurred short-term debt to purchase a truck and touch meters and to pay for preliminary costs of the project. Staff recommended a two-step rate increase, i.e., Phase I to take effect upon entry of a final order of the Commission in the instant cases and Phase II to take effect upon substantial completion of the project. Currently, a minimum bill based on 2,000 gallons is \$13.54 and an average bill based on 4,500 gallons is \$22.29. Under the Staff-recommended Phase I rates, the minimum bill would be \$16.40 and a bill based on 4,500 gallons would be \$26.98. The resale rate would increase from \$2.09 per 1,000 gallons at going-level to \$2.51 per 1,000 gallons under Phase I rates. Under the Phase II rates, the minimum bill would be \$24.88, the average bill would be \$40.88 and the resale rate would be \$3.69 per 1,000 gallons. (See, Staff Exhibit No. 1).

12. Staff developed allocation factors for the customer class cost of service study conducted by Staff in the instant municipal appeal case. Use of this study to design rates eliminates the possibility that one customer class will subsidize another customer class and establishes rates that are fair, just and reasonable. The cost of service study not only considers the volumes of water purchased by each class, but also considers the actual demands each class places on the system. (See, Tr., pp. 15-17).

13. The Staff-recommended rate design based on the cost of service study does not differentiate between customers living inside and outside of Wardensville's town limits. (See, Tr., pp. 18-22).

14. After reviewing Wardensville's operations, financial books and records and the certificate application, Commission Staff recommended that rates be increased in two phases, first, for use immediately to cover going-level operations, i.e., Phase I, and, second, for use after the project is substantially completed, i.e., Phase II. (See, Tr., pp. 24-27; Staff Exhibit Nos. 1, 2 and 3).

15. At going-level, Wardensville is operating at an \$11,480 cash flow deficit. The Staff-recommended Phase I rates will provide a cash flow surplus of approximately \$10,154. At going-level, Wardensville has no long-term debt. The Staff-recommended Phase II rates will provide a cash flow surplus of approximately \$5,408, a renewal and replacement reserve of \$4,833 and a 135.07% debt service coverage ratio. The Phase I rates are needed whether or not the certificate project is built. If the certificate project is built, the Phase II rates will be required. The new debt service requirement is the only material difference between the revenue requirements recommended for

Phases I and II. The project will require that Wardensville pay approximately \$51,667 annually for long-term debt principal and interest. The amount payable to the renewal and replacement fund required by the project loan will reduce the cash flow surplus. Wardensville has a debt service requirement of approximately \$2,711 for short-term debt, but currently has no renewal and replacement fund. (See, Tr., pp. 28-30; Staff Exhibit No. 1).

16. Without the project, Wardensville's rates need to be increased by approximately 21%, which would increase a minimum bill, based on 2,000 gallons usage, from \$13.54 per month to \$16.40 per month, or by \$2.86 per month. Similarly, an average bill based on 4,500 gallons usage would increase from \$22.29 to \$26.98 per month. After the project is built, the rates need to be increased again, i.e., the average bill based on 4,500 gallons would then be \$40.88 per month. Staff opined that the Staff-recommended rates would be sufficient, but not more than sufficient, to provide Wardensville with the revenue it needs to meet its O&M expenses and to cover its debt service. (See, Tr., pp. 30-35; Staff Exhibit Nos. 1, 2 and 3).

17. The Staff-recommended rates are higher than those contained in Wardensville's rate ordinance. The major reasons for this are that Wardensville passed the ordinance prior to knowing the final cost of the project and Wardensville did not consider that it is currently operating at a cash flow deficit of over \$11,000. The Staff-recommended surplus was based upon average plant additions, not the formula the Commission disapproved of in the *Claywood Park* case. (See, Tr., pp. 35-38).

18. Until a year and a half ago, Wardensville's only water source was a spring. This spring failed to keep up with the demand for public water service. Wardensville was not in compliance with the OEHS's requirements. The Phase I project, paid for with interim financing, included drilling one well and installing a pump for that well. The proposed project, designated as Phase II, will make improvements to the existing well and pump; add a second well and pump; add a six-inch water line to connect directly with the spring and the primary water storage tank; add telemetry to the two storage tanks; replace worn-out equipment at the spring house; change the electrical control system; and add radio units to approximately 325 existing water meters. Adding the radio units will substantially cut Wardensville's staff time required to read meters. Several other minor improvements are also included in the project, including the maintenance garage, approximately 20 isolation valves and approximately 10 new fire hydrants. The facilities at the spring were installed over 45 years ago and simply cannot meet the demand now placed on the system. Wardensville's system needs a major overhaul in order to comply with OEHS regulations and the Safe Drinking Water Act. The maintenance garage is needed because Wardensville has no place to store equipment and tools. (See, Tr., pp. 51-56).

19. Wardensville has received and filed the certified bid tabulations. Two of the bids came in under the projected construction cost of approximately \$1,100,000. (See, Tr., 56-57; Wardensville Exhibit No. 5).

20. Some of the new fire hydrants included in the project will be located inside Wardensville's town limits and some will be located outside the town limits. (See, Tr., p. 58).

21. Wardensville's customer base has increased substantially since the 1960s, when the system was started. The system has grown from about 50 customers to around 300 customers. Over the past ten years, at least 100 new customers have been added. The amount of water produced by the spring has remained constant, but the demand from new customers has rendered the spring unable to meet all of the system's demands. Also, the Hardy County Public Service District is a resale customer that serves about 50 customers from the same water source as Wardensville. Once the project is completed, Wardensville's water source will be comprised of one spring and two wells. The approximate one mile of new six-inch line connecting the spring house to the main storage tank will also make it possible to serve six or seven new customers, i.e., the line is not being laid just to serve those customers, but to connect the storage tank to the spring, which will enable Wardensville to increase the available water pressure and volume to the existing lines. (See, Tr., pp. 59-62).

22. In order to meet the demand for water, Wardensville has had to operate its pumps 24 hours per day for at least 24 or 25 days per month, which means that Wardensville has no reserve capacity. If a fire or a major leak occurred, Wardensville's customers would be without water. If Wardensville's tanks were drained, it would take several months to refill the tanks with the current water supply and the current demand. The addition of the first well increased Wardensville's capacity by about 60%. The project will increase Wardensville's pumping capacity from about 80 gallons per minute to about 130 gallons per minute, and the pumping system should no longer have to pump around the clock. Reserve capacity is important to ensure water for customers even during emergencies like a major leak or fire. (Tr., pp. 62-65).

23. Commission Staff testified that, currently, it did not have sufficient information to conclude that Wardensville's CIF either did or did not comply with Commission policy regarding CIFs. (Tr., pp. 112-120).

CONCLUSIONS OF LAW

1. The public convenience and necessity require the proposed project.
2. The proposed financing for the project should be approved.
3. The Staff-recommended Phase I rates for Wardensville are sufficient, but not more than sufficient, to cover Wardensville's going-level O&M expenses and debt service requirement, while providing a proper cash flow surplus based on historical plant additions, and should be approved.
4. The Staff-recommended Phase II rates for Wardensville are sufficient, but not more than sufficient, to support the project and cover Wardensville's O&M expenses and debt service requirement after the project is substantially completed, while providing a proper cash flow surplus based on historical plant additions and the renewal and replacement fund provided for in the project financing, and should be approved.
5. Should the scope, plans or financing for the project change, Wardensville must obtain prior Commission approval before commencing construction. Changes in project costs do not require

separate approval if those changes do not affect rates and Wardensville submits an affidavit from a certified public accountant to this effect.

6. Given that Wardensville's CIF was validly adopted by the Wardensville Town Council and Commission Staff testified that, currently, it did not have sufficient information to conclude that Wardensville's CIF either did or did not comply with current Commission policy, the *status quo* must be maintained with regard to the CIF. Therefore, the CIF must be included in the rates approved herein.

ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of public convenience and necessity filed with the Commission on April 16, 2008, by the Town of Wardensville pursuant to *West Virginia Code* §24-2-11, to construct improvements to the existing water treatment and distribution system, be, and hereby is, granted.

IT IS FURTHER ORDERED that the proposed financing for the project, comprised of a \$1,550,000 West Virginia Drinking Water Treatment Revolving Fund loan with an interest rate of 0% and an administrative fee of 1% for a term of not more than 30 years be, and hereby is, approved.

IT IS FURTHER ORDERED that the municipal rate ordinance adopted by the Town of Wardensville on February 26, 2008, increasing water rates and charges for service to its customers, be, and hereby is, rejected and set aside.

IT IS FURTHER ORDERED that the rates and charges attached as Appendix A be, and hereby are, approved for all service rendered by the Town of Wardensville on and after 12:01 a.m., December 1, 2008.

IT IS FURTHER ORDERED that, within thirty (30) days of this Recommended Decision becoming final, the Town of Wardensville file an original and at least five (5) copies of a proper tariff setting forth the rates and charges hereby approved for Phase I.

IT IS FURTHER ORDERED that the rates and charges attached as Appendix B be, and hereby are, approved for all service rendered by the Town of Wardensville on and after the date that Wardensville files with the Commission the certificate of substantial completion for the project herein certificated.

IT IS FURTHER ORDERED that, within thirty (30) days of filing the certificate of substantial completion for the project certificated herein, the Town of Wardensville file an original and at least five (5) copies of a proper tariff setting forth the rates and charges hereby approved for Phase II.

IT IS FURTHER ORDERED that, should the scope, plans or financing for the project change, the Town of Wardensville must obtain prior Commission approval before commencing construction.

Changes in project cost do not require separate approval if those changes do not affect rates and Wardensville submits an affidavit from a certified public accountant to this effect.

IT IS FURTHER ORDERED that the Town of Wardensville file with the Commission the certificate of substantial completion for each contract associated with the project as soon as they become available.

IT IS FURTHER ORDERED that, if this project requires the use of Division of Highways' rights-of-way, Wardensville comply with all rules and regulations of the Division of Highways regarding the use of those rights-of-way.

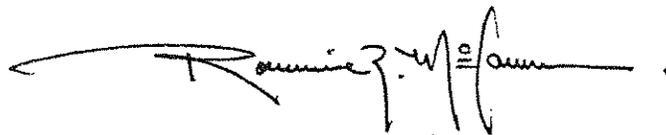
IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

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

Leave hereby is granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this Recommended Decision 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 Recommended Decision 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 recommended decision by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's recommended decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Ronnie Z. McCann
Deputy Chief Administrative Law Judge

RZM:s
080282ad.wpd

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

CASE NO. 08-0282-W-MA

TOWN OF WARDENSVILLE
a municipal utility.

APPROVED RATES

PHASE I

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

Available for general, domestic, commercial and industrial service.

RATE (customers with metered water supply)

First	2,000 gallons used per month	\$8.20 per 1,000 gallons
Next	3,000 gallons used per month	\$4.23 per 1,000 gallons
Next	15,000 gallons used per month	\$3.60 per 1,000 gallons
All over	20,000 gallons used per month	\$3.00 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than \$16.40 per month which is equivalent to 2,000 gallons or

5/8-inch meter	\$ 16.40 per month
3/4-inch meter	\$ 24.60 per month
1- inch meter	\$ 41.00 per month
1-1/2-inch meter	\$ 82.00 per month
2- inch meter	\$131.20 per month
3- inch meter	\$262.40 per month
4- inch meter	\$410.00 per month
6- inch meter	\$820.00 per month

RESALE RATE

All water for resale to Hardy County Public Service District will be billed in accordance with the approved rate of \$2.51 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

The above scheduled is net. On all accounts not paid in full when due, a ten percent (10%) charge will be added to the net current amount unpaid. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$325.00 will be charged to customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the Utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment is returned by their bank due to insufficient funds.

LEAK ADJUSTMENT

\$0.31 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

RECONNECTION - \$20.00

To be charged whenever the supply of water is turned off for violations of rules and regulations, non-payment of bills, or fraudulent use of water.

ADMINISTRATIVE FEE

In the event the utility collects payment in full of a delinquent water bill at the customer's premises in lieu of discontinuance of service for nonpayment, an administrative fee of \$20.00 shall also be collected in addition to the delinquent water bill.

MUNICIPAL EXCISE TAX SURCHARGE

The municipality listed below, having imposed a public utility tax computed on the basis of two percent of revenues from water sales by the Town of Wardensville's water utility within the corporate limits of such municipality, said tax shall be billed as a surcharge to the customers receiving service within said corporate limits.

The water utility is required to collect the utility tax pursuant to West Virginia §8-13-5a.

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates:

Municipality - Town of Wardensville

Surcharge Rate - Two percent (2%) of the gross amount billed

SECURITY DEPOSIT

A deposit of \$50.00 or 2/12ths of the annual usage of the applicant's specific customer class, whichever is greater.

FIRE HYDRANTS; PRIVATE FIRE PROTECTION HOSE CONNECTIONS

Private fire hydrants, each	\$150.00 per hydrant per year, payable annually
Private fire protection	Sprinkler systems shall pay \$150.00 per year, plus \$0.40 per sprinkler head, payable annually.

Hose connections for fire use only	
Simplex or duplex	\$75.00 per year, payable annually

CAPACITY IMPROVEMENT CAPITAL COST FEE

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of \$1,500 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth herein. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment facilities. The usage equivalent for other than single family residential units for the capacity improvement capital cost fee shall be based upon the following residential usage equivalent multiplier:

RESIDENTIAL USAGE EQUIVALENTS FOR CAPACITY IMPROVEMENT CAPITAL COST FEE

<u>UNIT</u>	<u>GALLONS PER DAY</u>	<u>USAGE EQUIVALENT</u>
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (additive)	2/patron	0.013/patron
Tavern-Little or no food	20/seat	0.132/per seat
Hotel	120/room	0.8/per room
Industry, sanitary	15/person/shift	0.1/person per shift

Institutions

Hospital	250/bed	1.67/bed
Nursing Homes	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	0.1/person	15/person
Laundry Self Service	250/washer	1.67/washer
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence

School:

Day, no cafeteria/showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100 ft. of sales area	0.12/100 ft. of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
Theaters	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the Town shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON

CASE NO. 08-0282-W-MA

TOWN OF WARDENSVILLE
a municipal utility.

APPROVED RATES

PHASE II

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

Available for general, domestic, commercial and industrial service.

RATE (customers with metered water supply)

First	2,000 gallons used per month	\$12.44 per 1,000 gallons
Next	3,000 gallons used per month	\$ 6.40 per 1,000 gallons
Next	15,000 gallons used per month	\$ 5.62 per 1,000 gallons
All over	20,000 gallons used per month	\$ 4.60 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than \$16.40 per month which is equivalent to 2,000 gallons or

5/8-inch meter	\$ 24.88 per month
3/4-inch meter	\$ 37.32 per month
1- inch meter	\$ 62.20 per month
1-1/2-inch meter	\$ 124.40 per month
2- inch meter	\$ 199.04 per month
3- inch meter	\$ 398.08 per month
4- inch meter	\$ 622.00 per month
6- inch meter	\$1,244.00 per month

RESALE RATE

All water for resale to Hardy County Public Service District will be billed in accordance with the approved rate of \$3.69 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

The above scheduled is net. On all accounts not paid in full when due, a ten percent (10%) charge will be added to the net current amount unpaid. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$325.00 will be charged to customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the Utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment is returned by their bank due to insufficient funds.

LEAK ADJUSTMENT

\$0.31 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

RECONNECTION - \$20.00

To be charged whenever the supply of water is turned off for violations of rules and regulations, non-payment of bills, or fraudulent use of water.

ADMINISTRATIVE FEE

In the event the utility collects payment in full of a delinquent water bill at the customer's premises in lieu of discontinuance of service for nonpayment, an administrative fee of \$20.00 shall also be collected in addition to the delinquent water bill.

MUNICIPAL EXCISE TAX SURCHARGE

The municipality listed below, having imposed a public utility tax computed on the basis of two percent of revenues from water sales by the Town of Wardensville's water utility within the corporate limits of such municipality, said tax shall be billed as a surcharge to the customers receiving service within said corporate limits.

The water utility is required to collect the utility tax pursuant to West Virginia §8-13-5a.

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates:

Municipality - Town of Wardensville

Surcharge Rate - Two percent (2%) of the gross amount billed

SECURITY DEPOSIT

A deposit of \$50.00 or 2/12ths of the annual usage of the applicant's specific customer class, whichever is greater.

FIRE HYDRANTS; PRIVATE FIRE PROTECTION HOSE CONNECTIONS

Private fire hydrants, each	\$150.00 per hydrant per year, payable annually
Private fire protection	Sprinkler systems shall pay \$150.00 per year, plus \$0.40 per sprinkler head, payable annually.

Hose connections for fire use only Simplex or duplex	\$75.00 per year, payable annually
---	------------------------------------

CAPACITY IMPROVEMENT CAPITAL COST FEE

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of \$1,500 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth herein. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment facilities. The usage equivalent for other than single family residential units for the capacity improvement capital cost fee shall be based upon the following residential usage equivalent multiplier:

RESIDENTIAL USAGE EQUIVALENTS FOR CAPACITY IMPROVEMENT CAPITAL COST FEE

<u>UNIT</u>	<u>GALLONS PER DAY</u>	<u>USAGE EQUIVALENT</u>
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (additive)	2/patron	0.013/patron
Tavern-Little or no food	20/seat	0.132/per seat
Hotel	120/room	0.8/per room
Industry, sanitary	15/person/shift	0.1/person per shift

Institutions

Hospital	250/bed	1.67/bed
Nursing Homes	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	0.1/person	15/person
Laundry Self Service	250/washer	1.67/washer
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence

School:

Day, no cafeteria/showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100 ft. of sales area	0.12/100 ft. of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
Theaters	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the Town shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

Entered: October 22, 2008

CASE NO. 08-0282-W-MA

TOWN OF WARDENSVILLE
a municipal utility.

Investigation and suspension of increase
in water rates and charges as a result
of petitions filed in accordance with
W. Va. Code §24-2-4b.

CASE NO. 08-0574-W-CN

TOWN OF WARDENSVILLE,
a municipal utility, Wardensville, Hardy County.

Application for a certificate of convenience and
necessity to construct improvements to the existing
water treatment and distribution system.

CORRECTIVE ORDER

By Recommended Decision entered on October 17, 2008, the Administrative Law Judge (ALJ) approved rates and charges in Case No. 08-0282-W-MA and approved the certificate application in Case No. 08-0574-W-CN. Through inadvertence, Appendix B attached to the October 17, 2008 Recommended Decision contained the following language related to a minimum bill: "No minimum bill will be rendered for less than \$16.40 per month..." The amount stated should have been \$24.88, not \$16.40 per month.

Accordingly, the ALJ will correct Appendix B attached to the October 17, 2008 Recommended Decision by substituting the Appendix B attached to this Corrective Order.

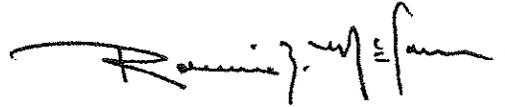
ORDER

IT IS, THEREFORE, ORDERED that the Appendix B attached to the October 17, 2008 Recommended Decision in this matter be, and hereby is, set aside, and the Appendix B attached hereto, be, and hereby is, adopted, to correct the original Appendix B attached to the October 17, 2008 Recommended Decision.

MSM

IT IS FURTHER ORDERED that, in all other respects, the October 17, 2008 Recommended Decision remains unchanged.

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



Ronnie Z. McCann
Deputy Chief Administrative Law Judge

RZM:s
080282ae.wpd

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

CASE NO. 08-0282-W-MA

TOWN OF WARDENSVILLE
a municipal utility.

APPROVED RATES

PHASE II

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

Available for general, domestic, commercial and industrial service.

RATE (customers with metered water supply)

First	2,000 gallons used per month	\$12.44 per 1,000 gallons
Next	3,000 gallons used per month	\$ 6.40 per 1,000 gallons
Next	15,000 gallons used per month	\$ 5.62 per 1,000 gallons
All over	20,000 gallons used per month	\$ 4.60 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than \$24.88 per month which is equivalent to 2,000 gallons or

5/8-inch meter	\$ 24.88 per month
3/4-inch meter	\$ 37.32 per month
1- inch meter	\$ 62.20 per month
1-1/2-inch meter	\$ 124.40 per month
2- inch meter	\$ 199.04 per month
3- inch meter	\$ 398.08 per month
4- inch meter	\$ 622.00 per month
6- inch meter	\$1,244.00 per month

RESALE RATE

All water for resale to Hardy County Public Service District will be billed in accordance with the approved rate of \$3.69 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

The above scheduled is net. On all accounts not paid in full when due, a ten percent (10%) charge will be added to the net current amount unpaid. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$325.00 will be charged to customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the Utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment is returned by their bank due to insufficient funds.

LEAK ADJUSTMENT

\$0.31 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

RECONNECTION - \$20.00

To be charged whenever the supply of water is turned off for violations of rules and regulations, non-payment of bills, or fraudulent use of water.

ADMINISTRATIVE FEE

In the event the utility collects payment in full of a delinquent water bill at the customer's premises in lieu of discontinuance of service for nonpayment, an administrative fee of \$20.00 shall also be collected in addition to the delinquent water bill.

MUNICIPAL EXCISE TAX SURCHARGE

The municipality listed below, having imposed a public utility tax computed on the basis of two percent of revenues from water sales by the Town of Wardensville's water utility within the corporate limits of such municipality, said tax shall be billed as a surcharge to the customers receiving service within said corporate limits.

The water utility is required to collect the utility tax pursuant to West Virginia §8-13-5a.

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates:

Municipality - Town of Wardensville

Surcharge Rate - Two percent (2%) of the gross amount billed

SECURITY DEPOSIT

A deposit of \$50.00 or 2/12ths of the annual usage of the applicant's specific customer class, whichever is greater.

FIRE HYDRANTS; PRIVATE FIRE PROTECTION HOSE CONNECTIONS

Private fire hydrants, each	\$150.00 per hydrant per year, payable annually
Private fire protection	Sprinkler systems shall pay \$150.00 per year, plus \$0.40 per sprinkler head, payable annually.
Hose connections for fire use only	
Simplex or duplex	\$75.00 per year, payable annually

CAPACITY IMPROVEMENT CAPITAL COST FEE

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of \$1,500 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth herein. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment facilities. The usage equivalent for other than single family residential units for the capacity improvement capital cost fee shall be based upon the following residential usage equivalent multiplier:

RESIDENTIAL USAGE EQUIVALENTS FOR CAPACITY IMPROVEMENT CAPITAL COST FEE

<u>UNIT</u>	<u>GALLONS PER DAY</u>	<u>USAGE EQUIVALENT</u>
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (additive)	2/patron	0.013/patron
Tavern-Little or no food	20/seat	0.132/per seat
Hotel	120/room	0.8/per room
Industry, sanitary	15/person/shift	0.1/person per shift

Institutions

Hospital	250/bed	1.67/bed
Nursing Homes	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	0.1/person	15/person
Laundry Self Service	250/washer	1.67/washer
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence

School:

Day, no cafeteria/showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100 ft. of sales area	0.12/100 ft. of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
Theaters	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the Town shall determine its Residential Usage Equivalent in consultation with its consulting engineer.



SPILMAN THOMAS & BATTLE, PLLC
ATTORNEYS AT LAW

Direct Dial: 304.340.3867
e-mail: sriggs@spilmanlaw.com

May 7, 2008

VIA HAND DELIVERY

Ms. Sandra Squire
Executive Secretary
Public Service Commission of West Virginia
201 Brooks Street
Charleston, West Virginia 25301

Re: Case No. 08-0574-W-CN
Town of Wardensville
Application for a certificate of convenience
and necessity to construct improvements to the
existing water treatment and distribution system.

Dear Ms. Squire:

By Order issued April 16, 2008 in the above-referenced matter, the Town of Wardensville was ordered to publish a Notice of Filing once in a newspaper published and of general circulation in Hardy County.

Enclosed for filing are an original and twelve copies of the affidavit of publication reflecting that the "Notice of Filing" was published in *The Moorefield Examiner* on April 30, 2008.

Please do not hesitate to contact me if you have any questions concerning this filing.

Very truly yours,

Susan J. Riggs
Susan J. Riggs
(WV State Bar #5246)

RECEIVED
08 MAY - 7 PM 3: 27
W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

SJR/src:1014621

Enclosures

cc: Carrie Dehaven, Esquire

Capacity Improvement Capital Cost Fee

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of \$1,500 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth herein. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment facilities. The usage equivalent for other than single family residential units for the capacity improvement capital cost fee shall be based upon the following residential usage equivalent multiplier:

Residential Usage Equivalents For Capacity Improvement Capital Cost Fee

Unit	Gallions Per Day	Residential Usage Equivalent
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (additive)	2/patron	0.013/patron
Tavern-Little or no food	20/seat	0.132/per seat
Hotel	120/room	0.8/per room
Industry, sanitary institutions	15/person/shift	0.1/person per shift
Hospital	250/bed	1.67/bed
Nursing Homes	150/bed	1.0/bed
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Laundry Self Service	250/washer	1.67/washer
Motels	120/room	0.8/room
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Residence	150/residence	1.0/residence
School		
Day, no cafeteria/showers	15/pupil	0.1/pupil
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Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
Theaters	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the Town shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

The Town of Warden'sville has one resale customer, the Hardy County Public Service District.

The increases shown are based on averages of all customers in the indicated class. Individual customers may receive increases that are greater or less than average. Furthermore, the requested rates and charges are only a proposal and are subject to change (increase or decrease) by the Public Service Commission in its review of this filing.

Pursuant to §24-2-11, West Virginia Code, IT IS ORDERED that the Town of Warden'sville give notice of the filing of said application, by publishing a copy of this order once in a newspaper duly qualified by the Secretary of State, published and of general circulation in Hardy County, making due return to this Commission of proper certification of publication immediately after publication. Anyone desiring to protest or intervene should file a written protest or notice of intervention within 30 days following the date of this publication unless otherwise modified by Commission order. Failure to timely protest or intervene can affect your right to protest aspects of this certificate case, including any associated rate increases, or to participate in future proceedings. All protests or requests to intervene should clearly state the reason for the protest or intervention. Requests to intervene must comply with the Commission's rules on intervention set forth in the Commission's Rules of Practice and Procedure. All protests and interventions should be addressed to Sandra Squire, Executive Secretary, P.O. Box 812, Charleston, West Virginia 25323.

IT IS FURTHER ORDERED that if no protests are received within said thirty (30) day period, the Commission may waive formal hearing and grant the application based on the evidence submitted with said application and its review thereof.

A True Copy Teste
Sandra Squire, Executive Secretary

West Virginia Infrastructure & Jobs Development Council

Public Members:

Mark Prince
Hurricane
Dwight Calhoun
Petersburg
Tim Stranko
Morgantown
Dave McComas
Prichard

300 Summers Street, Suite 980
Charleston, West Virginia 25301
Telephone: (304) 558-4607
Facsimile: (304) 558-4609

Jefferson E. Brady, PE
Executive Director

Jefferson.Brady@verizon.net

May 8, 2006

Monica Cassell, Superintendent
of Public Works
Town of Wardensville
P.O. Box 7
Wardensville, West Virginia 26851

Re: Town of Wardensville
Water Project 2006W-922

Dear Ms. Cassell:

The West Virginia Infrastructure and Jobs Development Council (the "Council") has reviewed the Town of Wardensville's (the "Town") preliminary application regarding its proposed project to upgrade the existing water treatment facility to provide water service extending to areas in town and to the Hardy County Public Service District's Marvin Chapel water line extension; allow the existing water system moratorium to be dissolved (the "Project").

Based on the findings of the Water Technical Review Committee, the Council has determined that the Project is technically feasible within the guidelines of the Infrastructure and Jobs Development Act. The Town should carefully review the enclosed comments of the Water Technical Review Committee as the Town may need to address certain issues raised in said comments as it proceeds with the Project.

Upon consideration of the preliminary application, the Council recommends that the Town pursue a \$1,550,000 Drinking Water Treatment Revolving Fund loan to fund this project. Please contact the WV Bureau for Public Health office at 558-6749 for specific information on the steps the Town needs to follow to apply for these funds. Please note that this letter does not constitute funding approval from this agency.

If you have any questions regarding this matter, please contact Jeff Brady at 558-4607.

Sincerely,



Mark Prince

Enclosure

cc: Pat Taylor, P.E., BPH (w/o enclosure)
Region VIII Planning & Development Council
Dunn Engineers, Inc.



STATE OF WEST VIRGINIA
DEPARTMENT OF HEALTH AND HUMAN RESOURCES
BUREAU FOR PUBLIC HEALTH
OFFICE OF ENVIRONMENTAL HEALTH SERVICES

Joe Manchin III
Governor

Martha Yeager Walker
Secretary

June 14, 2006

The Honorable Tracey Scott Miller, Mayor
Town of Wardensville
Post Office Box 7
Wardensville, West Virginia 26851-0007

RE: Binding Commitment Letter
Town of Wardensville
Project No. 2006W-922
05DWTRFA002
Hardy County

Dear Mayor Miller:

The Bureau for Public Health (Bureau) provides this binding offer of a loan of approximately \$1,550,500 for the Town of Wardensville's (Town's) proposed project to install a well, upgrade the existing water treatment facility, and to provide water service extending to areas in town and to the Hardy County PSD's Marvin Chapel area. This project will allow a moratorium to be removed and bring the system into compliance with the Safe Drinking Water Act (SDWA). The source of funds for the loan will be from the Drinking Water Treatment Revolving Fund (DWTRF). The loan will be subject to the terms set forth on Schedule "A" attached hereto and incorporated herein by reference. The final loan amount will be established after the Town has received acceptable bids for the project. The loan agreement will be between the Town and the West Virginia Water Development Authority (Authority), who is the administrator of the DWTRF, acting on behalf of the Bureau for Public Health.

This loan commitment is also contingent upon the Town of Wardensville meeting the following:

- a. The Bureau performs a Capacity Development Assessment on the Town's water department and provides a recommendation to proceed with the project.
- b. The Town submits all documentation necessary for a formal Certificate of Convenience and Necessity to the Public Service Commission by January 2, 2007.

Please note that the Bureau's ability to provide the loan is contingent upon the Drinking Water State Revolving Fund Appropriation for Federal Fiscal Year (FFY) FY 2005 being awarded to the Bureau. This Binding Commitment letter will allow the Town to proceed with the project but it is not a commitment of funding.

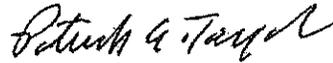
Capitol and Washington Streets
1 Davis Square, Suite 200
Charleston, West Virginia 25301-1798
Telephone: 304-558-2981

The Honorable Tracey Scott Miller
June 14, 2006
Page Two

If the Town becomes aware that it will not or cannot comply with a) or b), it should immediately notify the Bureau of this fact and the circumstances which have caused this non-compliance.

If you have any questions regarding this commitment, please contact me at 304-558-6749.

Very truly yours,



Patrick A. Taylor, P.E., Manager
Infrastructure & Capacity Development
Environmental Engineering Division

PAT:bms

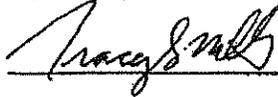
Enclosures

pc: Frederick L. Hypes, Dunn Engineers, Inc.
Daniel "Bernie" Yonkosky, WDA
Samme L. Gee, Esquire, Jackson Kelly
John Stump, Esquire, Steptoe and Johnson
Jefferson Brady, P.E., IJDC
Terry Lively, Region 8 Planning & Development Council
Walter M. Ivey, P.E.
OEHS Philippi District Office

NOTE: This letter is sent in triplicate. Please acknowledge receipt on two copies and immediately return to the Bureau for Public Health, Capitol and Washington Streets, 1 Davis Square, Suite 200, Charleston, WV 25301-1798.

Town of Wardensville

By:



Title:

TRACEY S. MILLER, MAYOR

Date:

6-18-06

DWTRF Project Schedule

Water System: Town of Wardensville County: Hardy Date: 6-14-06
 Project Description: Upgrade WTP to 200 GPM (Ph 1) & Marvin Chapel extension (Ph 2)
 IJDC#: 2006W-922 DWTRF#: 05DWTRFA002

	Action	Responsible Party	Scheduled Start	Scheduled Finish
1.	Preapplication to IJDC	Wardensville/ Dunn Engineers	Completed	Completed -5/06
2.	Prepare & Submit P&S to BPH	Dunn Engineers	3 months on this project	Ph 1: 7-01-06 Ph 2: 12-31-06
3.	Review Plans & Specs	BPH	45 days statutory	Ph 1: 8-15-06 Ph 2: 2-15-06
4.	Prepare and Submit Permit Applications	Dunn Engineers	5-15-06	Ph 1 7-01-06 Ph 2: 12-31-06
5.	Environmental Review	Region VIII, BPH	5-15-06	9-01-06
6.	Right-of-ways, Easements (80%), Land Acquisition 100%	Attorney Larry Garrett	5-15-06	Ph 1: 10-01-06 Ph 2: 6-15-07
7a.	Profile with PSC	N/A	N/A	N/A
7b.	File Certificate w/ PSC	Wardensville/Attorney	5-15-06	Ph 1: 7-31-06 Ph 2: 1-02-07
8.	Rule 42	Godis & Thomas Accts	5-15-06	1-02-07
9.	PSC Certificate Approval	Attorney	Ph 1: 1-02-07 Ph 2: 9-01-07	Ph 1: 1-02-07 Ph 2: 9-01-07
10.	Authority to Advertise	BPH	Ph 1: 10-15-06 Ph 2: 6-15-07	Ph 1: 10-15-06 Ph 2: 6-15-07
11.	Advertise for Bids	Town/Dunn Engineers	Ph 2: 7-01-07	Ph 2: 7-01-07
12.	Bid Opening	Dunn Engineers	Ph 1: 12-01-06 Ph 2: 8-01-07	Ph 1: 12-01-06 Ph 2: 8-01-07
13.	Loan Closing	Wardensville/Steptoe & Johnson/BPH/Water Development Authority	11-01-07	11-01-07
14.	Project Construction	Dunn Engineers/Region VIII	Ph 1: 2-02-07 Ph 2: 11-01-07	Ph 1: 8-01-07 Ph 2: 8-01-08
15.	Loan repayment	Wardensville	3-01-09	2-01-39
16.	Other			

Rev: 11-9-05

S:\ENGC\COMMON\ & CD\SRF\PROJECTS\Wardensville (WTP & Marvin Chapel)\Funding\Wardensville Project Schedule.doc

**WEST VIRGINIA BUREAU FOR PUBLIC HEALTH
Drinking Water Treatment Revolving Fund
Binding Commitment**

SCHEDULE A

A. Project

June 14, 2006

Town of Wardensville
Water System Improvements Project
Hardy County
IJDC No.: 2006W-922
DWTRF No.: 05DWTRFA002

B. Drinking Water Treatment Revolving Fund

Loan: Approximate Amount: \$ 1,550,000
Terms: 0% + 1% administrative fee
Maturity Date: 30 years
Special Conditions (if any): None

C. Other Funding Sources:

1. None

D. Total Project Cost: Amount: \$ 1,550,000

E. Proposed User Rates: Average: \$ 36.51 per 4,500 gallons

TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

CROSS-RECEIPT FOR BOND AND BOND PROCEEDS

On this 10th day of December, 2008, the undersigned authorized representative of the West Virginia Water Development Authority (the "Authority"), for and on behalf of the Authority, and the undersigned Mayor of the Town of Wardensville (the "Issuer"), for and on behalf of the Issuer, hereby certify as follows:

1. On the date hereof, the Authority received the entire original issue of \$1,550,000 principal amount of the Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), of the Issuer (the "Bonds"), issued as a single, fully registered Bond, numbered AR-1, and dated December 10, 2008.

2. At the time of such receipt of the Bonds upon original issuance, the Bonds had been executed by the Mayor and the Recorder 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 the sum of \$283,804, being a portion of the principal amount of the Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer by the Authority on behalf of the West Virginia Bureau for Public Health as acquisition and construction of the Project progresses.

[Remainder of Page Intentionally Blank]

Dated as of the day and year first above written.

WEST VIRGINIA WATER DEVELOPMENT
AUTHORITY

By: Barbara B Meadows
Its: Authorized Representative

TOWN OF WARDENSVILLE

By: May S. Miller
Its: Mayor

11.13.08
940540.00002

TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

DIRECTION TO AUTHENTICATE AND DELIVER BONDS

The Huntington National Bank
as Bond Registrar
Charleston, West Virginia

Ladies and Gentlemen:

On this 10th day of December, 2008, there are delivered to you herewith:

(1) Bond No. AR-1, constituting the entire original issue of the Town of Wardensville Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), in the principal amount of \$1,550,000, dated December 10, 2008 (the "Bonds"), executed by the Mayor and the Recorder of the Town of Wardensville (the "Issuer") and bearing the official seal of the Issuer, authorized to be issued under and pursuant to a Bond Ordinance duly enacted by the Issuer on December 2, 2008, and a Supplemental Resolution duly adopted by the Issuer on December 2, 2008 (collectively, the "Bond Legislation");

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

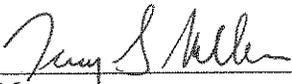
(3) Executed counterparts of the loan agreement for the Series 2008 A Bonds, dated December 10, 2008 (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health ("BPH"); and

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

You are hereby requested and authorized to deliver the Bonds to the Authority upon payment to the Issuer of the sum of \$283,804, 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 as of the day and year first above written.

TOWN OF WARDENSVILLE



Mayor

11.13.08
940540.00002

SPECIMEN

UNITED STATES OF AMERICA
STATE OF WEST VIRGINIA
TOWN OF WARDENSVILLE
WATER REVENUE BONDS, SERIES 2008 A
(WEST VIRGINIA DWTRF PROGRAM)

No. AR-1

\$1,550,000

KNOW ALL MEN BY THESE PRESENTS: This 10th day of December, 2008 that the TOWN OF WARDENSVILLE, a municipal corporation and political subdivision of the State of West Virginia in Hardy County of said State (the "Issuer"), for value received, hereby promises to pay, solely from the special funds provided therefor, as hereinafter set forth, to the WEST VIRGINIA WATER DEVELOPMENT AUTHORITY (the "Authority") or registered assigns the sum of ONE MILLION FIVE HUNDRED FIFTY THOUSAND DOLLARS (\$1,550,000), 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, 2010, to and including March 1, 2040, as set forth on the "Debt Service Schedule" attached as EXHIBIT B hereto and incorporated herein by reference.

This bond shall not bear interest. The Administrative Fee (as defined in the hereinafter described Bond Legislation) shall also be payable quarterly on March 1, June 1, September 1 and December 1 of each year commencing June 1, 2010, as set forth on EXHIBIT B attached hereto.

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

This Bond may be redeemed prior to its stated date of maturity in whole or in part, but only with the express written consent of the Authority and the West Virginia Bureau for Public Health (the "BPH), and upon the terms and conditions prescribed by, and otherwise in compliance with, the Loan Agreement by and between the Issuer and the Authority, on behalf of the BPH, dated December 10, 2008.

This Bond is issued (i) to pay the Issuer's Waterworks System Bond Anticipation Note, Series 2007 (the "Prior Notes"); (ii) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); and (iii) to pay certain costs of issuance of the Bonds and related costs. The existing public waterworks system of the Issuer, the Project, and any further additions, betterments or improvements thereto are herein called the "System." This Bond is issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly Chapter 16, Article 13C and Chapter 8, Article 19 of the West Virginia Code of 1931, as amended (collectively, the "Act"), a Bond Ordinance duly enacted by the Issuer on December 2, 2008, and a Supplemental Resolution duly adopted by the Issuer on December 2, 2008 (collectively, the "Bond Legislation"), and is

subject to all the terms and conditions thereof. The Bond Legislation provides for the issuance of additional bonds under certain conditions, and such bonds would be entitled to be paid and secured equally and ratably from and by the funds and revenues and other security provided for the Bonds under the Bond Legislation.

THE ISSUER HAS NO BONDS OR OBLIGATIONS OTHER THAN THIS BOND WHICH IS SECURED BY GROSS REVENUES OF THE SYSTEM.

This Bond is payable only from and secured by a pledge of the Gross Revenues (as defined in the Bond Legislation) to be derived from the operation of the System and from monies in the Reserve Account created under the Bond Legislation for the Bonds (the "Series 2008 A Bonds Reserve Account"), and unexpended proceeds of the Bonds. Such Gross Revenues shall be sufficient to pay the principal of and interest on all bonds which may be issued pursuant to the Act and which shall be set aside as a special fund hereby pledged for such purpose. This Bond does not constitute a corporate indebtedness of the Issuer within the meaning of any constitutional or statutory provisions or limitations, nor shall the Issuer be obligated to pay the same or the interest hereon, except from said special fund provided from the Gross Revenues, the monies in the Series 2008 A Bonds Reserve Account and unexpended proceeds of the Bonds. Pursuant to the Bond Legislation, the Issuer has covenanted and agreed to establish and maintain just and equitable rates and charges for the use of the System and the services rendered thereby, which shall be sufficient, together with other revenues of the System, to provide for the reasonable expenses of operation, repair and maintenance of the System, and to leave a balance each year equal to at least 115% of the maximum amount payable in any year for principal of and interest on the Bonds, and all other obligations secured by a lien on or payable from such revenues on a parity with the Bonds; provided however, that so long as there exists in the Series 2008 A Bonds Reserve Account an amount at least equal to the maximum amount of principal and interest which will become due on the Bonds in the then current or succeeding year, and in the respective reserve accounts established for any other obligations outstanding on a parity with the Bonds, an amount at least equal to the requirement therefor, such percentage may be reduced to 110%. 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 (as defined in the Bond Legislation) by the registered owner, or by its attorney duly authorized in writing, upon the surrender of this Bond, together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or its attorney duly authorized in writing.

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

All money received from the sale of this Bond, after reimbursement and repayment of all amounts advanced for preliminary expenses as provided by law and the Bond Legislation, shall be applied solely to payment of the costs of the Project and costs of issuance described in the Bond Legislation, and

there shall be and hereby is created and granted a lien upon such monies, until so applied, in favor of the registered owner of this Bond.

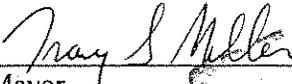
IT IS HEREBY CERTIFIED, RECITED AND DECLARED that all acts, conditions and things required to exist, happen and be performed precedent to and in the issuance of this Bond do exist, have happened, and have been performed in due time, form and manner as required by law, and that the amount of this Bond, together with all other obligations of the Issuer, does not exceed any limit prescribed by the Constitution or statutes of the State of West Virginia and that a sufficient amount of the Gross 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 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.

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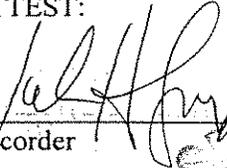
IN WITNESS WHEREOF, the TOWN OF WARDENSVILLE has caused this Bond to be signed by its Mayor and its corporate seal to be hereunto affixed and attested by its Recorder, and has caused this Bond to be dated the day and year first written above.

[SEAL]



Mayor

ATTEST:



Recorder

SPECIMEN

CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This Bond is one of the Series 2008 A Bonds described in the within-mentioned Bond Legislation and has been duly registered in the name of the registered owner set forth above, as of the date set forth below.

Date: December 10, 2008.

THE HUNTINGTON NATIONAL BANK,
as Registrar


Authorized Officer

EXHIBIT A
RECORD OF ADVANCES

<u>AMOUNT</u>	<u>DATE</u>	<u>AMOUNT</u>	<u>DATE</u>
(1) \$ 283,804	December 10, 2008	(19)	
(2)		(20)	
(3)		(21)	
(4)		(22)	
(5)		(23)	
(6)		(24)	
(7)		(25)	
(8)		(26)	
(9)		(27)	
(10)		(28)	
(11)		(29)	
(12)		(30)	
(13)		(31)	
(14)		(32)	
(15)		(33)	
(16)		(34)	
(17)		(35)	
(18)		(36)	

TOTAL \$ _____

EXHIBIT B

DEBT SERVICE SCHEDULE

BOND DEBT SERVICE - \$1,550,000

Town of Wardensville

0% Interest Rate; 1.0% Administrative Fee

Dated Date 12/10/2008
Delivery
Date 12/10/2008

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
6/1/2010	12,917.		12,917.	
9/1/2010	12,917.		12,917.	
12/1/2010	12,917.		12,917.	
3/1/2011	12,917.		12,917.	51,668.
6/1/2011	12,917.		12,917.	
9/1/2011	12,917.		12,917.	
12/1/2011	12,917.		12,917.	
3/1/2012	12,917.		12,917.	51,668.
6/1/2012	12,917.		12,917.	
9/1/2012	12,917.		12,917.	
12/1/2012	12,917.		12,917.	
3/1/2013	12,917.		12,917.	51,668.
6/1/2013	12,917.		12,917.	
9/1/2013	12,917.		12,917.	
12/1/2013	12,917.		12,917.	
3/1/2014	12,917.		12,917.	51,668.
6/1/2014	12,917.		12,917.	
9/1/2014	12,917.		12,917.	
12/1/2014	12,917.		12,917.	
3/1/2015	12,917.		12,917.	51,668.
6/1/2015	12,917.		12,917.	
9/1/2015	12,917.		12,917.	
12/1/2015	12,917.		12,917.	
3/1/2016	12,917.		12,917.	51,668.
6/1/2016	12,917.		12,917.	
9/1/2016	12,917.		12,917.	
12/1/2016	12,917.		12,917.	
3/1/2017	12,917.		12,917.	51,668.
6/1/2017	12,917.		12,917.	
9/1/2017	12,917.		12,917.	
12/1/2017	12,917.		12,917.	
3/1/2018	12,917.		12,917.	51,668.
6/1/2018	12,917.		12,917.	
9/1/2018	12,917.		12,917.	
12/1/2018	12,917.		12,917.	
3/1/2019	12,917.		12,917.	51,668.
6/1/2019	12,917.		12,917.	
9/1/2019	12,917.		12,917.	
12/1/2019	12,917.		12,917.	
3/1/2020	12,917.		12,917.	51,668.
6/1/2020	12,917.		12,917.	
9/1/2020	12,917.		12,917.	
12/1/2020	12,917.		12,917.	
3/1/2021	12,917.		12,917.	51,668.
6/1/2021	12,917.		12,917.	
9/1/2021	12,917.		12,917.	

BOND DEBT SERVICE
Town of Wardensville
0% Interest Rate; 1.0% Administrative Fee

Period Ending	Principal	Interest Debt Service	Annual Debt Service
12/1/2021	12,917.	12,917.	
3/1/2022	12,917.	12,917.	51,668.
6/1/2022	12,917.	12,917.	
9/1/2022	12,917.	12,917.	
12/1/2022	12,917.	12,917.	
3/1/2023	12,917.	12,917.	51,668.
6/1/2023	12,917.	12,917.	
9/1/2023	12,917.	12,917.	
12/1/2023	12,917.	12,917.	
3/1/2024	12,917.	12,917.	51,668.
6/1/2024	12,917.	12,917.	
9/1/2024	12,917.	12,917.	
12/1/2024	12,917.	12,917.	
3/1/2025	12,917.	12,917.	51,668.
6/1/2025	12,917.	12,917.	
9/1/2025	12,917.	12,917.	
12/1/2025	12,917.	12,917.	
3/1/2026	12,917.	12,917.	51,668.
6/1/2026	12,917.	12,917.	
9/1/2026	12,917.	12,917.	
12/1/2026	12,917.	12,917.	
3/1/2027	12,917.	12,917.	51,668.
6/1/2027	12,917.	12,917.	
9/1/2027	12,917.	12,917.	
12/1/2027	12,917.	12,917.	
3/1/2028	12,917.	12,917.	51,668.
6/1/2028	12,917.	12,917.	
9/1/2028	12,917.	12,917.	
12/1/2028	12,917.	12,917.	
3/1/2029	12,917.	12,917.	51,668.
6/1/2029	12,917.	12,917.	
9/1/2029	12,917.	12,917.	
12/1/2029	12,917.	12,917.	
3/1/2030	12,917.	12,917.	51,668.
6/1/2030	12,916.	12,916.	
9/1/2030	12,916.	12,916.	
12/1/2030	12,916.	12,916.	
3/1/2031	12,916.	12,916.	51,664.
6/1/2031	12,916.	12,916.	
9/1/2031	12,916.	12,916.	
12/1/2031	12,916.	12,916.	
3/1/2032	12,916.	12,916.	51,664.
6/1/2032	12,916.	12,916.	
9/1/2032	12,916.	12,916.	
12/1/2032	12,916.	12,916.	
3/1/2033	12,916.	12,916.	51,664.
6/1/2033	12,916.	12,916.	
9/1/2033	12,916.	12,916.	
12/1/2033	12,916.	12,916.	
3/1/2034	12,916.	12,916.	51,664.

BOND DEBT SERVICE
Town of Wardensville
0% Interest Rate; 1.0% Administrative Fee

Period Ending	Principal	Interest	Debt Service	Annual Debt Service
6/1/2034	12,916.		12,916.	
9/1/2034	12,916.		12,916.	
12/1/2034	12,916.		12,916.	
3/1/2035	12,916.		12,916.	51,664.
6/1/2035	12,916.		12,916.	
9/1/2035	12,916.		12,916.	
12/1/2035	12,916.		12,916.	
3/1/2036	12,916.		12,916.	51,664.
6/1/2036	12,916.		12,916.	
9/1/2036	12,916.		12,916.	
12/1/2036	12,916.		12,916.	
3/1/2037	12,916.		12,916.	51,664.
6/1/2037	12,916.		12,916.	
9/1/2037	12,916.		12,916.	
12/1/2037	12,916.		12,916.	
3/1/2038	12,916.		12,916.	51,664.
6/1/2038	12,916.		12,916.	
9/1/2038	12,916.		12,916.	
12/1/2038	12,916.		12,916.	
3/1/2039	12,916.		12,916.	51,664.
6/1/2039	12,916.		12,916.	
9/1/2039	12,916.		12,916.	
12/1/2039	12,916.		12,916.	
3/1/2040	12,916.		12,916.	51,664.
1,550,000.			1,550,000.	1,550,000.

Plus \$1,953.62 one-percent Administrative Fee paid quarterly.
Total Administrative Fee paid over life of loan is \$234,434.40.

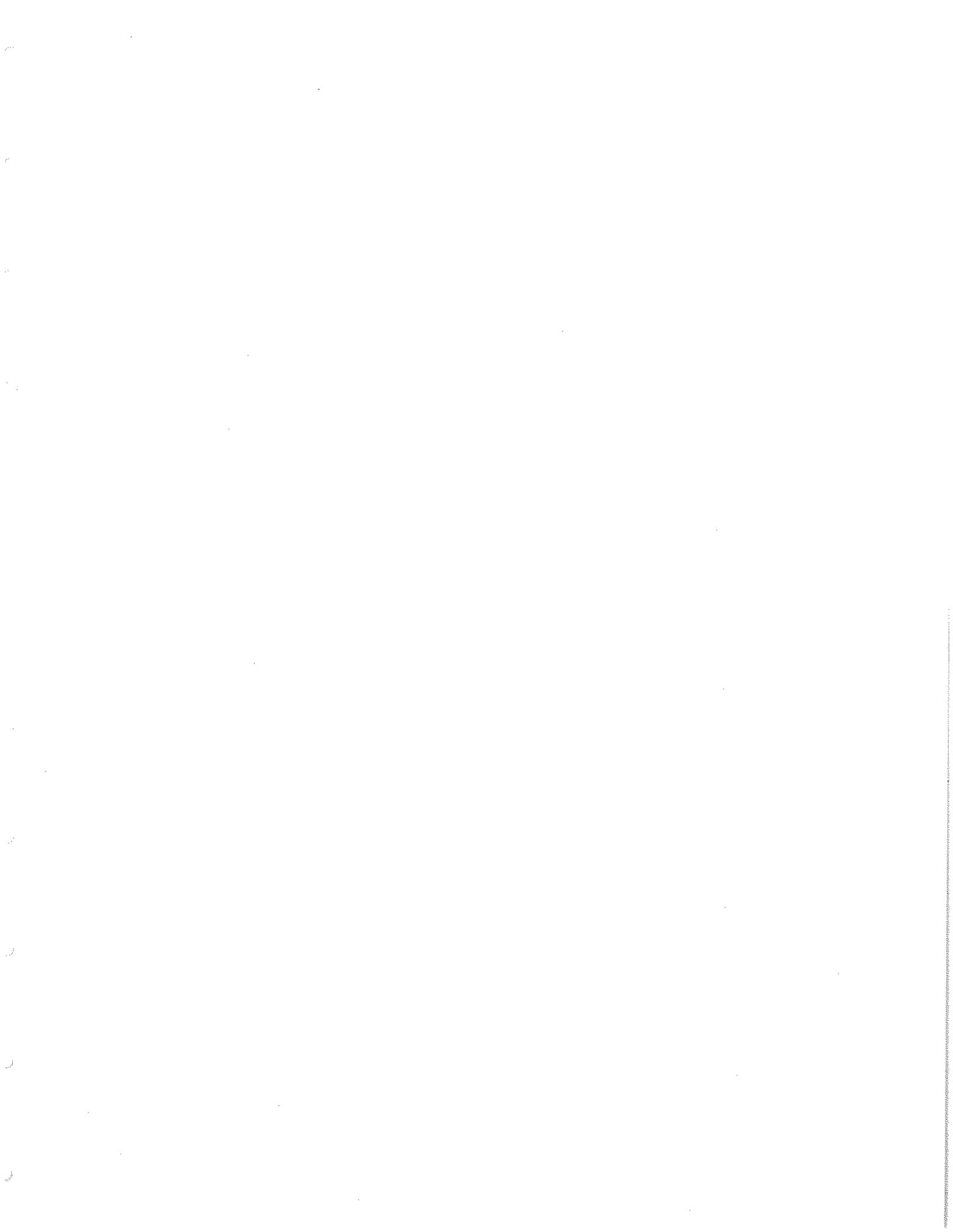
(Form of)

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:





Chase Tower, Eighth Floor
P.O. Box 1588
Charleston, WV 25326-1588
(304) 353-8000 (304) 353-8180 Fax
www.steptoe-johnson.com

Writer's Contact Information

December 10, 2008

Town of Wardensville
Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

Town of Wardensville
Wardensville, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Bureau for Public Health
Charleston, West Virginia

Ladies and Gentlemen:

We have served as bond counsel in connection with the issuance by the Town of Wardensville (the "Issuer"), a municipal corporation and political subdivision organized and existing under the laws of the State of West Virginia, of its \$1,550,000 Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), 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 10, 2008, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH"), 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 only to the Authority, bearing no interest, and with principal payable quarterly on March 1, June 1, September 1 and December 1 of each year, commencing June 1, 2010, to and including March 1, 2040, all as set forth in the "Schedule Y" attached to the Loan Agreement and incorporated in and made a part of the Bonds.

The Bonds are issued under the authority of and in full compliance with the Constitution and statutes of the State of West Virginia, including particularly, Chapter 8, Article 19 and Chapter 16, Article 13C of the West Virginia Code of 1931, as amended (collectively, the "Act"), for the purposes of (i) paying the Issuer's Waterworks System Bond Anticipation Note, Series 2007 (the "Prior Note"); (ii) paying a portion of the costs of acquisition and construction of certain extensions, additions, betterments and improvements to the existing waterworks system of the Issuer (the "Project"); and (iii) paying certain costs of issuance and related costs.

We have also examined the applicable provisions of the Act, the Bond Ordinance duly enacted by the Issuer on December 2, 2008, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 2, 2008 (collectively, the "Bond Legislation"), pursuant to and under which Act and Bond Legislation the Bonds are authorized and issued, and the Loan Agreement has been entered into. The Bonds are subject to redemption prior to maturity to the extent, at the time, under the conditions and subject to the limitations set forth in the Bond Legislation and the Loan Agreement.

All capitalized terms used herein and not otherwise defined herein shall have the same meanings set forth in the Bond Legislation and the Loan Agreement when used herein.

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

1. The Issuer is a duly created and validly existing municipal corporation and political subdivision of the State of West Virginia, with full power and authority to acquire and construct the Project, to operate and maintain the System, to enact the Bond Legislation and to issue and sell the Bonds, all under the Act and other applicable provisions of law.

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

3. The Bond Legislation and all other necessary ordinances, orders and resolutions have been duly and effectively enacted and adopted by the Issuer in connection with the issuance and sale of the Bonds and constitute valid and binding obligations of the Issuer enforceable against the Issuer in accordance with their terms. The Bond Legislation contains provisions and covenants substantially in the form of those set forth in Section 4.1 of the Loan Agreement.

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

5. The Bonds have not been issued on the basis that the interest, if any, thereon is or will be excluded from gross income of the owners thereof for federal income tax purposes. We express no opinion regarding the excludability of such interest from the gross income of the owners thereof for federal income tax purposes or other federal tax consequences arising with respect to the Bonds.

6. The Bonds are, under the Act, exempt from all taxation by the State of West Virginia or any county, municipality, political subdivision or agency thereof, and the interest on the Bonds is exempt from personal and corporate net income taxes imposed directly thereon by the State of West Virginia.

7. The Issuer's Waterworks System Bond Anticipation Note, Series 2007, dated March 1, 2007 issued in the original aggregate principal amount of \$200,000 (the "Series 2007 Notes")

has been paid within the meaning and with the effect expressed in the ordinance authorizing the issuance of the Series 2007 Notes, and the covenants, agreements and other obligations of the Issuer to the holders and owners of the Series 2007 Notes has been satisfied and discharged. In rendering the opinion set forth in this paragraph, we have relied upon the Receipt and Release of Capon Valley Bank to the sufficiency of the monies on deposit to provide for the payment of the principal of, interest on, and premium, if any, of the Series 2007 Notes.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds, the Loan Agreement and 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 and the application of equitable remedies in appropriate cases.

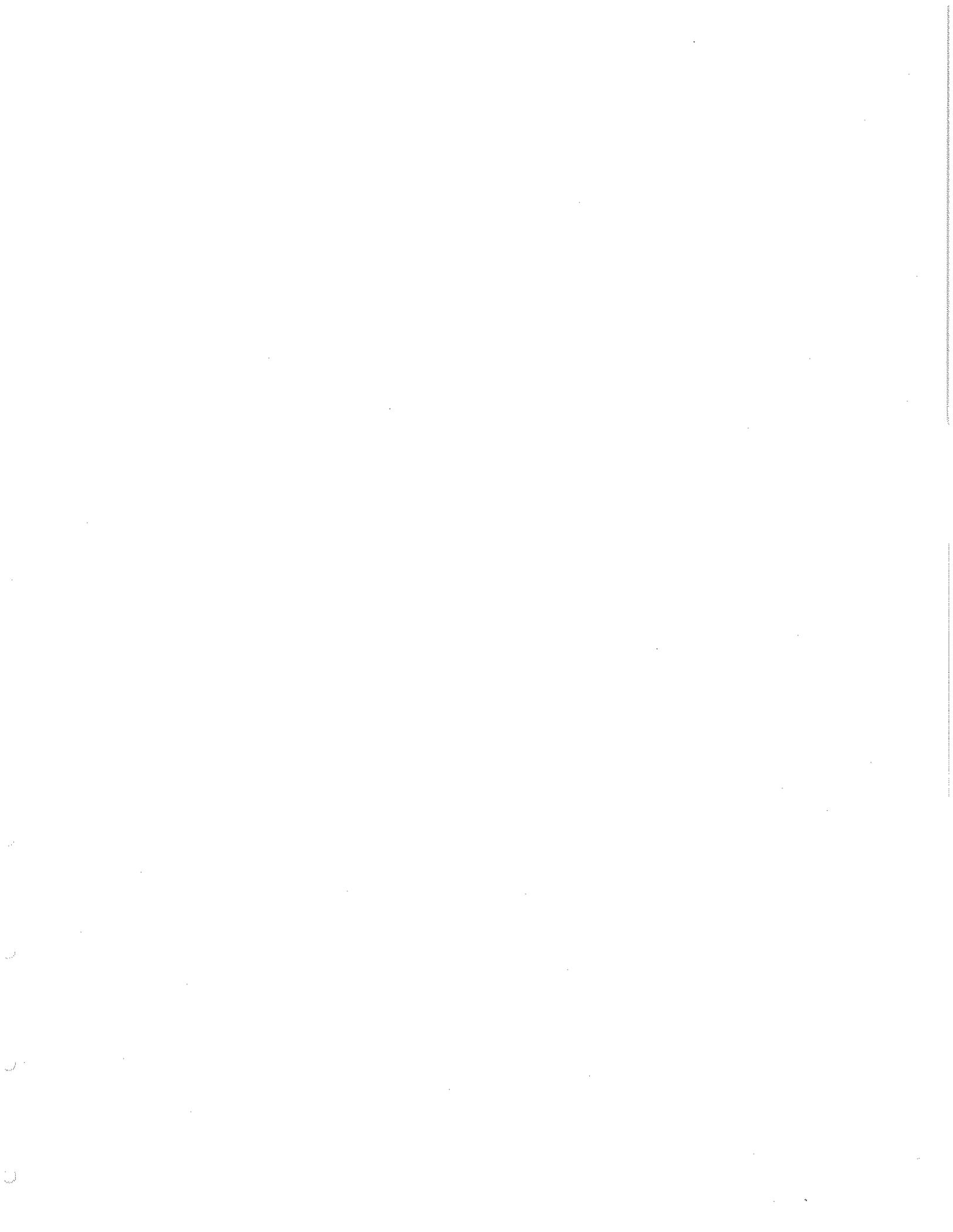
We have examined the executed and authenticated Bond numbered AR-1, and in our opinion the form of said Bond and its execution and authentication are regular and proper.

Very truly yours,


STEPH & JOHNSON PLLC

12.08.08
940540.00002

CH4913406.1



GARRETT & GARRETT

ATTORNEYS AT LAW

107 ROSEMARY LANE

P. O. BOX 510

MOOREFIELD, WEST VIRGINIA 26836

(304) 538-2375

FAX (304) 538-6807

garrettlaw@hardynet.com

LARY D. GARRETT
KAREN L. GARRETT

December 10, 2008

Town of Wardensville
Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

Town of Wardensville,
Wardensville, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Bureau for Public Health
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

We are counsel to the Town of Wardensville in Hardy County, West Virginia (the "Issuer"). As such counsel, we have examined copies of the approving opinion of Steptoe & Johnson PLLC, as bond counsel, a loan agreement for the Bonds dated December 10, 2008, including all schedules and exhibits attached thereto (the "Loan Agreement"), by and between the Issuer and the West Virginia Water Development Authority (the "Authority"), on behalf of the West Virginia Bureau for Public Health (the "BPH"), a Bond Ordinance duly enacted by the Issuer on December 2, 2008, as supplemented by a Supplemental Resolution duly adopted by the Issuer on December 2, 2008 (collectively, the "Bond Legislation"), and other documents relating to the above-captioned Bonds of the Issuer (the "Bonds"). All 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.

We are of the opinion that:

1. The Issuer has been duly created and is validly existing as a municipal corporation and political subdivision of the State of West Virginia, and the Mayor, Recorder and members of the Council of the Issuer have been duly and properly elected or appointed, as applicable, have taken the requisite oaths, and are authorized to act on behalf of the Issuer in their respective capacities.

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

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

5. The Issuer has received all permits, licenses, approvals, consents, exemptions, orders, certificates and authorizations necessary for the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the imposition of rates and charges for use of the System, including, without limitation, the receipt of all requisite orders and approvals from the West Virginia Bureau of Public Health, the West Virginia Infrastructure and Jobs Development Council and the Public Service Commission of West Virginia, and has taken any other action required for the imposition of such rates and charges, including, without limitation, the enactment of an ordinance prescribing such rates and charges.

6. To the best of 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, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by the Bonds, Loan Agreement, the Bond Legislation, the acquisition and construction of the Project, the operation of the System, the validity of the Bonds, the collection of the Gross Revenues or the pledge of the Gross Revenues for the payment of the Bonds.

7. All successful bidders have made required provisions for all insurance and payment and performance bonds and such insurance policies or binders and such bonds have been verified for accuracy. Based upon our review of the contracts, the surety bonds and the policies or other evidence of insurance coverage in connection with the Project, we are of the opinion that such surety bonds and policies (i) are in compliance with the contracts; (ii) are adequate in form, substance and amount to protect the various interests of the Issuer; (iii) have been executed by duly authorized representatives of the proper parties; (iv) meet the requirements of the Act, the Bond Legislation and the Loan Agreement; and (v) all such documents constitute valid and legally binding obligations of the parties thereto in accordance with the terms, conditions and provisions thereof.

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

Very truly yours,


GARRETT & GARRETT



SPILMAN THOMAS & BATTLE, PLLC
ATTORNEYS AT LAW

December 10, 2008

Town of Wardensville
Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

Town of Wardensville
Wardensville, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Bureau for Public Health
Charleston, West Virginia

Steptoe & Johnson PLLC
Charleston, West Virginia

Ladies and Gentlemen:

We are special counsel to the Town of Wardensville, a municipality in Hardy County, West Virginia (the "Issuer"). As such counsel, we have represented the Issuer before the Public Service Commission of West Virginia in connection with the issuance of the above-referenced bonds (the "Bonds") and the acquisition and construction of the Project. All 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.

We are of the opinion that the Issuer has received all orders, certificates and authorizations from the Public Service Commission of West Virginia ("PSC") necessary for the issuance of the Bonds, the acquisition and construction of the Project, the operation of the System and the implementation of rates and charges, and the Issuer has taken any other action required for the imposition of such rates and charges. The Issuer has received a Recommended Decision entered on October 17, 2008, which became a Final Order on November 6, 2008, and was corrected by Corrective Order entered October 22, 2008, in Case Nos. 08-0574-W-CN and 08-0282-W-MA, among other things, granting the Issuer a certificate of public convenience and necessity for the Project, approving the financing for the Project, and setting forth the respective rates and charges for services of the System. The time for appeal of such Order has expired prior to the date hereof.

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

Very truly yours,

Spilman Thomas & Battle, PLLC
SPILMAN THOMAS & BATTLE, PLLC

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1250013

GARRETT & GARRETT

ATTORNEYS AT LAW

107 ROSEMARY LANE

P. O. BOX 510

MOOREFIELD, WEST VIRGINIA 26836

LARY D. GARRETT
KAREN L. GARRETT

(304) 538-2375
FAX (304) 538-6807
garrettlaw@hardynet.com

December 10, 2008

West Virginia Bureau for Public Health
Charleston, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

Re: Town of Wardensville

Dear Ladies & Gentlemen:

This firm represents the Town of Wardensville (the "Town") with regard to a proposed project to improve their existing water distribution system in Hardy County, together with all appurtenant facilities (the "Project"), and provides this final title opinion on behalf of the Town to satisfy the requirements of the West Virginia Bureau for Public Health (the "WVBPH") Drinking Water Treatment Revolving Fund Program with regard to the financing for the Project. Please be advised of the following:

1. That I am of the opinion that the Town of Wardensville is duly created and existing municipality possessed with all the powers and authority granted to municipalities under the laws of the State of West Virginia and has the full power and authority to construct, operate and maintain the Project as approved by the WVBPH.
2. That the Town has obtained approval for all necessary permits and approvals for the construction of the Project.
3. That I have investigated and ascertained the location of and am familiar with the legal description of the necessary sites, including easements and/or rights-of-way, required for the Project as set forth in the plans for the Project prepared by Dunn Engineers, Inc., the consulting engineers for the Project.
4. That I have examined the records on file in the Office of the Clerk of the County Commission of Hardy County, West Virginia, the county in which the Project is to be located, and, in my opinion, the Town has acquired legal title or such other estate or interest in the necessary site components for the Project sufficient to assure undisturbed use and possession for the purpose of construction, operation and maintenance for the estimated life of the facilities to be constructed .

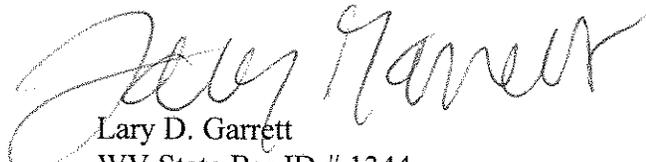
WVBPH

Re: Town of Wardensville

Page 2

5. That all deeds or other documents which have been acquired to date by the Town have been duly recorded in the aforesaid Clerk's Office in order to protect the legal title to and interest of the Town.

Sincerely



Lary D. Garrett
WV State Bar ID # 1344

TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

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. SIGNATURES AND DELIVERY
13. BOND PROCEEDS; OTHER FUNDS
14. PUBLICATION AND PUBLIC HEARING ON BOND
ORDINANCE
15. PUBLIC SERVICE COMMISSION ORDERS
16. SPECIMEN BOND
17. CONFLICT OF INTEREST
18. PROCUREMENT OF ENGINEERING SERVICES
19. EXECUTION OF COUNTERPARTS

We, the undersigned MAYOR and RECORDER of the Town of Wardensville in Hardy County, West Virginia (the "Issuer"), and the undersigned COUNSEL to the ISSUER, hereby certify on this the 10th day of December, 2008, in connection with the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), dated the date hereof (the "Bonds" or the "Series 2008 A Bonds"), as follows:

1. TERMS: All capitalized words and terms used in this General Certificate and not otherwise defined herein shall have the same meaning as set forth in the Bond Ordinance of the Issuer duly enacted December 2, 2008, and the Supplemental Resolution duly adopted December 2, 2008 (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 and construction of the Project, the operation of the System, the receipt of any grants, 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 Gross Revenues or any other moneys or security provided for the payment of the Bonds or the existence or the powers of the Issuer

insofar as they relate to the authorization, sale and issuance of the Bonds, the acquisition and construction of the Project, the operation of the System, the collection of the Gross Revenues or the pledge of Gross Revenues as security for the Bonds.

3. GOVERNMENTAL APPROVALS AND BIDDING: All applicable approvals, permits, exemptions, consents, authorizations, registrations and certificates required by law for the acquisition and construction of the Project, the operation of the System, the imposition of rates and charges, and the issuance of the Bonds have been duly and timely obtained and remain in full force and effect. Competitive bids for the acquisition and construction of the Project have been solicited in accordance with Chapter 5, Article 22, Section 1 of the West Virginia Code of 1931, as amended, which bids remain in full force and effect.

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

The issuer has temporarily financed the design and other preliminary costs of the Project by the issuance of the Waterworks System Bond Anticipation Note, Series 2007, dated March 1, 2007 issued in the original aggregate principal amount of \$200,000 (the "Prior Notes"). The Prior Notes are to be paid in full with proceeds of the Series 2008 A Bonds. Upon payment of the Prior Notes, the Issuer will have no other outstanding debt secured by revenues of the System.

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 or changed in any way unless modification appears from later documents also listed below:

Bond Ordinance

Supplemental Resolution

Loan Agreement

Public Service Commission Orders

Infrastructure and Jobs Development Council Approval

Charter and Rules of Procedure

Oaths of Office of Officers and Councilmembers

Water Rate Ordinance

Affidavit of Publication of Water Rate Ordinance and Notice of Public Hearing

Minutes on Adoption and Enactment of Water Rate Ordinance

Affidavit of Publication of Abstract of Bond Ordinance and Notice of Public Hearing

Minutes on Adoption and Enactment of Bond Ordinance, Adoption of Supplemental Resolution, First Draw Resolution and Sweep Resolution

Bureau for Public Health Permit

Evidence of Insurance

6. INCUMBENCY AND OFFICIAL NAME: The proper corporate title of the Issuer is "Town of Wardensville." The Issuer is a municipal corporation in Hardy County and is presently existing under the laws of, and a political subdivision of, the State of West Virginia. The governing body of the Issuer is its council, consisting of a Mayor, a Recorder and 5 council members, all duly elected or appointed, as applicable, qualified and acting, and whose names and dates of commencement and termination of current terms of office are as follows:

Name	Date of Commencement of Office	Date of Termination of Office
Tracy S. Miller, Mayor	July 1, 2008	June 30, 2010
John Sayers, Recorder	July 1, 2008	June 30, 2010
John Bowman, Councilmember	July 1, 2008	June 30, 2010
Michael Funkhouser, Councilmember	July 1, 2008	June 30, 2010
Chester R. Tharp, Councilmember	July 1, 2008	June 30, 2010
Mark Pappas, Councilmember	July 1, 2008	June 30, 2010
J. Brandon Bowman, Councilmember	July 1, 2008	June 30, 2010

The duly appointed and acting Counsel to the Issuer is Garrett & Garrett, Moorefield, West Virginia, and Special PSC Counsel Spilman Thomas & Battle, PLLC, Charleston, West Virginia.

7. LAND AND RIGHTS-OF-WAY: All land in fee simple and all rights-of-way and easements necessary for the acquisition and construction of the Project and the operation and maintenance of the System have been acquired or can and will be acquired by purchase, or, if necessary, by condemnation by the Issuer and are adequate for such purposes and are not or will not be subject to any liens, encumbrances, reservations or exceptions which would adversely affect or interfere in any way with the use thereof for such purposes. The costs thereof, including costs of any properties which may

have to be acquired by condemnation, are, in the opinion of all the undersigned, within the ability of the Issuer to pay for the same without jeopardizing the security of or payments on the Bonds.

8. MEETINGS, ETC.: All actions, ordinances, 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 and the acquisition, construction and financing of the Project or the operation of 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, particularly and without limitation, Chapter 6, Article 9A of the West Virginia Code of 1931, as amended, and a quorum of duly elected or appointed, 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 Loan Agreement is in full force and effect.

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

11. RATES: The Issuer has duly enacted a water rate ordinance on March 4, 2008, which ordinance was rejected and set aside by Recommended Decision entered on October 17, 2008 by the Public Service Commission of West Virginia in Case No. 08-0282-W-MA, which became Final Order on November 6, 2008, and was corrected by Corrective Order entered on October 22, 2008, which set forth the respective rates and charges for services of the System. The time for appeal of the Recommended Decision has expired prior to the date hereof. Such Order is in full force and effect.

12. SIGNATURES AND DELIVERY: On the date hereof, the undersigned Mayor did officially sign all of the Bonds of the aforesaid issue, consisting upon original issuance of a single Bond numbered AR-1, dated the date hereof, by his or her manual signature, and the undersigned Recorder did officially cause the official seal of the Issuer to be affixed upon said Bonds and to be attested by his or her manual signature, and the Registrar did officially authenticate, register and deliver the Bonds to a representative of the Authority as the original purchaser of the Bonds under the Loan Agreement. Said official seal of the Issuer is also impressed above the signatures appearing on this certificate.

13. BOND PROCEEDS; OTHER FUNDS: On the date hereof, the Issuer received the sum of \$283,804 from the Authority and the BPH, being a portion of the principal amount of the Bonds. The balance of the principal amount of the Bonds will be advanced to the Issuer as acquisition

and construction of the Project progresses.

14. PUBLICATION AND PUBLIC HEARING ON BOND ORDINANCE: Upon adoption of the Bond Ordinance, an abstract thereof, determined by the Governing Body to contain sufficient information as to give notice of the contents thereof, was published once each week for 2 successive weeks, with not less than 6 full days between each publication, the first such publication occurring not less than 10 days before the date stated below for the public hearing, in *The Moorefield Examiner*, a qualified newspaper of general circulation in the Town of Wardensville, there being no newspaper published therein, together with a notice to all persons concerned, stating that the Bond Ordinance had been adopted and that the Issuer contemplated the issuance of the Bonds described in such Bond Ordinance, stating that any person interested may appear before the Governing Body at the public hearing held at a public meeting of Governing Body on the 2nd day of December, 2008, at 6:30 p.m., at the Town Hall, Wardensville, West Virginia, and present protests, and stating that a certified copy of the Bond Ordinance was on file at the office of the Recorder of the Issuer for review by interested parties during the office hours of the Issuer. At such hearing all objections and suggestions were heard by the Governing Body and the Bond Ordinance became finally adopted, enacted and effective as of the date of such public hearing, and remains in full force and effect.

15. PUBLIC SERVICE COMMISSION ORDERS: The Issuer has received a Recommended Decision of the Public Service Commission of West Virginia entered on October 17, 2008, which became Final Order on November 6, 2008, and was corrected by Corrective Order entered on October 22, 2008 in Case No. 08-0574-W-CN, granting to the Issuer a certificate of public convenience and necessity for the Project and approving the financing for the Project. The time for appeal of the Final Order has expired prior to the date hereof without any appeal having been filed and is in full force and effect.

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. PROCUREMENT OF ENGINEERING SERVICES: The Issuer has complied in all respects with the requirements of Chapter 5G, Article 1 of the West Virginia Code of 1931, as amended, in the procurement of engineering services to be paid from proceeds of the Bonds.

19. EXECUTION OF COUNTERPARTS: This document may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same document.

WITNESS our signatures and the official seal of the TOWN OF WARDENSVILLE on the day and year first above written.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE



Mayor



Recorder

Counsel to the Issuer

Special PSC Counsel
(Paragraphs 11 and 15)

11.25.08
940540.00002

WITNESS our signatures and the official seal of the TOWN OF WARDENSVILLE on the day and year first above written.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Mayor

Recorder

_____

Counsel to the Issuer

Special PSC Counsel
(Paragraphs 11 and 15)

11.25.08
940540.00002

WITNESS our signatures and the official seal of the TOWN OF WARDENSVILLE on the day and year first above written.

[CORPORATE SEAL]

SIGNATURE

OFFICIAL TITLE

Mayor

Recorder

Counsel to the Issuer

Spilman Thomas & Battle, PLLC

Special PSC Counsel
(Paragraphs 11 and 15)

11.25.08
940540.00002

TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

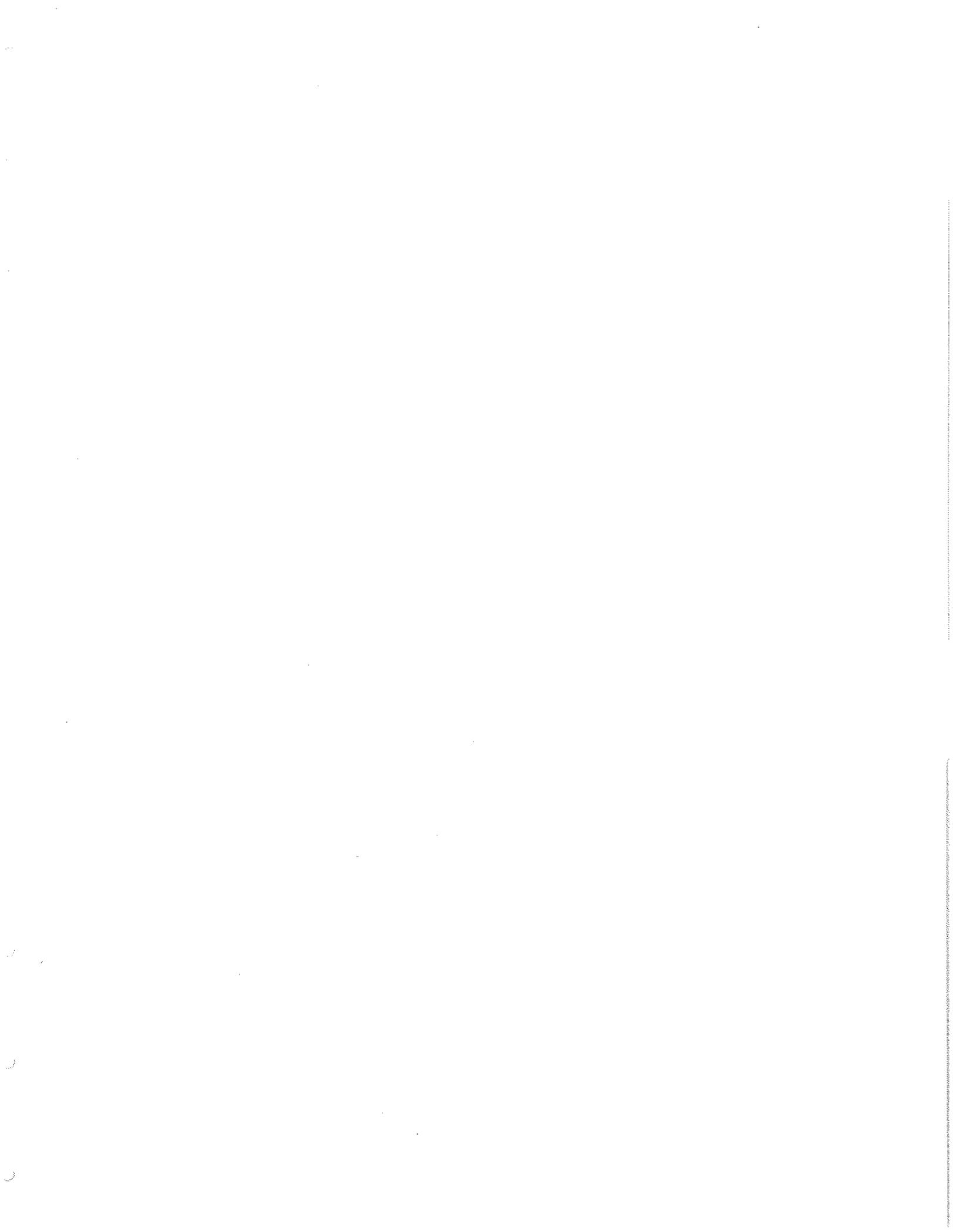
CERTIFICATE OF ENGINEER

I, Frederick L. Hypes, Registered Professional Engineer, West Virginia License No. 9327, of Dunn Engineers, Inc., Charleston, West Virginia, hereby certify this 10th day of December as follows:

1. My firm is engineer for the acquisition and construction of certain extensions, additions, betterments and improvements (the "Project") to the existing public waterworks system (the "System") of the Town of Wardensville (the "Issuer") to be constructed primarily in Hardy County, West Virginia, which acquisition and construction are being permanently financed by the proceeds of the above-captioned bonds (the "Bonds") of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Ordinance enacted by the Issuer on December 2, 2008, as supplemented by Supplemental Resolution duly adopted by the Issuer on December 2, 2008, and the loan agreement, by and between the Issuer and the West Virginia Water Development Authority, on behalf of the West Virginia Bureau for Public Health ("BPH"), dated December 10, 2008 (the "Loan Agreement").

2. The Bonds are being issued for the purposes of (i) paying the Issuer's Waterworks System Bond Anticipation Note, Series 2007 (the "Prior Notes"); (ii) paying a portion of the costs of acquisition and construction of the Project; and (iii) paying certain costs of issuance of the Bonds and related costs.

3. To the best of my knowledge, information and belief, (i) within the limits and in accordance with the applicable and governing contractual requirements relating to the Project, the Project will be constructed in general accordance with the approved plans, specifications and designs prepared by my firm and approved by the BPH and any change orders approved by the Issuer, the BPH and all necessary governmental bodies; (ii) the Project, as designed, is adequate for its intended purpose and has a useful life of at least thirty-two (32) years, if properly constructed, operated and maintained, excepting anticipated replacements due to normal wear and tear; (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 set forth in the Schedule B, attached hereto as Exhibit A and the Issuer's counsel, Garrett & Garrett, has ascertained that all successful bidders 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 for accuracy; (iv) the successful bidders received any and all addenda to the original bid documents; (v) the bid documents relating to the Project reflect the Project as approved by the BPH and the bid forms provided to the bidders contain the critical operational components of the Project; (vi) the successful bids include prices for every item on such bid forms; (vii) the uniform bid procedures were followed; (viii) the Issuer has obtained all applicable permits required by the laws of the State of West





J.C. Kunkle & Associates, A.C.
CERTIFIED PUBLIC ACCOUNTING & CONSULTING

December 10, 2008

Town of Wardensville
Water Revenue Bonds, Series 2008A
(West Virginia DWTRF Program)

Town of Wardensville
Wardensville, West Virginia

West Virginia Water Development Authority
Charleston, West Virginia

West Virginia Bureau for Public Health
Charleston, West Virginia

Ladies and Gentlemen:

Based upon the rates and charges set forth in the water rate ordinance of the Town of Wardensville (the "Issuer"), enacted March 4, 2008, as amended by Recommended Decision entered on October 17, 2008 by the Public Service Commission of West Virginia in Case No. 08-0282-W-MA, the projected operating expenses and the anticipated customer usage as furnished to us by Dunn Engineering, Inc., it is our opinion that such rates and charges will be sufficient to provide revenues which, together with other revenues of the waterworks system of the Issuer (the "System"), will provide for all Operating Expenses of the System and leave a balance each year equal to at least 115% of the maximum amount required in any year for debt service on the Water Revenue Bonds, Series 2008A (West Virginia DWTRF Program) (the "Bonds"), to be issued in the original aggregate principal amount of \$1,550,000 to the West Virginia Water Development Authority on the date hereof.

J.C. KUNKLE & ASSOCIATES, A.C.

Martinsburg, West Virginia

TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

CERTIFICATE AS TO USE OF PROCEEDS

The undersigned Mayor and Recorder of the Town of Wardensville in Hardy County, West Virginia (the "Issuer"), being the official of the Issuer duly charged with the responsibility for the issuance of \$1,550,000 Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), of the Issuer, dated December 10, 2008 (the "Bonds" or the "Series 2008 A Bonds"), hereby certifies this 10th day of December as follows:

1. I am the officer of the Issuer duly charged with the responsibility of issuing the Bonds. I am familiar with the facts, circumstances and estimates herein certified and duly authorized to execute and deliver this certificate on behalf of the Issuer. Capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Bond Ordinance duly enacted by the Issuer on December 2, 2008, as supplemented by Supplemental Resolution duly adopted by the Issuer on December 2, 2008 (collectively, the "Bond Ordinance"), authorizing the Bonds.

2. This certificate may be relied upon as the certificate of the Issuer.

3. This certificate is based upon facts, circumstances, estimates and expectations of the Issuer in existence on December 10, 2008, the date on which the Bonds are being physically delivered in exchange for an initial advance of the principal amount of the Series 2008 A Bonds, and to the best of my knowledge and belief, the expectations of the Issuer set forth herein are reasonable.

4. In the Bond Ordinance pursuant to which the Bonds are issued, the Issuer has covenanted that it shall not take, or permit or suffer to be taken, any action with respect to Issuer's use of the proceeds of the Bonds which would cause any bonds, the interest, if any, on which is exempt from federal income taxation under Section 103(a) of the Internal Revenue Code of 1986, as amended, and the temporary and permanent regulations promulgated thereunder or under any predecessor thereto (collectively, the "Code"), issued by the West Virginia Water Development Authority (the "Authority") or the West Virginia Bureau for Public Health (the "BPH"), as the case may be, from which the proceeds of the Bonds are derived, to lose their status as tax-exempt bonds. The Issuer hereby covenants to take all actions necessary to comply with such covenant.

5. The Series 2008 A Bonds were sold on December 10, 2008, to the Authority, pursuant to a loan agreement dated December 10, 2008, by and between the Issuer and the Authority, on behalf of the BPH, for an aggregate purchase price of \$1,550,000 (100% of par), at which time, the Issuer received \$283,804 from the Authority and the BPH, being the first advance of the principal amount of the Series 2008 A Bonds. No accrued interest has been or will be paid on the Series 2008 A Bonds. The

balance of the principal amount of the Series 2008 A Bonds will be advanced to the Issuer as acquisition and construction of the Project progresses.

6. The Series 2008 A Bonds are being delivered simultaneously with the delivery of this certificate and are issued for the purposes of (i) paying the Issuer's Waterworks System Bond Anticipation Note, Series 2007 (the "Prior Notes"); (ii) paying the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks facilities of the Issuer (the "Project"); and (iii) paying certain costs of issuance of the Bonds and related costs.

7. Within 30 days after the delivery of the Bonds, the Issuer shall enter into agreements which require the Issuer to expend at least 5% of the net sale proceeds of the Bonds on the Project, constituting a substantial binding commitment. The acquisition and construction of the Project shall commence immediately and shall proceed with due diligence to completion, and with the exception of proceeds deposited in the Series 2008 A Bonds Reserve Account, if any, all of the proceeds from the sale of the Bonds, together with any investment earnings thereon, will be expended for payment of costs of the Project on or before March 1, 2010. The acquisition and construction of the Project is expected to be completed by September 1, 2009.

8. The total cost of the Project, a portion of which is financed from the proceeds of the Bonds (including all costs of issuance of the Bonds), is estimated at \$1,550,000. Sources and uses of funds for the Project are as follows:

SOURCES

Proceeds of the Series 2008 A Bonds	\$1,550,000.00
-------------------------------------	----------------

Total Sources	<u>\$1,550,000.00</u>
---------------	-----------------------

USES

Costs of Acquisition and Construction of the Project	\$1,316,485.99
---	----------------

Payment of Prior Notes	\$218,014.01
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Costs of Issuance	<u>\$15,500.00</u>
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Total Uses	<u>\$1,550,000.00</u>
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9. Pursuant to Article V of the Bond Ordinance, the following special funds or accounts have been created or continued relative to the Series 2008 A Bonds:

- (1) Revenue Fund;
- (2) Renewal and Replacement Fund;
- (3) Series 2008 A Bonds Construction Trust Fund;

- (4) Series 2008 A Bonds Sinking Fund; and
- (5) Series 2008 A Bonds Reserve Account.

10. Pursuant to Article VI of the Bond Ordinance, the proceeds of the Bonds will be deposited as follows:

- (1) Series 2008 A Bonds proceeds in the amount of \$-0- will be deposited in the Series 2008 A Bonds Reserve Account.
- (2) Series 2008 A Bonds proceeds in the amount of \$218,014.01 will be deposited with Capon Valley Bank to pay the Prior Notes.
- (3) The balance of the proceeds of the Series 2008 A Bonds will be deposited in the Series 2008 A Bonds Construction Trust Fund as received from time to time and applied solely to payment of costs of the Project, including costs of issuance of the Series 2008 A Bonds and related costs.

11. Monies held in the Series 2008 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Series 2008 A Bonds and will not be available to meet costs of acquisition and construction of the Project. All investment earnings on monies in the Series 2008 A Bonds Sinking Fund and Series 2008 A Bonds Reserve Account will be withdrawn therefrom and deposited into the Series 2008 A Bonds Construction Trust Fund during construction of the Project, and following completion of the Project, will be deposited, not less than once each year, in the Revenue Fund, and such amounts will be applied as set forth in the Bond Ordinance.

12. Work with respect to the acquisition and construction of the Project will proceed with due diligence to completion. The acquisition and construction of the Project is expected to be completed within nine (9) months of the date hereof.

13. The Issuer will take such steps as requested by the Authority to ensure that the Authority's bonds meet the requirements of the Code.

14. With the exception of the amount deposited in the Series 2008 A Bonds Reserve Account, if any, all of the proceeds of the Bonds will be expended on the Project within fifteen (15) months from the date of issuance thereof.

15. The Issuer does not expect to sell or otherwise dispose of the Project in whole or in part prior to the last maturity date of the Bonds.

16. The amount designated as costs of issuance of the Bonds consists only of costs which are directly related to and necessary for the issuance of the Bonds.

17. All property financed with the proceeds of the Bonds will be owned and held by (or on behalf of) a qualified governmental unit.

18. No proceeds of the Bonds will be used, directly or indirectly, in any trade or business carried on by any person who is not a governmental unit.

19. The original proceeds of the Bonds will not exceed the amount necessary for the purposes of the issue.

20. The Issuer shall use the Bond proceeds solely for the costs of the Project, and the Project will be operated solely for a public purpose as a local governmental activity of the Issuer.

21. The Bonds are not federally guaranteed.

22. The Issuer has retained the right to amend the Bond Ordinance authorizing the issuance of the Bonds if such amendment is necessary to assure that the Bonds remain governmental bonds.

23. The Issuer has either (a) funded the Series 2008 A Bonds Reserve Account at the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year with the proceeds of the Bonds, or (b) created the Series 2008 A Bonds Reserve Account which will be funded with equal payments made on a monthly basis over a 10-year period until such Series 2008 A Bonds Reserve Account holds an amount equal to the maximum amount of principal and interest which will mature and become due on the Bonds in the then current or any succeeding year. Monies in the Series 2008 A Bonds Reserve Account and the Series 2008 A Bonds Sinking Fund will be used solely to pay principal of and interest on the Bonds and will not be available to pay costs of the Project.

24. There are no other obligations of the Issuer which (a) are to be issued at substantially the same time as the Bonds, (b) are to be sold pursuant to a common plan of financing together with the Bonds and (c) will be paid out of substantially the same sources of funds or will have substantially the same claim to be paid out of substantially the same sources of funds as the Bonds.

25. To the best of my knowledge, information and belief, there are no other facts, estimates and circumstances which would materially change the expectations herein expressed.

26. The Issuer will comply with instructions as may be provided by the Authority, at any time, regarding use and investment of proceeds of the Bonds, rebates and rebate calculations.

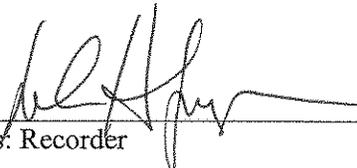
27. To the best of my knowledge, information and belief, the foregoing expectations are reasonable.

[Remainder of Page Intentionally Left Blank]

WITNESS our signatures on the day and year first written above.

TOWN OF WARDENSVILLE

By: 
Its: Mayor

By: 
Its: Recorder

11.25.08
940540.00002

COPY 63 DE 1868

CERTIFICATE OF THE INCORPORATION OF THE TOWN OF WARDENSVILLE, HARDY COUNTY, WEST VIRGINIA

State of W. Va.
County of Hardy

June 10, 1953 Filed and
admitted to record. Recorded
in Deed Book No. 87 Page 190

THIS IS A COPY OF THE ORIGINAL CERTIFICATE OF INCORPORATION
OF THE MUNICIPALITY OF WARDENSVILLE, HARDY COUNTY, WEST VA.

In the Circuit Court of Hardy County Sept. Term 1879.

A certificate under oath of Michael Swisher, John P. McKeever and Wm. H. Coffman that a majority of all the qualified voters residing in the following boundary to wit: "Beginning at a Stone corner at Frances Godlove and I.B. McKeever's lot; thence with line of the same S. 64° W. passing said McKeever's and Barney's corner, course continued crossing Frances A. Godlove and John Clines heirs lots 102 poles to a Stone in Michael Swisher and said J. Clines heirs line; thence with said line N. 36½° W. crossing the back road and crossing the lands of F. V. Pease and the Hardy and Winchester Turnpike 113 poles to a wild cherry near Shipman house; thence N. 73° E. passing through the lands of Jas. R. Baker and John Clines heirs crossing Trout Run through I.B. McKeever's Island crossing Capon River through the lands of Didiwicks heirs recrossing Capon River 153 poles to a small Sycamore and Gum in a line of another tract of said Michael Swisher; thence with a line of said Swisher S. 49½° E. 11 poles to a Stump corner to said Swisher and Henry W. Frye; thence with said Frye's line S. 2° E. 87 poles and 2 links to the place of beginning, containing 83 acres"--- have been given in due form of law in favor of the incorporation of the town of Wardensville in the County of Hardy bounded as herein set forth. And it appearing to the satisfaction of the Court that all the provisions of chapter 47 of the Code of West Virginia have been complied with by the applicants for said incorporation of the said Town of Wardensville is duly authorized within the Corporate limits aforesaid to exercise all the Corporate powers conferred by the said chapter from and after the date of this certificate and the clerk of this Court is directed to issue a certificate of the incorporation of said

←
5
MR
70
W

Town of Wardensville, the Court being satisfied upon proof that sections 1, 2, 3, 4, 5, 6, 7, and 8 of chapter 47 of the Code of West Virginia have been complied with by the applicants J.R. Baker, G. W. Snider and Michael Swisher for said incorporation.

Teste

Charles Lobb, Clerk

1A
10
✓

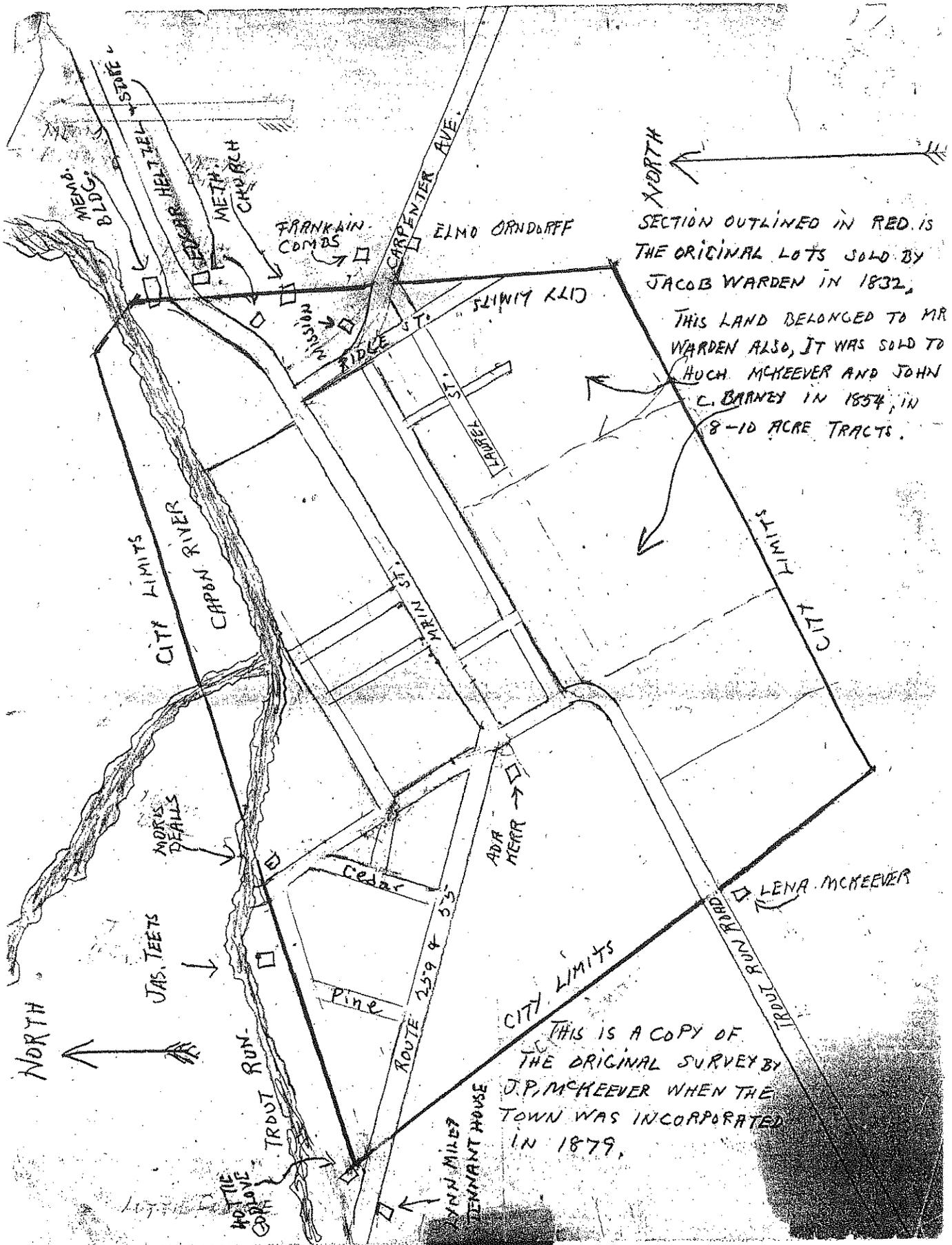
State of West Virginia
Hardy County, to-wit:

Hardy County Court Clerk's Office June 10, 1953
This instrument was this day presented to me in my office, and thereupon, together with the certificate thereto annexed, is admitted to record.

Attest:

Robert M. Gamble

County Court, Hardy County, W. Va.



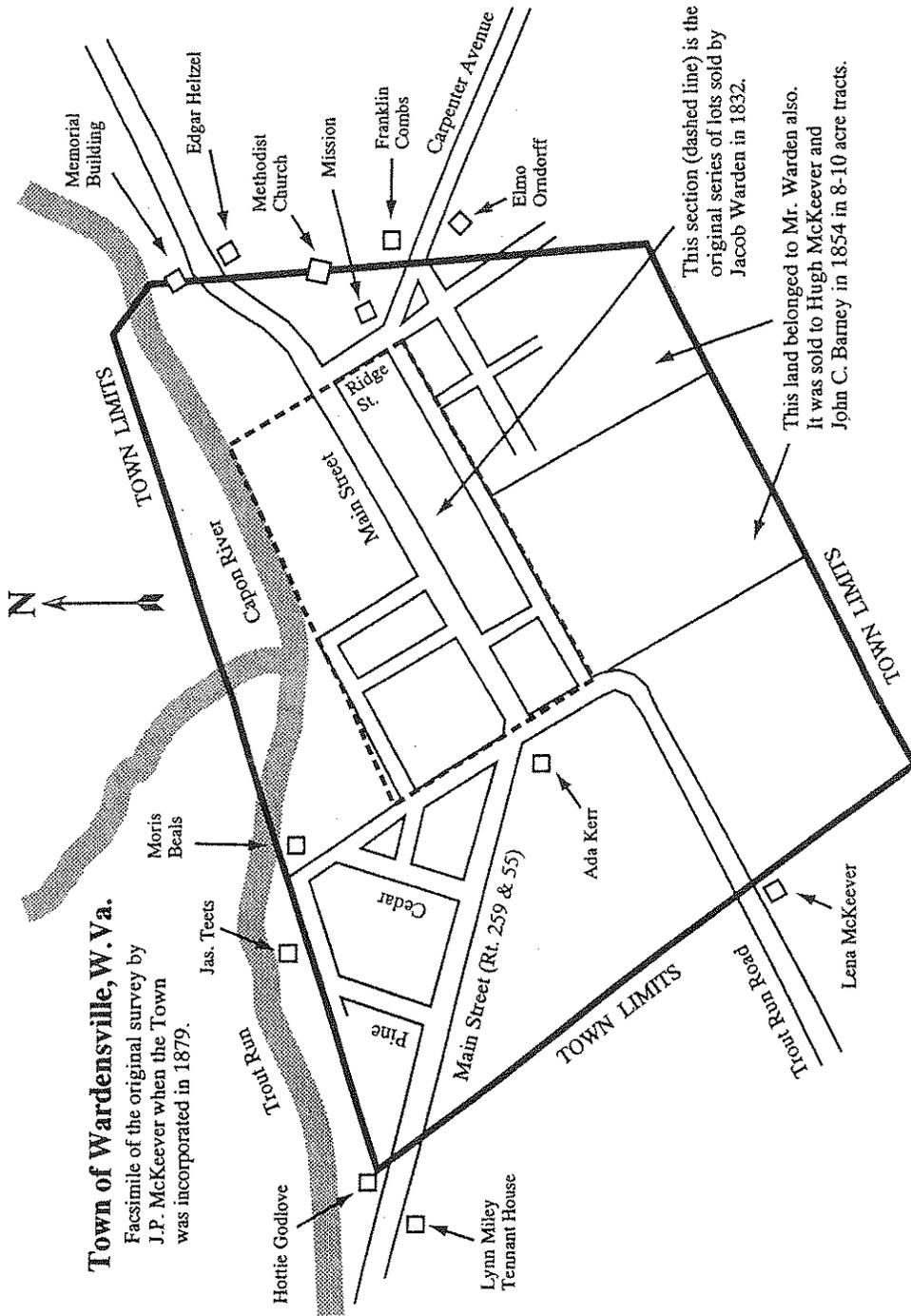
SECTION OUTLINED IN RED IS THE ORIGINAL LOTS SOLD BY JACOB WARDEN IN 1832, THIS LAND BELONGED TO MR WARDEN ALSO, IT WAS SOLD TO HUGH MCKEEVER AND JOHN C. BARNEY IN 1854, IN 8-10 ACRE TRACTS.

THIS IS A COPY OF THE ORIGINAL SURVEY BY J.P. MCKEEVER WHEN THE TOWN WAS INCORPORATED IN 1879.

1879

Town of Wardensville, W. Va.

Facsimile of the original survey by
J.P. McKeever when the Town
was incorporated in 1879.



CITY OF WARDENSVILLE

RESOLUTION ON OPEN GOVERNMENTAL PROCEEDINGS RULES

Pursuant to Chapter 6, Article 9A, Section 3 of the West Virginia Code, the Council of the City of Wardensville does hereby adopt the following rules to make available, in advance, the date, time, place and agenda of all regularly scheduled meetings of the Council, and the date, time, place and purpose of all special meetings of the Council to the public and news media (except in the case of an emergency requiring immediate action) as follows:

1. Regular Meetings. A notice shall be posted and maintained by the City Clerk at the front door or bulletin board of the City Hall of the date, time and place fixed and entered of record by Council for the holding of regularly scheduled meetings. In addition, a copy of the agenda for each regularly scheduled meeting shall be posted at the same location by the City Clerk not less than 72 hours before such regular meeting is to be held. If a particular regularly scheduled meeting is canceled or postponed, a notice of such cancellation or postponement shall be posted at the same location as soon as feasible after such cancellation or postponement has been determined.

2. Special Meetings. A notice shall be posted by the City Clerk at the front door or bulletin board of the City Hall not less than 72 hours before a specially scheduled meeting is to be held, stating the date, time, place and purpose for which such special meeting shall be held. If the special meeting is canceled, a notice of such cancellation shall be posted at the same location as soon as feasible after such cancellation has been determined.

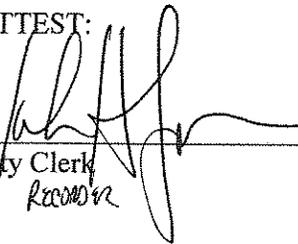
These rules regarding notice of meetings shall replace any and all previous rules heretofore adopted by Council.

Adopted this 2 day of MAY, 2006.

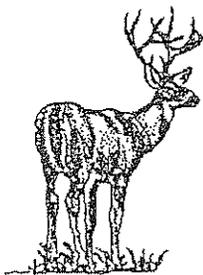


Mayor

ATTEST:



City Clerk
Recorder



WEST VIRGINIA'S VACATIONLAND
TOWN of WARDENSVILLE

25 Warrior Way — PO Box 7
Wardensville WV 26851-0007

Phone 304/874-3950
Fax 304/874-4044
Email info@wardensville.com



OATH OF OFFICE

STATE OF WEST VIRGINIA
TOWN OF WARDENSVILLE, to-wit:

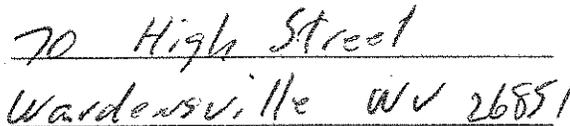
I, Tracey S. Miller, do solemnly swear that I will support the Constitution of the United States, the Constitution of West Virginia, and the Code of the Town of Wardensville; and that I will faithfully discharge the duties of Mayor of the Town of Wardensville, Hardy County, West Virginia, to which I have been elected, to the best of my skill and judgment, so help me God.



Signature of Official



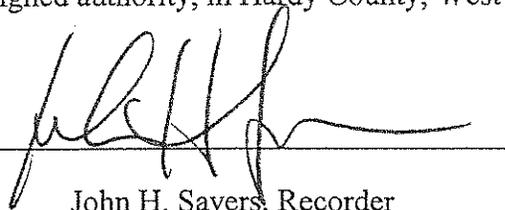
Printed Legal Name



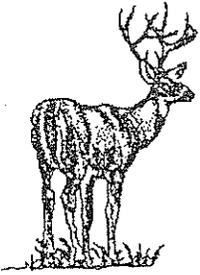
Address (Street & PO)

ATTEST:

Subscribed and sworn to before me, the undersigned authority, in Hardy County, West Virginia, this the 12th day of August, 2008.



John H. Sayers, Recorder



WEST VIRGINIA'S VACATIONLAND
TOWN of WARDENSVILLE

25 Warrior Way — PO Box 7
Wardensville WV 26851-0007

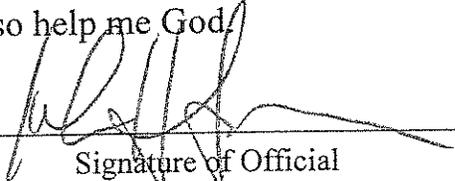
Phone 304/874-3950
Fax 304/874-4044
Email info@wardensville.com



OATH OF OFFICE

STATE OF WEST VIRGINIA
TOWN OF WARDENSVILLE, to-wit:

I, John H. Sayers, do solemnly swear that I will support the Constitution of the United States, the Constitution of West Virginia, and the Code of the Town of Wardensville; and that I will faithfully discharge the duties of Recorder of the Town of Wardensville, Hardy County, West Virginia, to which I have been elected, to the best of my skill and judgment, so help me God.



Signature of Official

JOHN H. SAYERS

Printed Legal Name

PO Box 149 - 105 W. MAIN

WARDENSVILLE

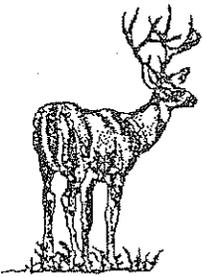
Address (Street & PO)

ATTEST:

Subscribed and sworn to before me, the undersigned authority, in Hardy County, West Virginia, this the 12th day of August, 2008.



Tracey S. Miller, Mayor



WEST VIRGINIA'S VACATIONLAND

TOWN of WARDENSVILLE

25 Warrior Way — PO Box 7
Wardensville WV 26851-0007

Phone 304/874-3950
Fax 304/874-4044

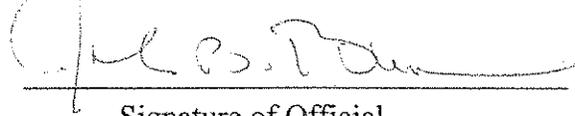
Email info@wardensville.com



OATH OF OFFICE

STATE OF WEST VIRGINIA
TOWN OF WARDENSVILLE, to-wit:

I, John B. Bowman, do solemnly swear that I will support the Constitution of the United States, the Constitution of West Virginia, and the Code of the Town of Wardensville; and that I will faithfully discharge the duties of Councilor of the Town of Wardensville, Hardy County, West Virginia, to which I have been elected, to the best of my skill and judgment, so help me God.



Signature of Official

John B. Bowman

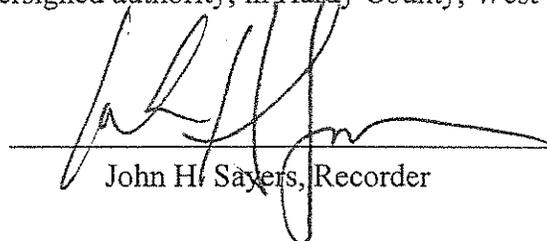
Printed Legal Name

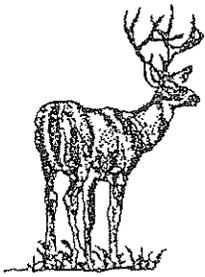
POB 307 210 East Main St
Wardensville, WV 26851

Address (Street & PO)

ATTEST:

Subscribed and sworn to before me, the undersigned authority, in Hardy County, West Virginia, this the 12th day of August, 2008.


John H. Sayers, Recorder



WEST VIRGINIA'S VACATIONLAND

TOWN of WARDENSVILLE

25 Warrior Way — PO Box 7
Wardensville WV 26851-0007

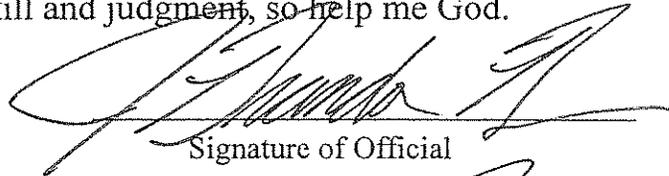
Phone 304/874-3950
Fax 304/874-4044
Email info@wardensville.com



OATH OF OFFICE

STATE OF WEST VIRGINIA
TOWN OF WARDENSVILLE, to-wit:

I, J. Brandon Bowman, do solemnly swear that I will support the Constitution of the United States, the Constitution of West Virginia, and the Code of the Town of Wardensville; and that I will faithfully discharge the duties of Councilor of the Town of Wardensville, Hardy County, West Virginia, to which I have been elected, to the best of my skill and judgment, so help me God.



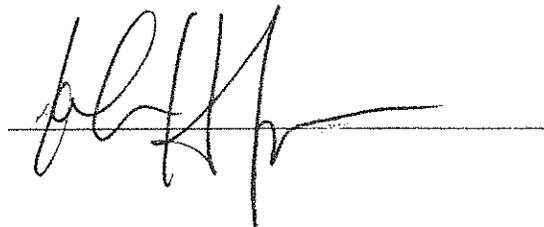
Signature of Official

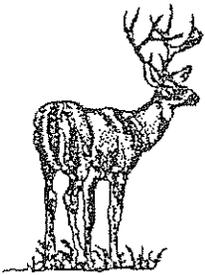
JOAN BRANDON BOWMAN
Printed Legal Name

45 HIGH ST. / P.O. Box 484
Wardensville, WV 26851
Address (Street & PO)

ATTEST:

Subscribed and sworn to before me, the undersigned authority, in Hardy County, West Virginia, this the 12th day of August, 2008.





WEST VIRGINIA'S VACATIONLAND

TOWN of WARDENSVILLE

25 Warrior Way — PO Box 7
Wardensville WV 26851-0007

Phone 304/874-3950

Fax 304/874-4044

Email info@wardensville.com



OATH OF OFFICE

STATE OF WEST VIRGINIA
TOWN OF WARDENSVILLE, to-wit:

I, Michael Funkhouser, do solemnly swear that I will support the Constitution of the United States, the Constitution of West Virginia, and the Code of the Town of Wardensville; and that I will faithfully discharge the duties of Councilor of the Town of Wardensville, Hardy County, West Virginia, to which I have been elected, to the best of my skill and judgment, so help me God.

Michael K. Funkhouser

Signature of Official

Michael K. Funkhouser

Printed Legal Name

P.O. Box 294

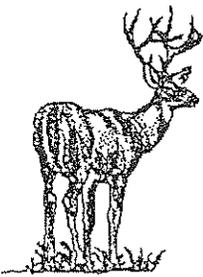
Address (Street & PO)

ATTEST:

Subscribed and sworn to before me, the undersigned authority, in Hardy County, West Virginia, this the 12th day of August, 2008.

John H. Sayers

John H. Sayers, Recorder



WEST VIRGINIA'S VACATIONLAND

TOWN of WARDENSVILLE

25 Warrior Way — PO Box 7
Wardensville WV 26851-0007

Phone 304/874-3950
Fax 304/874-4044
Email info@wardensville.com



OATH OF OFFICE

STATE OF WEST VIRGINIA
TOWN OF WARDENSVILLE, to-wit:

I, Mark Pappas, do solemnly swear that I will support the Constitution of the United States, the Constitution of West Virginia, and the Code of the Town of Wardensville; and that I will faithfully discharge the duties of Councilor of the Town of Wardensville, Hardy County, West Virginia, to which I have been elected, to the best of my skill and judgment, so help me God.

Mark Pappas

Signature of Official

Mark Pappas

Printed Legal Name

80 High Street

Wardensville WV 26851

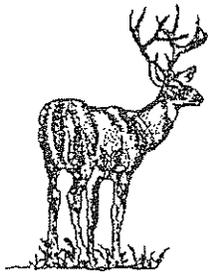
Address (Street & PO)

ATTEST:

Subscribed and sworn to before me, the undersigned authority, in Hardy County, West Virginia, this the 12th day of August, 2008.

[Signature]

John H. Sayers, Recorder



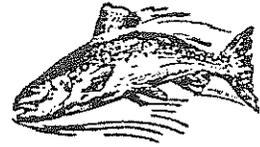
WEST VIRGINIA'S VACATIONLAND

TOWN of WARDENSVILLE

25 Warrior Way — PO Box 7
Wardensville WV 26851-0007

Phone 304/874-3950
Fax 304/874-4044

Email info@wardensville.com



OATH OF OFFICE

STATE OF WEST VIRGINIA
TOWN OF WARDENSVILLE, to-wit:

I, Chester Ray Tharp, do solemnly swear that I will support the Constitution of the United States, the Constitution of West Virginia, and the Code of the Town of Wardensville; and that I will faithfully discharge the duties of Councilor of the Town of Wardensville, Hardy County, West Virginia, to which I have been elected, to the best of my skill and judgment, so help me God.



Signature of Official

CHESTER THARP

Printed Legal Name

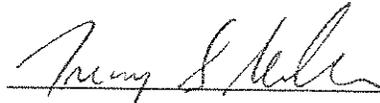
P.O. BOX 173

WARDENSVILLE WV.

Address (Street & PO)

ATTEST:

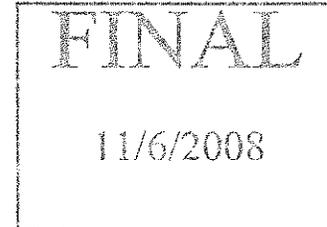
Subscribed and sworn to before me, the undersigned authority, in Hardy County, West Virginia, this the 17th day of August, 2008.



Tracey S. Miller, Mayor

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

Entered: October 17, 2008



CASE NO. 08-0282-W-MA

TOWN OF WARDENSVILLE
a municipal utility.

Investigation and suspension of increase
in water rates and charges as a result
of petitions filed in accordance with
W. Va. Code §24-2-4b.

CASE NO. 08-0574-W-CN

TOWN OF WARDENSVILLE,
a municipal utility, Wardensville, Hardy County.

Application for a certificate of convenience and
necessity to construct improvements to the existing
water treatment and distribution system.

RECOMMENDED DECISION

PROCEDURE

Case No. 08-0282-W-MA

On February 26, 2008, the Town of Wardensville (Wardensville) adopted an ordinance increasing its water rates and charges for service to its customers to become effective 45 days after passage. On March 3, 2008, the Commission received a petition signed by not less than twenty-five percent (25%) of Wardensville's water utility customers protesting Wardensville's increased water rates. The petitioners objected to the proposed rate increase and requested that the water rate increase be suspended, pending Commission review.

By Commission Order dated March 4, 2008, the Commission invoked its jurisdiction in this matter under *West Virginia Code §24-2-4b*, made Wardensville respondent in this proceeding and, pending investigation, hearing and decision, suspended the ordinance and deferred the use of the increased water rates and charges until 12:01 a.m., August 23, 2008, unless otherwise ordered by the Commission. The Order also referred this matter to the Division of Administrative Law Judges (ALJ Division) for decision no later than July 24, 2008. The March 4, 2008 Order required that

Commission Staff file its report in this matter on or before June 9, 2008. The Commission also required that the Executive Secretary of the Commission cause a copy of said Order to be published as a Class I legal advertisement, once, in a newspaper duly qualified by the Secretary of State, published and generally circulated in Wardensville, Hardy County, within five days of the date of said Order. Any petitions or motions to intervene in this proceeding were to be filed with the Commission within 10 days of the date of publication.

Also on March 4, 2008, Wardensville filed a copy of its Rule 42 Exhibit for the year ended June 30, 2007, prepared by J. C. Kunkle & Associates, A.C., which was used as the basis to establish Wardensville's proposed increased water rates.

On March 6, 2008, the Commission received additional protests to Wardensville's increased water rates.

On April 1, 2008, Wardensville filed an affidavit of publication reflecting that a post-enactment Public Notice of Change in Water Rates had been published on March 5 and 12, 2008, in *The Moorefield Examiner*, a newspaper duly qualified by the West Virginia Secretary of State, published and generally circulated in Hardy County. Wardensville also filed an Affidavit of Public Notice by Posting, executed by its Recorder, reflecting that the Public Notice of Change in Water Rates had been posted in a conspicuous place on the premises where Wardensville conducts its utility business with the public on February 27, 2008, and had remained so posted until March 31, 2008.

Also on April 1, 2008, the Commission received an affidavit of publication from *The Moorefield Examiner* reflecting that the March 4, 2008 Commission Order Suspending Rates had been published in said newspaper on March 12, 2008.

On April 7, 2008, Staff Attorney Carrie F. DeHaven filed an Initial Joint Staff Memorandum, attaching the March 11, 2008 Initial Internal Memorandum from Utilities Analyst Susan L. Brown, Water and Wastewater Division, and Technical Analyst Jim Spurlock, Engineering Division. Commission Staff reported that it was investigating Wardensville's proposed water rate increase and would file its final substantive recommendation in a timely manner.

On April 9, 2008, the Hardy County Public Service District (District), a resale customer of Wardensville, filed a Petition to Intervene. The District wished to be made a party in this matter to ensure that Wardensville's rate increase, and any resulting Order from the Commission, took into account the District's interest as a water resale customer of Wardensville.

On April 11, 2008, Chief Administrative Law Judge Melissa K. Marland issued a Procedural Order assigning this matter to Administrative Law Judge John Carter¹ for further disposition.

¹On the day before this matter was scheduled for a final hearing, Judge Carter became ill and was hospitalized. For that reason, Chief Judge Marland verbally reassigned this case to the undersigned, Deputy Chief Administrative Law Judge Ronnie Z. McCann, to conduct the hearing and enter a written recommended decision in the absence of Judge Carter.

By Procedural Order dated April 11, 2008, Judge Carter scheduled this matter for hearing to convene on June 18, 2008, and directed that, on or before June 9, 2008, Wardensville publish a copy of the Notice of Hearing, attached to the April 11, 2008 Order, in a newspaper duly qualified by the Secretary of State, published and generally circulated in Hardy County, making due return to the Commission of a proper affidavit of publication by June 18, 2008. Additionally, Judge Carter granted the District's Petition to Intervene in this matter.

On April 17, 2008, Larry D. Garrett, Esquire, filed a Notice of Appearance of Counsel stating that he would be representing Wardensville in this proceeding.

Case No. 08-0574-W-CN

On April 16, 2008, Wardensville filed an application under *West Virginia Code* §24-2-11 for a certificate of public convenience and necessity to construct improvements to its existing water treatment and distribution system, including, but not limited to: (a) installation of additional treatment facilities; (b) drilling of a new well and installation of a well pump; (c) installation of a telemetry system; (d) installation of radio-read water metering equipment; (e) installation of 6,000 linear feet of new 6-inch water main between the treatment facilities and the Warden Acres water storage tank; (f) installation of additional isolation valves and fire hydrants in the distribution system; and (g) construction of a maintenance garage and materials storage building. Wardensville estimated that the proposed project would cost approximately \$1,550,000, proposing to finance the project by a West Virginia Drinking Water Treatment Revolving Fund (DWTRF) loan in an amount not to exceed \$1,550,000 with an interest rate of 0% and an administrative fee of 1%, for a term of not more than 30 years. A commitment letter for the DWTRF loan was attached to the certificate application as Exhibit G. Wardensville clarified that the rate ordinance which is the subject of Case No. 08-0282-W-MA would cover the additional operation and maintenance (O&M) expenses and debt service required by the project. In anticipation of receiving construction bids within the projected project cost, Wardensville stated that it intended to bid the proposed project as originally designed, with alternative deductibles which will allow Wardensville the flexibility to have as much of the proposed project as possible constructed within the reduced loan amount. A Rule 42 Exhibit for the year ended June 30, 2007, prepared by J. C. Kunkle & Associates, A.C., was attached to the certificate application as Exhibit A, as was a proposed Notice of Filing and various other exhibits. Wardensville has only one resale customer, i.e., the District.

By Commission Order dated April 16, 2008, the Commission directed Wardensville to provide notice of the filing of the application by publishing a copy of said Order as a Class I legal advertisement once in a newspaper duly qualified by the Secretary of State, published and generally circulated in Hardy County, making due return to the Commission of a proper publication affidavit immediately after publication. The Notice specifically noted that, while the proposed increases, as set forth in the Notice, were based on averages of all customers in the indicated class, individual customers might receive increases that are greater or less than average and the requested rates and charges were only a proposal and were subject to change (increase or decrease) by the Public Service Commission in its review of the application. The Notice provided a 30-day period to object to the certificate application or petition to intervene in said proceeding, in writing. The Notice also provided

that, if no protests were received within the 30-day period, the Commission could waive formal hearing and grant the certificate application based upon its review of the evidence submitted in the application.

By Commission Order dated April 30, 2008, the Commission referred Case No. 08-0574-W-CN to the ALJ Division for decision no later than August 29, 2008, if no public protests to the certificate application had been received within the 30-day protest period, and on or before November 12, 2008, if public protests were received.

On May 7, 2008, Wardensville filed an affidavit of publication reflecting that, in compliance with the Commission's April 16, 2008 Order, the Notice of Filing had been published on April 30, 2008, in *The Moorefield Examiner*, a newspaper duly qualified by the Secretary of State published and generally circulated in Hardy County, West Virginia.

Consolidation

On May 8, 2008, Wardensville filed a Petition requesting: (1) a waiver of that portion of Rule 10.3.d. of the Commission's *Rules of Practice and Procedure (Procedural Rules)* that requires a utility seeking a rate increase in a certificate application to mail, within thirty (30) days of the date of the Commission's Notice of Filing, separate notice to each of its customers by one (1) of three (3) stated methods; (2) consolidation of Case No. 08-0574-W-CN and Case No. 08-0282-W-MA; and (3) with respect to Case No. 08-0282-W-MA, the Commission toll the statutory time period to provide for a statutory deadline of October 13, 2008, so that the statutory deadline will coincide with the statutory deadline in Case No. 08-0574-W-CN, which will allow greater efficiency in processing the cases as a consolidated matter.

On May 12, 2008, Staff Attorney DeHaven filed a written response to Wardensville's Petition stating that Commission Staff had no objections to the relief requested by Wardensville in its May 8, 2008 Petition. Ms. DeHaven also noted that counsel for the District had been contacted and that he also had no objections to the tolling of the applicable statutory deadline or the consolidation of Cases Nos. 08-0282-W-MA and 08-0574-W-CN.

On May 22, 2008, Staff Attorney DeHaven filed a Further Joint Staff Memorandum, attaching the May 21, 2008 Initial Internal Memorandum from Michael Quinlan, Utilities Analyst I, Water and Wastewater Division, and from Mr. Spurlock. Commission Staff reported that it was continuing its investigation into Wardensville's certificate application and would file its final substantive recommendation in a timely manner.

By Commission Order dated May 22, 2008, the Commission granted Wardensville's request to consolidate Cases Nos. 08-0282-W-MA and 08-0574-W-CN, to toll the statutory deadline in Case No. 08-0282-W-MA and to extend the decision deadline to October 14, 2008, in Case No. 08-0574-W-CN. The Commission also extended the ALJ's decision due date in Case No. 08-0282-W-MA until August 29, 2008. The Commission denied Wardensville's request for a waiver of that portion of *Procedural Rule* 10.3.d. requiring a utility seeking a rate increase in a certificate application to

mail, within thirty 30 days of the date of the Commission's Notice of Filing, separate notice to each of its customers by one of three stated methods, and directed that Wardensville fully comply with *Procedural Rule* 10.3.d. and provide notice by mail to its individual customers by separate mailing or inclusion with its June 2008 bills.

By Procedural Order entered on June 3, 2008, in light of the consolidation of Case No. 08-0574-W-CN with Case No. 08-0282-W-MA, Judge Carter canceled the hearing in Case No. 08-0282-W-MA previously set for Wednesday, June 18, 2008, and scheduled a hearing in Case Nos. 08-0282-W-MA and 08-0574-W-CN, to convene at 10:00 a.m., on July 25, 2008. The June 3, 2008 Order directed Wardensville to cause to be published on or before July 15, 2008, a copy of the Notice of Hearing, attached thereto as Appendix A, in a newspaper duly qualified by the Secretary of State, published and generally circulated in Hardy County, making due return to the Commission of a proper publication affidavit on or before July 25, 2008.

On June 27, 2008, Wardensville again filed a Petition to Toll the Statutory Time Period and Establish an Administrative Law Judge Decision Due Date.

Also on June 27, 2008, Wardensville and Commission Staff filed a Joint Motion to Establish a Revised Procedural Schedule.

On June 30, 2008, Wardensville filed a copy of Permit No. 18,026 issued by the State of West Virginia Office of Environmental Health Services (OEHS) on June 25, 2008, granting approval for Wardensville to drill one (1) new public water system well.

By Commission Order dated July 15, 2008, and Corrective Order dated July 17, 2008, the Commission granted Wardensville's Petition to Toll the Statutory Time Period and Establish an Administrative Law Judge Decision Due Date. The statutory deadlines in Case Nos. 08-0282-W-MA and 08-0574-W-CN were tolled and extended to 12:01 a.m., December 1, 2008. Commission Staff's final report due date was extended to September 5, 2008, and the Administrative Law Judge's decision due date of August 29, 2008, was extended until October 17, 2008.

Responding to all of the above, by the July 17, 2008 Procedural Order, Administrative Law Judge John Carter held that the hearing in these consolidated matters previously set for July 25, 2008, should be cancelled and rescheduled for hearing to commence at 10:00 a.m., on September 11, 2008, in the Wardensville War Memorial Building, 190 E. Main Street, Wardensville, West Virginia. The July 17, 2008 Order, noting that Wardensville had caused the July 25, 2008 Notice of Hearing to be published in *The Moorefield Examiner*, additionally required Wardensville to immediately publish the Notice of Cancellation and Rescheduling of Hearing, attached as Appendix A to the July 17, 2008 Order, and cause a copy of said Notice to be affixed to the entrance door of the Wardensville War Memorial Building as soon as possible, as well as post a copy of said notice in a prominent place in its municipal building. Finally, the July 17, 2008 Order directed that Commission Staff file its final substantive recommendations in Case Nos. 08-0282-W-MA and 08-0574-W-CN on or before September 5, 2008.

On September 11, 2008, the undersigned ALJ, in the absence of Judge Carter as previously noted, convened the hearing as scheduled. Wardensville appeared at the hearing by counsel, Larry D. Garrett, Esquire; Commission Staff appeared by Staff Attorney Wendy Braswell, Esquire; and the District did not make a formal appearance at the hearing. Approximately 10 Wardensville customers attended the hearing. Wardensville presented the testimony of four witnesses and presented nine exhibits. Commission Staff presented the testimony of three witnesses and presented three exhibits. Five of the customers gave public comments.

On September 17, 2008, the reporter submitted a 122-page transcript and a one-page certificate that the transcript is a true and accurate record of the September 11, 2008 hearing.

At the hearing, the ALJ directed that the parties file any written briefs or proposed findings of fact and conclusions of law, pursuant to *West Virginia Code* §24-1-9(b), no later than one week from receiving the transcript, and, if any such written legal arguments were filed, to file replies within one week after the initial briefs were filed. None of the parties filed any written legal arguments.

On October 7, 2008, Wardensville moved the Commission to bifurcate the capacity improvement fee (CIF) from this consolidated case and to initiate a new case. As grounds, Wardensville noted that this issue could best be dealt with in a separate proceeding, since it is not a central issue to the municipal appeal or the certificate application.

On October 10, 2008, Staff Attorney DeHaven submitted a letter agreeing that the CIF issue should be bifurcated from this consolidated proceeding and handled in a separate case.

EVIDENCE

Those present to protest either the rate ordinance and/or the project made public statements questioning whether the project was needed, especially if it caused current customers to have to pay higher rates so other people could get water service. Some believed that subdivision developers were being given special treatment. Some depicted Wardensville as a community that had stopped growing and questioned the need for a new water main or other aspects of the certificate project. James Robison obtained the signatures on the petition that gave rise to this municipal appeal. Mr. Robison opined that the minimum bill should be based on 1,000 gallons consumption, not on 2,000 gallons. Steve Rhoades opposed the rate increase because he believes that the need for additional water is just to help new developments. He does not believe that existing customers should have a rate increase just so new customers can be added. Robin Walker believes that Wardensville is wasting money. Jacqueline Markle was concerned that, if she was not able to pay her water bill, her water service would be terminated. Robin Walker also opined that Wardensville's government was "just a big family affair" that have conflicts of interests. (Tr., pp. 40-47, 121).

The first witness who testified was Technical Analyst James Spurlock of the Commission's Engineering Division. Mr. Spurlock identified the September 5, 2008 Final Internal Memorandum and Staff Report prepared by Mr. Spurlock and by Utilities Analyst Supervisor David L. Accord and Utilities Analyst Nathan Nelson, both of the Water and Wastewater Division, received as Staff

Exhibit No. 1. Several years ago, the Commission authorized a moratorium on new connections to Wardensville's water system, but that moratorium was lifted in 2007. The certificate project is designed to further address the underlying causes for the moratorium so that another moratorium will not be needed in the foreseeable future. (Tr., pp. 9-11).

Mr. Spurlock related that the certificate project will increase Wardensville's potable water source. Currently, Wardensville uses a spring and a fairly new water well as its water source. The project will enable Wardensville to drill another water well. The project also will make needed improvements to the treatment plant, which are necessary to meet Health Department requirements, and will install a six-inch water main to interconnect all of the system to make it more dependable and to address any water pressure and volume problems. The new main will incidentally add six or seven new customers. The project also will make several needed repairs to the distribution system and the storage tank and will add several fire hydrants and a new garage. Currently, Wardensville has no suitable place to store vehicles and other equipment, which is why the garage is needed. The project will also include telemetry equipment for each storage tank. The project will not increase O&M expenses. The project will cost approximately \$1,550,000. The project will enable Wardensville to serve all customers in the area who request public water service. The Commission had approved a moratorium on new customers until the new water well was drilled recently. The second well will prevent a need for reimposition of the moratorium. Mr. Spurlock opined that the \$4,155 cost per customer is reasonable given the circumstances of the recent moratorium and the need to meet Health Department requirements. He opined that the project as proposed is the most cost-effective alternative, and the Commission should approve the project. The project will provide Wardensville with adequate water capacity to meet all demands on the system. (Tr., pp. 11-15, 17-18; Staff Exhibit No. 1).

Commission Staff recommended that the Commission grant the certificate application and the proposed financing, comprised of a \$1,550,000 DWTRF loan bearing 0% interest and a 1% administrative fee for a 40-year term. The project has been approved by the IJDC. Staff opined that any changes to the plans, scope or financing require separate Commission approval prior to commencing construction. However, if changes do not affect rates, Wardensville does not need separate Commission approval, but must file a verification from a certified public accountant that rates will not change. Staff recommended that Wardensville file the bid tabulations as soon as they are received and tabulated and that Wardensville submit the certificate of substantial completion as soon as it is available. Staff recommended an annual cash flow surplus of approximately \$10,100 based on Staff's review of historical plant additions. As of September 3, 2008, Wardensville had a checking account balance of \$615.77, a savings account balance of \$19,485 and a security deposit account balance, shared with Wardensville's sewer operations, of \$3,400. During the test year, Wardensville incurred short-term debt to purchase a truck and touch meters and to pay for preliminary costs of the project. Staff recommended a two-step rate increase, i.e., Phase I to take effect upon entry of a final order of the Commission in these cases and Phase II to take effect upon substantial completion of the project. Currently, a minimum bill based on 2,000 gallons is \$13.54 and an average bill based on 4,500 gallons is \$22.29. Under the Staff-recommended Phase I rates, the minimum bill would be \$16.40 and a bill based on 4,500 gallons would be \$26.98. The resale rate would increase from \$2.09 per 1,000 gallons at going-level to \$2.51 per 1,000 gallons under Phase I rates. Under

Phase II rates, the minimum bill would be \$24.88, the average bill would be \$40.88 and the resale rate would be \$3.69 per 1,000 gallons. (Staff Exhibit No. 1).

Staff noted that Wardensville currently charges a capacity improvement capital cost fee (CIF) of \$1,500 for each new connection. Staff believes that it applies to all customers, not just developers. Staff opined that this fee is contrary to Commission policy and that Wardensville had not met the Commission's guidelines for obtaining approval of a CIF. Staff noted that the Commission requires utilities seeking a CIF to prove that population growth exceeds 2% annually or 20% over ten years and that a reasonable expectation exists that water reserves would be depleted within five to seven years. CIFs should apply only to for-profit developers or other entities that request an alternate mainline extension agreement. Specifically, owners of single-family structures or individuals building a single-family structure to be owner-occupied are to be exempt from paying a CIF. Staff opined that the CIF should not be approved. (See, Staff Exhibit No. 1).

Mr. Spurlock developed the allocation factors for the customer class cost of service study conducted by Staff in the instant municipal appeal case. Use of this study to design rates eliminates the possibility that one customer class will subsidize another customer class and establishes rates that are fair, just and reasonable. The allocation factors are applied to the total cost of service to arrive at the cost of service for each respective customer class. Wardensville's customer classes are residential, commercial, industrial and resale. The cost of service study not only considers the volumes of water purchased by each class, but also considers the actual demands each class places on the system. (Tr., pp. 15-17).

Several new fire hydrants will be added by Wardensville as a result of the project. The rate design based on the allocation factors provided by Mr. Spurlock would not differentiate between customers living inside and outside of Wardensville's town limits. Any new fire hydrants could be added only where the water main diameter is at least six inches. Wardensville does have several mains that are two and four inches in diameter, which are perfectly acceptable for the provision of public water service, but will not accommodate fire hydrants. Mr. Spurlock is not aware of any Commission rule that requires Wardensville to provide fire hydrants. As to the water meters, Mr. Spurlock opined that the Commission requires all water utilities to periodically check and replace water meters. (Tr., pp. 18-22).

Mr. Spurlock explained how alternate water mainline extension agreements generally work, i.e., a developer will build the water distribution lines within a subdivision at the direction, inspection and specifications of a utility, and connect to the utility's water main, with the cost being borne by the developer, and then the developer will turn over the ownership of the lines, including responsibility for O&Ms, to the utility. (Tr., pp. 22-23).

Next, Commission Staff presented the testimony of Utilities Analyst Nathan Nelson. Mr. Nelson reviewed Wardensville's operations, financial books and records and the certificate application. He prepared the financial analysis contained in Staff Exhibit No. 1. He stated that the Staff-recommended tariff inadvertently omitted reconnection and administrative fees, which Staff believes should be included. Mr. Nelson identified Staff Exhibit Nos. 2 and 3, which contain the

previously omitted reconnection and administrative fees. Staff is recommending that rates be approved for use immediately to cover going-level operations, i.e., Phase I, and for use after the project is substantially completed, i.e., Phase II. Staff Exhibit No. 2 contains the Staff-recommended rates for Phase I and Staff Exhibit No. 3 contains the Staff-recommended rates for Phase II. Staff Exhibit Nos. 2 and 3 do not change the Staff-recommended rates, except to add the reconnection and administrative fees. (Tr., pp. 24-27; Staff Exhibit Nos. 2 and 3).

Mr. Nelson performed a cash flow analysis for Wardensville. At going-level, Wardensville is operating at an \$11,480 cash flow deficit. The Staff-recommended Phase I rates will provide a cash flow surplus of approximately \$10,154. At going-level, Wardensville has no long-term debt. The Staff-recommended Phase II rates will provide a cash flow surplus of approximately \$5,408, a renewal and replacement reserve of \$4,833 and a 135.07% debt service coverage ratio. The Phase I rates are needed whether or not the certificate project is built. If the certificate project is built, the Phase II rates will be required. The new debt service requirement is the only material difference between the revenue requirement recommended for Phases I and II. The project will require that Wardensville pay approximately \$51,667 annually for long-term debt principal and interest. The amount payable to the renewal and replacement fund required by the project loan will reduce the cash flow surplus. Wardensville has a debt service requirement of approximately \$2,711 for short-term debt. (Tr., pp. 28-30; Staff Exhibit No. 1).

Mr. Nelson explained that, without the project, Wardensville's rates need to be increased by approximately 21%, which would increase a minimum bill, based on 2,000 gallons usage, from \$13.54 per month to \$16.40 per month, or by \$2.86 per month. Similarly, an average bill based on 4,500 gallons usage would increase from \$22.29 to \$26.98 per month. After the project is built, the rates need to be increased again, i.e., the average bill based on 4,500 gallons would then be \$40.88 per month. The Staff-recommended rates would be sufficient, but not more than sufficient, to provide Wardensville with the revenue it needs to meet its O&M expenses and to cover its debt service. A utility with a larger customer base can more easily keep its rates down by spreading out the costs over a larger number of customers. The loan for the project has zero percent (0%) interest. The rate increases proposed by Staff are in two steps, i.e., Phase I rates would be effective until the project is substantially complete and Phase II rates would become effective once the project is substantially complete. (Tr., pp. 30-35; Staff Exhibit Nos. 1, 2 and 3).

Mr. Nelson acknowledged that the Staff-recommended rates are higher than those contained in Wardensville's rate ordinance. The major reasons for this are that Wardensville passed the ordinance prior to knowing the final cost of the project and Wardensville did not consider that it is currently operating at an approximate \$11,000 cash flow deficit. The Staff-recommended rates were based upon the cash flow surplus recommended by Technical Analyst Spurlock, based on average plant additions, not by using the formula the Commission disapproved in the *Claywood Park*² case. (Tr., pp. 35-38).

²Case No. 07-0175-PWD-19A, *Claywood Park Public Service District*, Commission Order entered August 19, 2008.

Commission Staff called Utilities Analyst Manager William Nelson (referred to as Bill Nelson to distinguish him from Nathan Nelson) as its final witness. Bill Nelson stated that he was testifying instead of David Accord, since Mr. Accord is not available and Bill Nelson is Mr. Accord's supervisor. Bill Nelson reviewed and approved Mr. Accord's recommendations. Bill Nelson recommended that Wardensville's existing CIF be removed from its tariff and considered in a separate proceeding. Commission Staff does not believe enough information is before the Commission at this time to approve a CIF for Wardensville. The record needs additional development of this issue. Bill Nelson acknowledged that no Commission rule or state law controlled on the issue of allowing CIF's, but that Commission Staff has relied on Commission case law in making its recommendations on this issue. One of the key factors on the issue of approving a CIF is whether Wardensville's capacity is likely to be depleted within the next five to ten years. Wardensville has some of the criteria present that the Commission considers, but it is not clear that all of the criteria exist in Wardensville's situation. The instant certificate project will increase Wardensville's capacity, which might be all that it needs in the foreseeable future, even with the growth projected by Wardensville's consultant. Bill Nelson does not necessarily oppose approving a CIF for Wardensville, but he believes the issue needs more study in a separate case. When evaluating whether to approve a CIF in this case, Staff did not have all of the information made available at hearing, but additional study is still needed. Bill Nelson recommended that the issue of the CIF be bifurcated from the instant consolidated municipal appeal and certificate proceeding and be assigned a separate case number so that Staff could fully investigate the matter and make a more informed recommendation. (Tr., pp. 112-120).

Wardensville called Frederick Lee Hypes, P.E., of Dunn Engineers, Inc., to testify. Dunn Engineers, Inc., is Wardensville's project engineering firm. He identified the detailed construction plans for the project, designated as Phase II, which were received as Wardensville Exhibit No. 1. The design report that accompanies the plans and specifications for the project was received as Wardensville Exhibit No. 2. The preliminary engineering report that was submitted to the IJDC two years ago was received as Wardensville Exhibit No. 3. The drawings depicting the proposed garage to be built as part of the project were received as Wardensville Exhibit No. 4. (Tr., pp. 48-51; Wardensville Exhibit Nos. 1, 2, 3 and 4).

Mr. Hypes explained that, until a year and a half ago, Wardensville's only water source was a spring. This spring failed to keep up with the demand. Wardensville was not in compliance with the requirements of the West Virginia Office of Environmental Health Services (OEHS). The Phase I project, paid for with interim financing, included drilling one well and installing a pump for that well. The proposed project, or Phase II, will make improvements to the existing well and pump; add a second well and pump; add a six-inch water line to connect directly with the spring and the primary water storage tank; add telemetry to the two storage tanks; replace worn-out equipment at the spring house; change the electrical control system; and add radio units to approximately 325 existing water meters. Adding the radio units will substantially cut Wardensville's staff time required to read meters. Several other minor improvements are also included in the project, including the maintenance garage, approximately 20 isolation valves and approximately 10 new fire hydrants. Mr. Hypes explained that the facilities at the spring were installed over 45 years ago and simply cannot meet the demand now placed on the system. The size of Wardensville's system limits the relative cost to make

improvements. Larger systems might be able to change a few items at a time, but Wardensville's system needs a major overhaul in order to comply with OEHS regulations and the Safe Drinking Water Act. The maintenance garage is needed because Wardensville has no place to store equipment and tools. Wardensville has had a moratorium in place in the recent past, i.e., until it brought the new well online, and faces another moratorium and/or restrictions on water usage if the project is not built. (Tr., pp. 51-56).

Mr. Hypes identified the certified bid tabulations, received as Wardensville Exhibit No. 5. Two of the bids came in under the projected construction cost, i.e., approximately \$1,100,000, which pleased Mr. Hypes. The financing for the project will be adequate. (Tr., 56-57; Wardensville Exhibit No. 5). Mr. Hypes noted that some of the new fire hydrants would be located inside Wardensville's town limits and some would be located outside the town limits. (Tr., p. 58).

Mr. Hypes related that Wardensville's customer base had increased substantially since the 1960s, when the system was started. The system has grown from about 50 customers to around 300 customers. Over the past ten years, at least 100 new customers have been added. The amount of water produced by the spring has remained constant, but the demand from new customers has rendered the spring unable to meet all of the system's demands. Also, the Hardy County Public Service District is a resale customer that serves about 50 customers from the same water source as Wardensville. Once the project is completed, Wardensville's water source will be comprised of one spring and two wells. The approximate one mile of new six-inch line connecting the spring house to the main storage tank will also make it possible to serve six or seven new customers, i.e., the line is not being laid just to serve those customers, but to connect the storage tank to the spring, which will enable Wardensville to increase the available water pressure and volume to the existing lines. (Tr., pp. 59-62).

Mr. Hypes clarified that no new customers were added to Wardensville's system during the period when the moratorium was imposed, i.e., the 100 new customers were added during the eight years prior to the imposition of the moratorium in 2005. Mr. Hypes acknowledged that, at no time, has any Wardensville customer not been able to obtain water. However, in order to meet the demand, Wardensville has had to operate its pumps 24 hour per day for at least 24 or 25 days per month. That means that Wardensville has no reserve capacity. Had a fire or a major leak occurred, Wardensville's customers would have been without water. If Wardensville's tanks were drained, it would take several months to refill the tanks with the current water supply and the current demand. The addition of the first well increased Wardensville's capacity by about 60%. The project will increase Wardensville's pumping capacity from about 80 gallons per minute to about 130 gallons per minute, and the pumping system should no longer have to pump around the clock. Reserve capacity is important to ensure water for customers even during emergencies like a major leak or fire. (Tr., pp. 62-65).

Mr. Hypes explained that customers in new developments would experience the same rate increase as those living inside Wardensville's town limits. Some of them had to pay more for their houses, since the CIF was passed through from the developers to the homeowners. Wardensville did not foot the bill for the water lines serving the new developments, i.e., the lines were built by the

developers under alternate water mainline extension agreements and subsequently turned over to Wardensville, which now receives revenue from those new customers. Adding new customers enables Wardensville to spread out its cost of service over a larger customer base, which helps keep rates down. (Tr., pp. 65-68).

Next, Wardensville called John Kunkle, C.P.A., of J. C. Kunkle and Associates, who evaluated Wardensville's financial books and records and assisted Wardensville in developing the certificate application by preparing Wardensville's *Tariff Rule 42* exhibit. Originally, the project was to cost approximately \$1,075,000, but now it is projected to cost \$1,550,000. Wardensville currently has a CIF in its tariff. The purpose of a CIF is to shift the cost of adding new customers to developers. New customers place a greater demand on the water system and the CIF helps to shift the financial burden of this increased system demand away from Wardensville and its existing customers. Currently, Wardensville's CIF is \$1,500 per single family residence equivalency (EDU). Mr. Kunkle, who is familiar with the CIFs in Berkeley and Jefferson Counties, observed that Wardensville's CIF is approximately one-half of those in Berkeley and Jefferson Counties. CIFs are needed in areas where the population is growing at a rapid rate. Since Wardensville did not request a change in its CIF as a part of the rate ordinance, Mr. Kunkle opined that this issue is not properly before the Commission for decision. Wardensville passed the CIF by an ordinance that was never questioned, which means that the Commission has never reviewed it. (Tr., pp. 69-74).

Mr. Kunkle acknowledged that Wardensville's CIF, while intended to be charged only to developers, not to individuals, might be interpreted to be payable by entities other than those anticipated by the Commission in its prior rulings regarding CIFs for other utilities. For example, a 20-member church would have to pay a \$1,500 CIF to build a new building. Wardensville's CIF is not defined as applying only to for-profit residential and commercial land developers. (Tr., pp. 74-77).

The next witness who testified on Wardensville's behalf was Patrick Ford, a consultant hired by Wardensville. Mr. Ford prepared a document depicting population growth and related statistics for the Wardensville area, received as Wardensville Exhibit No. 6. In 1990, Wardensville's population was approximately 140. In 2000, Wardensville's population was approximately 246. In 2005, Wardensville's population was approximately 325. Mr. Ford projected that, in 2010, Wardensville's population would be 439. The population for Wardensville's water system service area has increased from about 570 in 1990 to a projected 1,000 by 2010. Wardensville's customer-count has increased from 248 in 1990 to 275 in 1997 and to 375 in 2007. Mr. Ford forecasts that, by 2010, Wardensville will serve approximately 475 customers. Mr. Ford characterized Wardensville's growth as substantial, with its water system customer base doubling in the 20 years from 1990 to 2010. (Tr., pp. 79-81; Wardensville Exhibit No. 6).

Wardensville next called its Recorder, John Sayers, to testify. Wardensville is governed by a seven-member council comprised of the Mayor, Recorder and five other Council Members, who also comprise the Wardensville Water Board. Wardensville decided to build the proposed project because the current water system's capacity no longer meets demands, is 40 years old, and needs to be replaced in order to work properly. Wardensville relied upon the expertise of Dunn Engineers to

design the project in order to comply with health regulations. Wardensville has obtained a very favorable loan, which charges no interest for 30 years and only a 1% administrative fee. Wardensville is very aware of the population growth in the past 20 years and the projected continued growth in the foreseeable future, both within Wardensville's corporate limits and the surrounding area to which Wardensville provides water service. Several residential subdivisions are either already being built or are planned to be built soon. Wardensville has not had a rate increase since 2005. It probably needed a rate increase sooner than now, but chose to hold off until it got the project ready. Wardensville accepts the Staff-recommended rates and charges, believing Staff's projected revenue requirements are more accurate than those used by Wardensville to design its rates and believing that Staff's customer class cost of service study has enabled Staff to design rates that are fair to every customer class. Wardensville's rate ordinance was an across-the-board percentage increase. Mr. Sayers acknowledged that the Staff-recommended tap fee of \$325 does not cover the cost of adding even a small 5/8" new water tap, let alone a larger tap. With its relatively cheap cost of living, Wardensville is becoming a bedroom community for the Washington, D.C. area or an area where people want to locate a second home. (Tr., pp. 82-89).

Mr. Sayers identified a report prepared by VIEW Engineering of Martinsburg in July 2005, which is a study of Wardensville's CIF, received as Wardensville Exhibit No. 7. Wardensville adopted its CIF based on the information contained in this report. The CIF was adopted at about the same time the moratorium on new connections was imposed, which means that the CIF has not been utilized much. The moratorium was lifted in September 2007. The developers who have paid the CIFs were pleased with paying those fees, i.e., those developers were used to paying much higher CIFs in developments they were building in Virginia and in Berkeley and Jefferson Counties in West Virginia. The CIF places a greater financial burden on those creating the increased demands on the system. (Tr., pp. 89-92; Wardensville Exhibit No. 7).

Mr. Sayers identified an alternate water mainline extension agreement between Wardensville and a developer, R. C. Adams, received as Wardensville Exhibit No. 8. This was for a 25-unit subdivision. About 13 houses have been built to date, all built after the moratorium was lifted. This developer paid the CIFs for each house built so far and installed all of the water lines serving the subdivision. Mr. Sayers identified a similar alternate water mainline extension agreement with Valley Development Group, Inc., received as Wardensville Exhibit No. 9. (Tr., pp. 92-96; Wardensville Exhibit Nos. 8 and 9).

Mr. Sayers has lived in Wardensville since 1990, and his wife has lived in Wardensville all of her life. He stated that Wardensville had approximately 100 residents for about 100 years. Now, Wardensville is growing. Mr. Sayers opined that at least 100 new homes would be built within Wardensville's water service area in the next five years. He cited the completion of Corridor H and other factors as the reason. Berkeley, Jefferson and Morgan Counties already have had a population explosion and that explosion is now overflowing into Wardensville, since it is so close to the Virginia border. (Tr., pp. 96-101). This case is the first time that the Commission has considered Wardensville's CIF, since no municipal appeal case developed out of the ordinance approving the CIF. Wardensville has collected 18 CIFs so far, 13 from one developer. Mr. Sayers acknowledged that, in addition to the developments with 25 or more houses, several people are splitting the family

farm into two or three lots. He opined that those smaller developments should be charged the CIF, too. He believes that the only entities who should not be charged a CIF are new owner-occupied single family dwellings. Anyone who is selling lots to others can pass the CIF on to the purchaser. Some of the developments are for commercial developments, not just for residential developments, such as restaurants, schools, churches and so forth. Mr. Sayers acknowledged that he was not totally familiar with the Commission's requirements for approving a CIF, including the definition contained in the Commission's Order in Case No. 04-0153-PSD-T, *Berkeley County Public Service Sewer District*, Commission Order entered March 28, 2005, on page 14, in the ordering paragraph which reads:

IT IS FURTHER ORDERED that the term "Developer" as used in this Order is defined as a person, corporation, or entity who is in the business of land and/or commercial or housing development, for profit, or a person, corporation, or entity who requests an alternate main line extension that includes the installation of mains by the person, corporation or entity.

Mr. Sayers acknowledged that the definition in Case No. 04-0153-PSD-T sounds different from Wardensville's current working definition. (Tr., pp. 101-108).

Mr. Sayers stated that Wardensville is not currently planning any certificate project or other significant project beyond the one proposed in this proceeding. Mr. Sayers opined that Wardensville's CIF is fair, irrespective of the language in Case No. 04-0153-PSD-T. Wardensville is obligated to sell water to whoever requests service within its service area, and, in order to meet that demand, Wardensville needs a CIF to help defray the costs of adding new customers. He cited three or four developments already planned that will add several hundred new customers to Wardensville's water system. Should the Commission approve a CIF for Wardensville that limits it to actual developers, Wardensville would comply with that ruling. (Tr., pp. 108-111).

DISCUSSION

Except for some concerns from a few of Wardensville's customers about the amount of the rate increase and whether Wardensville's project would benefit existing customers, the only real contested issue at hearing involved whether to approve a CIF for Wardensville. Wardensville has accepted the Staff-recommended rates and Staff has recommended approving the project.

It is clear that the public convenience and necessity require the project, since the Commission recently had to impose a moratorium on Wardensville adding new customers. Although the moratorium has been lifted, only a portion of the needed actions have been taken to alleviate the increased demand on Wardensville's water system. Wardensville's population and customers have almost doubled in 20 years and the existing system is not adequate to meet the foreseeable demand on Wardensville's system. Wardensville has to run its pump 24 hours per day for 24 or 25 days per month just to meet the demand. No reserve capacity exists in Wardensville's system to respond to an emergency such as a large leak or a major fire. Wardensville needs the project to comply with the OEHS's requirements. No evidence suggests that the project is not needed. Wardensville has secured

the funds to build the project and bids have already been received which are within the projected cost. For these reasons, the ALJ will approve the project.

As for the rate ordinance, Wardensville is operating at a substantial cash flow deficit and needs a rate increase immediately to cover going-level O&M expenses. Once the project is built, Wardensville will incur other O&M expenses related to the project and a substantial debt service requirement. Staff has recommended a two-step rate increase, i.e., Phase I to address immediate operations and Phase II to address post-project completion operations. This approach is logical and should be approved. The Staff-recommended rates and charges are sufficient, but not more than sufficient, to cover Wardensville's O&M expense and debt service obligations both prior to the project's completion and afterwards, while allowing a cash flow surplus which conforms to the standard set by the Commission in the *Claywood Park* case. Wardensville has agreed to accept the Staff-recommended rates. For all of these reasons, the ALJ will approve the Staff-recommended rates, with the exception of the Staff-recommendation on the CIF. Since the CIF was validly adopted by the Wardensville Town Council and Commission Staff acknowledged at hearing that it did not have enough information to determine if Wardensville's CIF complied with Commission policy, the *status quo* must be maintained. Further, in order to adopt the Staff recommendation on the CIF, the ALJ must actually disapprove the existing CIF, and the evidentiary record is not sufficient to do so.

FINDINGS OF FACT

1. The Town of Wardensville adopted an ordinance increasing its water rates and charges for service to its customers to become effective 45 days after passage. (See, February 26, 2008 rate ordinance).

2. The Commission received a petition signed by not less than twenty-five percent (25%) of Wardensville's water utility customers protesting Wardensville's increased water rates and the Commission invoked its jurisdiction in this matter under *West Virginia Code* §24-2-4b, made Wardensville respondent in this proceeding and, pending investigation, hearing and decision, suspended the ordinance and deferred the use of the increased water rates and charges until 12:01 a.m., August 23, 2008, unless otherwise ordered by the Commission. Subsequently, the statutory deadlines in Case Nos. 08-0282-W-MA and Case No. 08-0574-W-CN were tolled and extended to 12:01 a.m., December 1, 2008. (See, March 4, 2008 Commission Order in Case No. 08-0282-W-MA; Commission Order dated July 15, 2008; Corrective Order dated July 17, 2008).

3. The post-enactment Public Notice of Change in Water Rates was published on March 5 and 12, 2008, in *The Moorefield Examiner*. Wardensville posted the Public Notice of Change in Water Rates in a conspicuous place on the premises where Wardensville conducts its utility business with the public on February 27, 2008, and it remained so posted until March 31, 2008. The March 4, 2008 Commission Order Suspending Rates was published in *The Moorefield Examiner* on March 12, 2008. (See, publication affidavits filed April 1, 2008).

4. Wardensville filed an application under *West Virginia Code* §24-2-11 for a certificate of public convenience and necessity to construct improvements to its existing water treatment and

distribution system, including, but not limited to: (a) installation of additional treatment facilities; (b) drilling of a new well and installation of a well pump; (c) installation of a telemetry system; (d) installation of radio-read water metering equipment; (e) installation of 6,000 linear feet of new 6-inch water main between the treatment facilities and the Warden Acres water storage tank; (f) installation of additional isolation valves and fire hydrants in the distribution system; and (g) construction of a maintenance garage and materials storage building. Wardensville estimated that the proposed project would cost approximately \$1,550,000, to be funded by a \$1,550,000 West Virginia Drinking Water Treatment Revolving Fund loan with an interest rate of 0% and an administrative fee of 1% for a term of not more than 30 years. A commitment letter for the DWTRF loan was attached to the certificate application. (See, April 16, 2008 application in Case No. 08-0574-W-CN; Staff Exhibit No. 1).

5. The Commission directed that Wardensville provide notice of the filing of the application by publishing a copy of said Order as a Class I legal advertisement once in a newspaper duly qualified by the Secretary of State, published and generally circulated in Hardy County, making due return to the Commission of a proper publication affidavit immediately after publication. The Notice provided a 30-day protest period. (See, Commission Order dated April 16, 2008).

6. Wardensville published the Notice of Filing on April 30, 2008, in *The Moorefield Examiner*. (See, publication affidavit filed May 7, 2008).

7. The West Virginia Office of Environmental Health Services issued Permit No. 18,026 on June 25, 2008, granting approval for Wardensville to drill one new public water system well. (See, June 30, 2008 filing; Staff Exhibit No. 1).

8. In 2005, the Commission authorized a moratorium on new connections to Wardensville's water system, but that moratorium was lifted in 2007. The certificate project is designed to further address the underlying causes for the moratorium so that another moratorium will not be needed in the foreseeable future. (Tr., pp. 9-11).

9. The certificate project will increase Wardensville's potable water source. Currently, Wardensville uses a spring and a fairly new water well as its water source. The project will enable Wardensville to drill another water well. The project also will make needed improvements to the treatment plant, which are necessary to meet OEHS requirements, and will install a six-inch water main to interconnect all of the system to make it more dependable and to address any water pressure and volume problems. The new main will also add six or seven new customers. The project also will make several needed repairs to the distribution system and the storage tank and will add several fire hydrants and a new garage. Currently, Wardensville has no suitable place to store vehicles and other equipment. The project also will include telemetry equipment for each storage tank. The project will not increase O&M expenses. The project will cost approximately \$1,550,000. The project will enable Wardensville to serve all customers in the area who request public water service. Staff opined that the \$4,155 cost per customer is reasonable given the circumstances of the recent moratorium and the need to meet OEHS requirements. The project as proposed is the most cost-effective alternative and will provide Wardensville with adequate water capacity to meet all demands on the system. (Tr., pp. 11-15, 17-18; Staff Exhibit No. 1).

10. Commission Staff recommended that the Commission grant the certificate application and the proposed financing, comprised of a \$1,550,000 DWTRF loan bearing 0% interest and a 1% administrative fee for a 40-year term. The project has been approved by the IJDC. Staff opined that any changes to the plans, scope or financing require separate Commission approval prior to commencing construction. However, if changes do not affect rates, Wardensville does not need separate Commission approval, but must file a verification from a certified public accountant that rates will not change. Staff recommended that Wardensville submit the certificate of substantial completion as soon as it is available. (See, Staff Exhibit No. 1).

11. Staff recommended an annual cash flow surplus of approximately \$10,100 based on Staff's review of historical plant additions. During the test year, Wardensville incurred short-term debt to purchase a truck and touch meters and to pay for preliminary costs of the project. Staff recommended a two-step rate increase, i.e., Phase I to take effect upon entry of a final order of the Commission in the instant cases and Phase II to take effect upon substantial completion of the project. Currently, a minimum bill based on 2,000 gallons is \$13.54 and an average bill based on 4,500 gallons is \$22.29. Under the Staff-recommended Phase I rates, the minimum bill would be \$16.40 and a bill based on 4,500 gallons would be \$26.98. The resale rate would increase from \$2.09 per 1,000 gallons at going-level to \$2.51 per 1,000 gallons under Phase I rates. Under the Phase II rates, the minimum bill would be \$24.88, the average bill would be \$40.88 and the resale rate would be \$3.69 per 1,000 gallons. (See, Staff Exhibit No. 1).

12. Staff developed allocation factors for the customer class cost of service study conducted by Staff in the instant municipal appeal case. Use of this study to design rates eliminates the possibility that one customer class will subsidize another customer class and establishes rates that are fair, just and reasonable. The cost of service study not only considers the volumes of water purchased by each class, but also considers the actual demands each class places on the system. (See, Tr., pp. 15-17).

13. The Staff-recommended rate design based on the cost of service study does not differentiate between customers living inside and outside of Wardensville's town limits. (See, Tr., pp. 18-22).

14. After reviewing Wardensville's operations, financial books and records and the certificate application, Commission Staff recommended that rates be increased in two phases, first, for use immediately to cover going-level operations, i.e., Phase I, and, second, for use after the project is substantially completed, i.e., Phase II. (See, Tr., pp. 24-27; Staff Exhibit Nos. 1, 2 and 3).

15. At going-level, Wardensville is operating at an \$11,480 cash flow deficit. The Staff-recommended Phase I rates will provide a cash flow surplus of approximately \$10,154. At going-level, Wardensville has no long-term debt. The Staff-recommended Phase II rates will provide a cash flow surplus of approximately \$5,408, a renewal and replacement reserve of \$4,833 and a 135.07% debt service coverage ratio. The Phase I rates are needed whether or not the certificate project is built. If the certificate project is built, the Phase II rates will be required. The new debt service requirement is the only material difference between the revenue requirements recommended for

Phases I and II. The project will require that Wardensville pay approximately \$51,667 annually for long-term debt principal and interest. The amount payable to the renewal and replacement fund required by the project loan will reduce the cash flow surplus. Wardensville has a debt service requirement of approximately \$2,711 for short-term debt, but currently has no renewal and replacement fund. (See, Tr., pp. 28-30; Staff Exhibit No. 1).

16. Without the project, Wardensville's rates need to be increased by approximately 21%, which would increase a minimum bill, based on 2,000 gallons usage, from \$13.54 per month to \$16.40 per month, or by \$2.86 per month. Similarly, an average bill based on 4,500 gallons usage would increase from \$22.29 to \$26.98 per month. After the project is built, the rates need to be increased again, i.e., the average bill based on 4,500 gallons would then be \$40.88 per month. Staff opined that the Staff-recommended rates would be sufficient, but not more than sufficient, to provide Wardensville with the revenue it needs to meet its O&M expenses and to cover its debt service. (See, Tr., pp. 30-35; Staff Exhibit Nos. 1, 2 and 3).

17. The Staff-recommended rates are higher than those contained in Wardensville's rate ordinance. The major reasons for this are that Wardensville passed the ordinance prior to knowing the final cost of the project and Wardensville did not consider that it is currently operating at a cash flow deficit of over \$11,000. The Staff-recommended surplus was based upon average plant additions, not the formula the Commission disapproved of in the *Claywood Park* case. (See, Tr., pp. 35-38).

18. Until a year and a half ago, Wardensville's only water source was a spring. This spring failed to keep up with the demand for public water service. Wardensville was not in compliance with the OEHS's requirements. The Phase I project, paid for with interim financing, included drilling one well and installing a pump for that well. The proposed project, designated as Phase II, will make improvements to the existing well and pump; add a second well and pump; add a six-inch water line to connect directly with the spring and the primary water storage tank; add telemetry to the two storage tanks; replace worn-out equipment at the spring house; change the electrical control system; and add radio units to approximately 325 existing water meters. Adding the radio units will substantially cut Wardensville's staff time required to read meters. Several other minor improvements are also included in the project, including the maintenance garage, approximately 20 isolation valves and approximately 10 new fire hydrants. The facilities at the spring were installed over 45 years ago and simply cannot meet the demand now placed on the system. Wardensville's system needs a major overhaul in order to comply with OEHS regulations and the Safe Drinking Water Act. The maintenance garage is needed because Wardensville has no place to store equipment and tools. (See, Tr., pp. 51-56).

19. Wardensville has received and filed the certified bid tabulations. Two of the bids came in under the projected construction cost of approximately \$1,100,000. (See, Tr., 56-57; Wardensville Exhibit No. 5).

20. Some of the new fire hydrants included in the project will be located inside Wardensville's town limits and some will be located outside the town limits. (See, Tr., p. 58).

21. Wardensville's customer base has increased substantially since the 1960s, when the system was started. The system has grown from about 50 customers to around 300 customers. Over the past ten years, at least 100 new customers have been added. The amount of water produced by the spring has remained constant, but the demand from new customers has rendered the spring unable to meet all of the system's demands. Also, the Hardy County Public Service District is a resale customer that serves about 50 customers from the same water source as Wardensville. Once the project is completed, Wardensville's water source will be comprised of one spring and two wells. The approximate one mile of new six-inch line connecting the spring house to the main storage tank will also make it possible to serve six or seven new customers, i.e., the line is not being laid just to serve those customers, but to connect the storage tank to the spring, which will enable Wardensville to increase the available water pressure and volume to the existing lines. (See, Tr., pp. 59-62).

22. In order to meet the demand for water, Wardensville has had to operate its pumps 24 hours per day for at least 24 or 25 days per month, which means that Wardensville has no reserve capacity. If a fire or a major leak occurred, Wardensville's customers would be without water. If Wardensville's tanks were drained, it would take several months to refill the tanks with the current water supply and the current demand. The addition of the first well increased Wardensville's capacity by about 60%. The project will increase Wardensville's pumping capacity from about 80 gallons per minute to about 130 gallons per minute, and the pumping system should no longer have to pump around the clock. Reserve capacity is important to ensure water for customers even during emergencies like a major leak or fire. (Tr., pp. 62-65).

23. Commission Staff testified that, currently, it did not have sufficient information to conclude that Wardensville's CIF either did or did not comply with Commission policy regarding CIFs. (Tr., pp. 112-120).

CONCLUSIONS OF LAW

1. The public convenience and necessity require the proposed project.
2. The proposed financing for the project should be approved.
3. The Staff-recommended Phase I rates for Wardensville are sufficient, but not more than sufficient, to cover Wardensville's going-level O&M expenses and debt service requirement, while providing a proper cash flow surplus based on historical plant additions, and should be approved.
4. The Staff-recommended Phase II rates for Wardensville are sufficient, but not more than sufficient, to support the project and cover Wardensville's O&M expenses and debt service requirement after the project is substantially completed, while providing a proper cash flow surplus based on historical plant additions and the renewal and replacement fund provided for in the project financing, and should be approved.
5. Should the scope, plans or financing for the project change, Wardensville must obtain prior Commission approval before commencing construction. Changes in project costs do not require

separate approval if those changes do not affect rates and Wardensville submits an affidavit from a certified public accountant to this effect.

6. Given that Wardensville's CIF was validly adopted by the Wardensville Town Council and Commission Staff testified that, currently, it did not have sufficient information to conclude that Wardensville's CIF either did or did not comply with current Commission policy, the *status quo* must be maintained with regard to the CIF. Therefore, the CIF must be included in the rates approved herein.

ORDER

IT IS, THEREFORE, ORDERED that the application for a certificate of public convenience and necessity filed with the Commission on April 16, 2008, by the Town of Wardensville pursuant to *West Virginia Code* §24-2-11, to construct improvements to the existing water treatment and distribution system, be, and hereby is, granted.

IT IS FURTHER ORDERED that the proposed financing for the project, comprised of a \$1,550,000 West Virginia Drinking Water Treatment Revolving Fund loan with an interest rate of 0% and an administrative fee of 1% for a term of not more than 30 years be, and hereby is, approved.

IT IS FURTHER ORDERED that the municipal rate ordinance adopted by the Town of Wardensville on February 26, 2008, increasing water rates and charges for service to its customers, be, and hereby is, rejected and set aside.

IT IS FURTHER ORDERED that the rates and charges attached as Appendix A be, and hereby are, approved for all service rendered by the Town of Wardensville on and after 12:01 a.m., December 1, 2008.

IT IS FURTHER ORDERED that, within thirty (30) days of this Recommended Decision becoming final, the Town of Wardensville file an original and at least five (5) copies of a proper tariff setting forth the rates and charges hereby approved for Phase I.

IT IS FURTHER ORDERED that the rates and charges attached as Appendix B be, and hereby are, approved for all service rendered by the Town of Wardensville on and after the date that Wardensville files with the Commission the certificate of substantial completion for the project herein certificated.

IT IS FURTHER ORDERED that, within thirty (30) days of filing the certificate of substantial completion for the project certificated herein, the Town of Wardensville file an original and at least five (5) copies of a proper tariff setting forth the rates and charges hereby approved for Phase II.

IT IS FURTHER ORDERED that, should the scope, plans or financing for the project change, the Town of Wardensville must obtain prior Commission approval before commencing construction.

Changes in project cost do not require separate approval if those changes do not affect rates and Wardensville submits an affidavit from a certified public accountant to this effect.

IT IS FURTHER ORDERED that the Town of Wardensville file with the Commission the certificate of substantial completion for each contract associated with the project as soon as they become available.

IT IS FURTHER ORDERED that, if this project requires the use of Division of Highways' rights-of-way, Wardensville comply with all rules and regulations of the Division of Highways regarding the use of those rights-of-way.

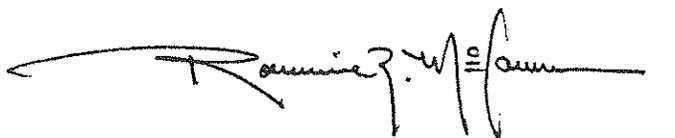
IT IS FURTHER ORDERED that this matter be, and hereby is, removed from the Commission's docket of open cases.

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

Leave hereby is granted to the parties to file written exceptions supported by a brief with the Executive Secretary of the Commission within fifteen (15) days of the date this Recommended Decision 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 Recommended Decision 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 recommended decision by filing an appropriate petition in writing with the Executive Secretary. No such waiver will be effective until approved by order of the Commission, nor shall any such waiver operate to make any Administrative Law Judge's recommended decision the order of the Commission sooner than five (5) days after approval of such waiver by the Commission.



Ronnie Z. McCann
Deputy Chief Administrative Law Judge

RZM:s
080282ad.wpd

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

CASE NO. 08-0282-W-MA

TOWN OF WARDENSVILLE
a municipal utility.

APPROVED RATES

PHASE I

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

Available for general, domestic, commercial and industrial service.

RATE (customers with metered water supply)

First	2,000 gallons used per month	\$8.20 per 1,000 gallons
Next	3,000 gallons used per month	\$4.23 per 1,000 gallons
Next	15,000 gallons used per month	\$3.60 per 1,000 gallons
All over	20,000 gallons used per month	\$3.00 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than \$16.40 per month which is equivalent to 2,000 gallons or

5/8-inch meter	\$ 16.40 per month
3/4-inch meter	\$ 24.60 per month
1- inch meter	\$ 41.00 per month
1-1/2-inch meter	\$ 82.00 per month
2- inch meter	\$131.20 per month
3- inch meter	\$262.40 per month
4- inch meter	\$410.00 per month
6- inch meter	\$820.00 per month

RESALE RATE

All water for resale to Hardy County Public Service District will be billed in accordance with the approved rate of \$2.51 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

The above scheduled is net. On all accounts not paid in full when due, a ten percent (10%) charge will be added to the net current amount unpaid. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$325.00 will be charged to customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the Utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment is returned by their bank due to insufficient funds.

LEAK ADJUSTMENT

\$0.31 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

RECONNECTION - \$20.00

To be charged whenever the supply of water is turned off for violations of rules and regulations, non-payment of bills, or fraudulent use of water.

ADMINISTRATIVE FEE

In the event the utility collects payment in full of a delinquent water bill at the customer's premises in lieu of discontinuance of service for nonpayment, an administrative fee of \$20.00 shall also be collected in addition to the delinquent water bill.

MUNICIPAL EXCISE TAX SURCHARGE

The municipality listed below, having imposed a public utility tax computed on the basis of two percent of revenues from water sales by the Town of Wardensville's water utility within the corporate limits of such municipality, said tax shall be billed as a surcharge to the customers receiving service within said corporate limits.

The water utility is required to collect the utility tax pursuant to West Virginia §8-13-5a.

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates:

Municipality - Town of Wardensville

Surcharge Rate - Two percent (2%) of the gross amount billed

SECURITY DEPOSIT

A deposit of \$50.00 or 2/12ths of the annual usage of the applicant's specific customer class, whichever is greater.

FIRE HYDRANTS; PRIVATE FIRE PROTECTION HOSE CONNECTIONS

Private fire hydrants, each	\$150.00 per hydrant per year, payable annually
Private fire protection	Sprinkler systems shall pay \$150.00 per year, plus \$0.40 per sprinkler head, payable annually.

Hose connections for fire use only	
Simplex or duplex	\$75.00 per year, payable annually

CAPACITY IMPROVEMENT CAPITAL COST FEE

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of \$1,500 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth herein. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment facilities. The usage equivalent for other than single family residential units for the capacity improvement capital cost fee shall be based upon the following residential usage equivalent multiplier:

RESIDENTIAL USAGE EQUIVALENTS FOR CAPACITY IMPROVEMENT CAPITAL COST FEE

<u>UNIT</u>	<u>GALLONS PER DAY</u>	<u>USAGE EQUIVALENT</u>
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (additive)	2/patron	0.013/patron
Tavern-Little or no food	20/seat	0.132/per seat
Hotel	120/room	0.8/per room
Industry, sanitary	15/person/shift	0.1/person per shift

Institutions

Hospital	250/bed	1.67/bed
Nursing Homes	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	0.1/person	15/person
Laundry Self Service	250/washer	1.67/washer
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence

School:

Day, no cafeteria/showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100 ft. of sales area	0.12/100 ft. of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
Theaters	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the Town shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

**PUBLIC SERVICE COMMISSION
OF WEST VIRGINIA
CHARLESTON**

CASE NO. 08-0282-W-MA

TOWN OF WARDENSVILLE
a municipal utility.

APPROVED RATES

PHASE II

APPLICABILITY

Applicable within the entire territory served.

AVAILABILITY OF SERVICE

Available for general, domestic, commercial and industrial service.

RATE (customers with metered water supply)

First	2,000 gallons used per month	\$12.44 per 1,000 gallons
Next	3,000 gallons used per month	\$ 6.40 per 1,000 gallons
Next	15,000 gallons used per month	\$ 5.62 per 1,000 gallons
All over	20,000 gallons used per month	\$ 4.60 per 1,000 gallons

MINIMUM CHARGE

No minimum bill will be rendered for less than \$16.40 per month which is equivalent to 2,000 gallons or

5/8-inch meter	\$ 24.88 per month
3/4-inch meter	\$ 37.32 per month
1- inch meter	\$ 62.20 per month
1-1/2-inch meter	\$ 124.40 per month
2- inch meter	\$ 199.04 per month
3- inch meter	\$ 398.08 per month
4- inch meter	\$ 622.00 per month
6- inch meter	\$1,244.00 per month

RESALE RATE

All water for resale to Hardy County Public Service District will be billed in accordance with the approved rate of \$3.69 per 1,000 gallons used per month.

DELAYED PAYMENT PENALTY

The above scheduled is net. On all accounts not paid in full when due, a ten percent (10%) charge will be added to the net current amount unpaid. This delayed payment penalty is not interest and is only to be collected once for each bill where it is appropriate.

TAP FEE

The following charge is to be made whenever the utility installs a new tap to serve an applicant.

A tap fee of \$325.00 will be charged to customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

RETURNED CHECK CHARGE

A service charge equal to the actual bank fee assessed to the Utility up to a maximum of \$25.00 will be imposed upon any customer whose check for payment is returned by their bank due to insufficient funds.

LEAK ADJUSTMENT

\$0.31 per 1,000 gallons is to be used when the bill reflects unusual consumption which can be attributed to eligible leakage on customer's side of the meter. This rate shall be applied to all such consumption above customer's historical average usage.

RECONNECTION - \$20.00

To be charged whenever the supply of water is turned off for violations of rules and regulations, non-payment of bills, or fraudulent use of water.

ADMINISTRATIVE FEE

In the event the utility collects payment in full of a delinquent water bill at the customer's premises in lieu of discontinuance of service for nonpayment, an administrative fee of \$20.00 shall also be collected in addition to the delinquent water bill.

MUNICIPAL EXCISE TAX SURCHARGE

The municipality listed below, having imposed a public utility tax computed on the basis of two percent of revenues from water sales by the Town of Wardensville's water utility within the corporate limits of such municipality, said tax shall be billed as a surcharge to the customers receiving service within said corporate limits.

The water utility is required to collect the utility tax pursuant to West Virginia §8-13-5a.

Customers receiving water service within the corporate limits of the specified municipality shall pay a surcharge based on the following surcharge rates:

Municipality - Town of Wardensville

Surcharge Rate - Two percent (2%) of the gross amount billed

SECURITY DEPOSIT

A deposit of \$50.00 or 2/12ths of the annual usage of the applicant's specific customer class, whichever is greater.

FIRE HYDRANTS; PRIVATE FIRE PROTECTION HOSE CONNECTIONS

Private fire hydrants, each	\$150.00 per hydrant per year, payable annually
Private fire protection	Sprinkler systems shall pay \$150.00 per year, plus \$0.40 per sprinkler head, payable annually.

Hose connections for fire use only	
Simplex or duplex	\$75.00 per year, payable annually

CAPACITY IMPROVEMENT CAPITAL COST FEE

In addition to all the fees provided above, there shall be paid to the City at the time the application is made for connection of an unserved facility to the water system a capacity improvement capital cost fee of \$1,500 for each residential connection. Connections for non-residential use shall be paid in accordance with a residential usage equivalent schedule set forth herein. The funds collected from the capacity improvement capital cost fee shall be maintained in a separate fund by the Water System and shall be used only for the purpose of improving the water system treatment facilities. The usage equivalent for other than single family residential units for the capacity improvement capital cost fee shall be based upon the following residential usage equivalent multiplier:

RESIDENTIAL USAGE EQUIVALENTS FOR CAPACITY IMPROVEMENT CAPITAL COST FEE

<u>UNIT</u>	<u>GALLONS PER DAY</u>	<u>USAGE EQUIVALENT</u>
Apartments	150/unit	1.0/unit
Bowling Alleys	200/alley	1.33/alley
Churches with kitchen	8/member	0.05/member
Churches w/o kitchen	2/member	0.013/member
Food Service	32/seat	0.213/seat
Fast Food Restaurant	35/seat	0.23/seat
Bar & Cocktail Lounge (additive)	2/patron	0.013/patron
Tavern-Little or no food	20/seat	0.132/per seat
Hotel	120/room	0.8/per room
Industry, sanitary	15/person/shift	0.1/person per shift

Institutions

Hospital	250/bed	1.67/bed
Nursing Homes	150/bed	1.0/bed
Others	75/person	0.5/person
Office Buildings	0.1/person	15/person
Laundry Self Service	250/washer	1.67/washer
Motels	120/room	0.8/room
Retail Stores	400/toilet room	2.67/toilet room
Residence	150/residence	1.0/residence

School:

Day, no cafeteria/showers	15/pupil	0.1/pupil
Day with cafeteria	18/pupil	0.12/pupil
Day with cafeteria/showers	20/pupil	0.133/pupil
Boarding	75/pupil	0.5/pupil
Service Station	500/set of pumps	3.33/set of pumps
Shopping Centers	16/100 ft. of sales area	0.12/100 ft. of sales area
Swimming Pools	10/swimmer design capacity	0.067/swimmer design capacity
Theaters	3/seat	0.02/seat
Warehouse	15/employee	0.1/employee

If a unit does not appear on this schedule the Town shall determine its Residential Usage Equivalent in consultation with its consulting engineer.

**WARDENSVILLE TOWN CODE
AMENDMENT 08-01**

AN ORDINANCE ESTABLISHING AND FIXING NEW RATES, FEES, AND CHARGES FOR SERVICE FOR CONSUMERS OF THE WATER SYSTEM OF THE TOWN OF WARDENSVILLE.

WHEREAS, the Town of Wardensville owns and operates a municipal water system, and

WHEREAS, a review of system operation and income have determined that the present rates are insufficient to cover the expenses of the general operation of the Wardensville water system; and

WHEREAS, such expenses shall include payment on a 30-year, 1% note from the W.Va. Infrastructure and Jobs Development Council for \$1,075,000 to pay for a series of projects that would increase the capacity and make critical and necessary repairs and upgrades to the of the Town water treatment facility and transmission system; and

WHEREAS, the Town Council desires to establish rates for the system which are just, reasonable, applied without unjust discrimination or preferences, and based primarily on the cost of providing these services, and

WHEREAS, the current rates and minimum charge for the system are inadequate for the aforesaid purpose, and an across-the board rate increase of sixty-two percent (62%) would be sufficient to maintain safe operations.

NOW, THEREFORE, THE TOWN OF WARDENSVILLE HEREBY ORDAINS:

An act to amend Title 9, Chapter Seven of the Wardensville Town Code to provide for the following schedule of rates to be charged to users of the water system of the Town of Wardensville through the entire territory served.

BE IT ENACTED BY THE TOWN OF WARDENSVILLE, A MUNICIPAL CORPORATION:

That Title 9, Chapter Seven of the Wardensville Town Code, 1970, as amended, be amended as follows:

Section 1. Rates for service. It is accordingly adjudged to be necessary that the following rates be enacted by the Town of Wardensville and that same be charged for the furnishing of water services to customers in and near Wardensville, in the County of Hardy:

Applicability: Applicable within the entire territory served.

Availability of Service. Available for general domestic, commercial and industrial service.

Rate:

First 2,000 gallons used per month:	\$10.97 per 1,000 gallons
Next 3,000 gallons used per month:	5.67 per 1,000 gallons
Next 15,000 gallons used per month:	4.86 per 1,000 gallons
All over 20,000 gallons used per month:	4.13 per 1,000 gallons

Minimum Charge. No bill shall be rendered for less than the following amounts, according to size of the meter installed, to-wit:

5/8-inch meter	\$21.93 per month
3/4-inch meter	32.97 per month
1-inch meter	54.84 per month
1-1/2 inch meter	109.67 per month
2 inch meter	175.53 per month
3-inch meter	329.02 per month
4-inch meter	548.37 per month
6-inch meter	1,096.74 per month

Resale Rate: \$3.03 per 1,000 gallons

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W VA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

Security Deposit: \$50.00

Tap Fee: The following charges are to be made whenever the utility installs a new tap to serve an applicant. The following charges will be charged to all customers who apply for service outside of a certificate proceeding before the Commission for each new tap to the system.

5/8-inch meter	\$550.00
3/4-inch to 1-1/2-inch meter	\$775.00
2-inch meter and larger	\$1,000.00

Fees for Disconnection and Reconnection of Service:

Disconnection Fee:	\$20.00
Reconnection Fee:	\$20.00
Administrative Fee:	\$20.00 *

* This fee is applicable when an employee is dispatched to said premises to execute a termination request but does not actually terminate water service because the customer or other responsible party delivers payment to the full amount of the delinquent bill(s).

Section 2. Effective date. This ordinance shall become effective on all bills rendered after April 25, 2008.

Section 3. Notice and public hearing. Upon initial adoption hereof, the Recorder shall make this ordinance available for public inspection and publish an announcement of a public hearing as a Class II-0 legal advertisement once a week for two successive weeks within a period of fourteen (14) consecutive days, with at least six (6) full days intervening between each publication in the Moorefield Examiner, being the only newspaper published and of general circulation in the Town and of the County of Hardy.

Passed [] failed on first reading, February 5, 2008.

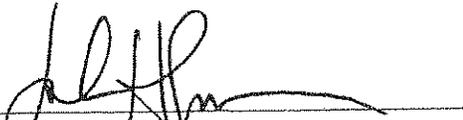
	FOR	AGAINST	ABSTAIN	ABSENT
J. Brandon Bowman, Councilor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
John Bowman, Councilor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Michael Funkhouser, Councilor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Pappas, Councilor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester Tharp, Councilor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
John Sayers, Recorder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tracey S. Miller, Mayor (if tie)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

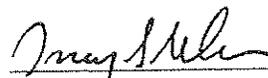
Passed [] failed on second reading, March 4, 2008.

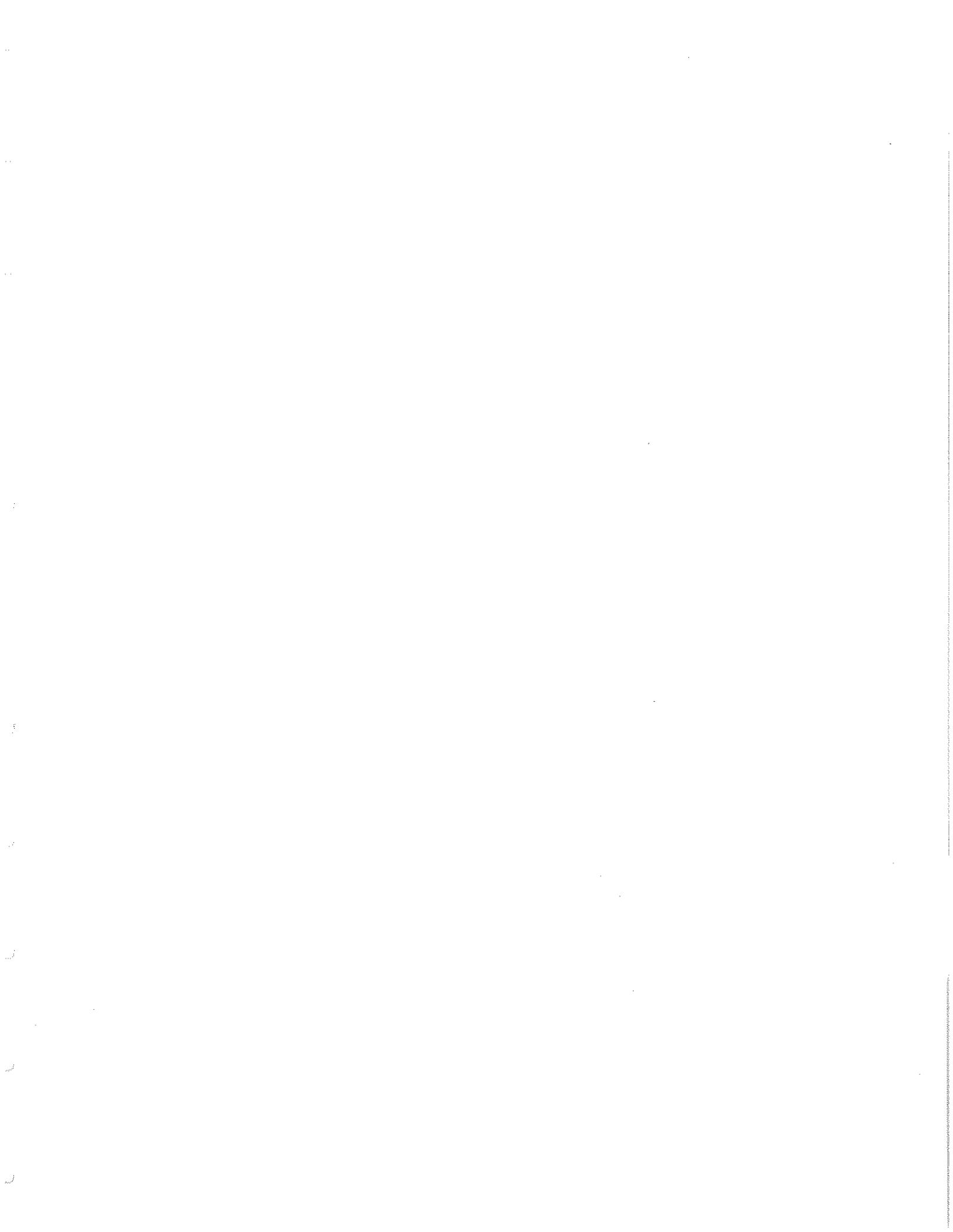
	FOR	AGAINST	ABSTAIN	ABSENT
J. Brandon Bowman, Councilor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
John Bowman, Councilor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Michael Funkhouser, Councilor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Pappas, Councilor	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester Tharp, Councilor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
John Sayers, Recorder	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Tracey S. Miller, Mayor (if tie)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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 W VA PUBLIC SERVICE
 COMMISSION
 SECRETARY'S OFFICE

The undersigned Mayor of the Town of Wardensville does hereby certify that the foregoing Amendment was adopted by a majority of Council at first reading on February 5, 2008; and on second reading, March 4, 2008.


 ATTEST: John H. Sayers
 Recorder, Town of Wardensville


 Tracey S. Miller
 Mayor, Town of Wardensville



AFFIDAVIT OF PUBLICATION

Cost of Publication \$83.40

State of West Virginia
County of Hardy, to wit:

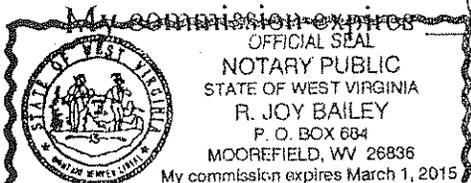
I, Phoebe Fisher Heishman, being first sworn upon my oath, do depose and say that I am President of the R. E. Fisher Company, a corporation, and publisher of the newspaper entitled THE MOOREFIELD EXAMINER, a Democratic newspaper; that I have been duly authorized by the Board of Directors of such corporation to execute all affidavits of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published twice weekly on Wednesdays and Saturdays, for at least fifty weeks during a calendar year, in the municipality of Moorefield, Hardy County, West Virginia; that such newspaper is a newspaper of "general circulation," as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended, within the publication area or areas of aforesaid municipality and county; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price or consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial and social nature, and for current happenings, announcements, miscellaneous reading matters, that the annexed

notice of Public Notice - Increase in water rates

was duly published in said newspaper once a week for 2 successive weeks, commencing with the issue of 13 day of February 2008, and ending with the issue of the 20 day of February 2008, (and was posted at the n/a on the _____ day of _____, 20____.

/s/ Phoebe Fisher Heishman
Phoebe Fisher Heishman, Publisher
The Moorefield Examiner

Taken, subscribed and sworn to before me in my said county this 20th day of February, 2008.



March 1, 2015

/s/ R. Joy Bailey
Notary Public of Hardy County, WV



MINUTES
TOWN COUNCIL
MUNICIPALITY OF WARDENSVILLE
HARDY COUNTY, WEST VIRGINIA
February 5, 2008

The regular meeting of Wardensville Town Council was called to order by Mayor Scotty Miller at 6:30 p.m. on Tuesday, February 5, 2008, in the Wardensville Visitor and Conference Center. (*NOTE: The regular meeting scheduled for January 8 was canceled due to anticipated lack of quorum.*) Present were Recorder John Sayers, Councilors J. Brandon Bowman, John Bowman, Michael Funkhouser, and Mark Pappas. Absent was Councilor Chester Tharp. Also present were Office Manager Jody Sayres, Chief Jeff Driskill, Office Assistant Nancy Moser, Public Works Operator Brad Dyer, Fred Hypes of Dunn Engineers, and John Daniels of NMS Productions.

Consent Agenda. Councilor John Bowman moved to approve the February 5 Consent Agenda. (Councilor Funkhouser seconded.) Motion passed, five yeas. Consent agenda items:

- Approve Office, Project, Police, and Public Works reports (December and January)
- Approve contract with R.D. Zande & Associates for Continuity of Operations Plan (COOP)
- Approve contract with Terrell Ellis & Associates for new Town Hall fundraising work
- Resolution 08-01: Approve payment to various vendors (Water Project)

Water and Sewer Projects. Mr. Hypes presented a thorough presentation on the major water and sewer projects that the Public Works department has been planning over the past few months, including a package of improvements to the water utility to upgrade and modernize the 40-year old water system, and increase pumping and system capacity; and a strengthening of the sewer lagoon to resist flood events. Council thanked Mr. Hypes for his fine work and that of his firm, Dunn Engineers.

Request to Rent Gym for Rock Concert. Mr. Daniels and NMS Productions discussed their request to hold a multi-band rock concert on Feb 16 in the Community Center gym. After a thorough review and report by Chief Driskill on the impact of such an event on the facility and our ability to manage any issues arising, Councilor Funkhouser moved to approve Mr. Daniels' application. (Councilor John Bowman seconded.) Motion passed, five yeas. Based on lessons learned in Chief Driskill's assessment, Councilor Brandon Bowman will work with the Community Center Board to recommend impact fees and security deposit charges for future large-scale for-profit public events at the Center.

Mayor's Report. Mayor Miller reported that Shelley Moore Capito met with Council on the morning of Jan. 19 to discuss needs of the community. He shared a report of "Recent Accomplishments and Needs" prepared for Rep. Capito's visit. He also reported an excellent crowd for the Open House at the Visitor Center held that same day.

The Mayor expressed concern at the large amount of business facing Council in the coming months. At his request, Councilor Funkhouser moved to hold at least one additional (special) meeting of Council in the months of February, March, April, May and June. (Councilor John Bowman seconded.) Motion passed, five yeas. The Recorder will schedule special meetings for Feb. 26, March 18, April 15, May 20, and June 13, all at 6:30 p.m. All but the last is a Tuesday, with the last on a Friday to canvass the June 10 election, as required by law.

Recorder's Report. Recorder Sayers asked Council to approve two Ballot Commissioners for the 2008 election. Councilor Pappas moved to approve Gina Driskill and Susan Rhoades as Ballot Commissioners. (Councilor Brandon Bowman seconded.) Motion passed, five yeas.

Due to the late hour, departmental reports and all old business were carried over until the next meeting.

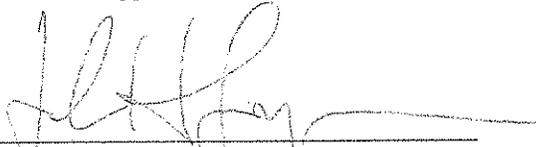
New Business. Council agreed to take up the following pressing items of new business. Councilor John Bowman moved to consent to the request of Valley Development Group to renew its water/sewer capacity letter for the Capon Crossing project through February 2009. (Councilor Funkhouser seconded.) Motion passed, five yeas.

Councilor Funkhouser moved to accept the low complete-package bid of Bryco Bore and Pipe for Phase 2 of the Sidewalk and Streetscape Enhancement Project (SSE) for Base Contract A&B and all four additives, for a total of \$287,500. (Councilor Brandon Bowman seconded.) Motion passed, five yeas. Work will begin in the spring.

Recorder Sayers offered Amendment 08-01, *Water Rate Increase* and Amendment 08-02, *New Sewer Fees*. The water rate increase, projected at 83% would pay for the \$1.55 million/30 year/1% loan that has been awarded for the water projects. However, if we reduced some of the project scope and only borrowed \$1.075 million, the increase could be reduced to 62%. It is a painful hike, but would still only result in a 25% overall increase in water/sewer bills, and is the cheapest project money available at this time. Recorder Sayers moved to adopt Amendment 08-01 and 08-02 on first reading. (Councilor Funkhouser seconded.) Motion passed, five yeas. A public hearing and second reading on the amendment was scheduled for the special meeting of February 26. Mayor Miller directed the Recorder to publish a newsletter with the project description and complete justification for the increase prior to the hearing. ✓

Recorder Sayers moved to adjourn into an executive session to discuss matters of personnel. (Councilor Pappas seconded.) Motion passed, five yeas. At 8:45 p.m., Mayor Miller convened an executive session of Council. The session was adjourned at 9:10 p.m., after which the Mayor reconvened the regular meeting of Council.

The next regular meeting of Council will be held on Tuesday, March 4, 2008, at 6:30 p.m. in the conference room of the Wardensville Visitor and Conference Center. A special meeting will be held on Tuesday, February 26 for a hearing on the water rate increase and sewer fee changes. Council adjourned at 9:15 p.m. upon the motion of Councilor Pappas.



ATTEST: John H. Sayers, Recorder



Tracey S. Miller, Mayor

MINUTES
TOWN COUNCIL
MUNICIPALITY OF WARDENSVILLE
HARDY COUNTY, WEST VIRGINIA
February 26, 2008

A special meeting of Wardensville Town Council was called to order by Mayor Scotty Miller at 6:30 p.m. on Tuesday, February 26, 2008, in the Wardensville Visitor and Conference Center. Present were Recorder John Sayers, Councilors J. Brandon Bowman, John Bowman, Michael Funkhouser, and Mark Pappas. Absent was Councilor Chester Tharp. Also present were Office Manager Jody Sayres, Office Assistant Nancy Moser, Public Works Operator Brad Dyer, Fred Hypes of Dunn Engineers, and guests Steve Bosley, Doug Coffman, Sue Coffman, Jean Flanagan (Moorefield Examiner), Red Funkhouser, Irwin & Ann Heishman, Robert Kerr Sr., Mark Malcolm, Jackie Markley, Richard & Ruth Markley, Bob Meinhardt, Fred Moser, Donnie Miller, Pam Miller, Clark Richard, Basil & Jill Rogers, Nina Rudy, Connie Sherman (Hardy County PSD), Jackie & Allen Shoemaker, Debbi Summerfield, Kenny Wright, and others. The purpose of the special meeting was to conduct hearings on the 62% water increase and the new incidental sewer fees, and to take up agenda items remaining from the Feb. 5 regular meeting.

Public Hearings: Council conducted second readings and public hearings on Amendments 08-01, *Water Rate Increase* and 08-02 *Sewer Fee Changes*. Mr. Hypes of Dunn Engineers described the set of water projects that have been planned that will upgrade and modernize the 40-year old water system, and increase pumping and system capacity. The Recorder read both ordinances; 08-01 would increase water rates as follows: residential, commercial and industrial customers, 62%; resale customers, 45%. 08-02 would make changes to minor fees in the sewer utility, increasing the security deposit for new customers to \$50, and adding a set of disconnection and reconnection fees.

Mayor Miller opened the hearing. Recorder Sayers observed that the W.Va. Infrastructure, Jobs and Development Council has guaranteed a loan of \$1,550,000 for these projects; however, Council decided that the 82% water rate hike to secure the entire loan amount was too steep, and that the project scope would be scaled back to \$1,075,000. Also, he observed that the reason for the rate and the projects were described fully in a newsletter, "Talk of the Town" that went out to customers and in an article in the Moorefield Examiner.

Mr. Rogers asked for a definition of the resale rate, and why it was less. ("Resale" rate is that extended to other utilities to resell water, and the increase was less because it costs less to provide this bulk water to resale customers than it does to retail customers.) Mr. Markley asked for clarification on the service line from Warden Acres to Marvin Chapel, a project not of the Town but of the Hardy County Public Service District. Mrs. Rogers suggested there was a quality with smell and taste of the water, which the Water Department will look into.

Mr. Meinhardt spoke against the increase and questioned the pricing of the projects, which was estimated by Dunn Engineers, which has done these projects throughout the state. Mr. Coffman also spoke against the increase and asked how selling water to the HCPSD helped the Town utility. Council noted that additional customers always helps the utility, and that the Town is compelled by state law to sell water to other utilities if that water is available. Mr. Heishman asked about the schedule on the project, and suggested that a second water-only meter might be made available to customers for certain water-only purposes (gardening, agriculture, etc.)

Ms. Summerfield asked about the project expected start date, and complained that the continuing leak at the Warden Acres tank had been going through her yard for two years. (Mr. Hypes explained that repair on that broken valve is impossible until the project is approved and funded.) Mrs. Ruth Markley asked about the rate increases over the years quoted in the Town newsletter. (The Recorder explained his error, that those were the rates requested by the Town; the state Public Service Commission, as result of rate protest, actually increased most of those rate increases higher than the Town had requested.) She also asked about a customer who was filling a tank for resale in Warden Acres. (The Town has just recently stopped the practice of selling bulk water to water-truckers until it can provide a reliable, metered location from them to fill from.)

Mr. Richard spoke against the increase and complained of occasionally cloudy water. He asked how far down the road the projects will take the water system and capacity. Mr. Malcolm asked for a rebate or discount for customers 62+ years old. (While this is prohibited by state law, adjustments can be made in the minimum rate that would benefit smaller users, such as seniors. Council will look into this.) He asked if new subdivisions pay for their own lines. (Yes, in lieu of tap fees, they install under the supervision of Town Public Works staff.. They then turn the completed lines over to the Town. However, each home is still assessed the Capacity Improvement Fees for both water and sewer.) He complimented Council's work and stressed the need for the community to work together.

Mr. Kerr asked about the new fire hydrant, noting that these were supposed to go in years ago on Sandfield Road, and were not installed because that section of Town would not be annexed. (Council plans to install these hydrants now, annexation or not, so long as there is enough funds in the overall project plan.)

At the close of the hearing, Councilor John Bowman reminded the public that Council and Town Staff pay the same rates as everyone else, and do not profit from their service to the community. Mayor Miller thanked everyone for their valuable input. Recorder Sayers moved to pass both ordinances upon second and final reading. (Councilor Funkhouser seconded.) The amendment was adopted, five yeas.

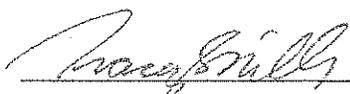
Recorder Sayers moved to adjourn into an executive session to discuss three matters of personnel (current investigation, leave of absence, and pay adjustment). (Councilor Funkhouser seconded.) Motion passed, five yeas. At 8 p.m., Mayor Miller convened an executive session of Council. The session was adjourned at 8:45 p.m., after which the Mayor reconvened the regular meeting of Council.

Unfinished Business. No bids were received for the blue pickup truck, and there has been interest in the two empty gas tanks behind the cafeteria. Recorder Sayers moved to rebid the pickup truck with a minimum bid of \$500, and to bid the gas tanks with a minimum bid of \$175. (Councilor John Bowman seconded.) Motion passed, five yeas.

New Business. Council considered a request by Michael Beidler regarding storage and display of a piano at the Visitor Center. The upright Steinway was apparently purchased to accompany silent films in the top floor at 157 West Main Street, the former Odd Fellow's Hall. Council agreed that if Mr. Beidler were present the piano as a gift to the community (and move it to the Visitor Center), we would accept it. However, the Town was not interested in storing the piano on a temporary basis and, as he had requested, provide insurance on the piano for the storage period. Council postponed other scheduled business for the regular March 4 meeting the following week.

The next regular meeting of Council will be held on Tuesday, March 4, at 6:30 p.m. in the conference room of the Wardensville Visitor and Conference Center. Council adjourned at 9 p.m. upon the motion of Councilor Pappas.


ATTEST: John H. Sayers, Recorder


Tracey S. Miller, Mayor

AFFIDAVIT OF PUBLICATON

Cost of Publication \$104.25

State of West Virginia
County of Hardy, to wit:

I, Phoebe Fisher Heishman, being first sworn upon my oath, do depose and say that I am President of the R. E. Fisher Company, a corporation, and publisher of the newspaper entitled THE MOOREFIELD EXAMINER, a Democratic newspaper; that I have been duly authorized by the Board of Directors of such corporation to execute all affidavits of publication; that such newspaper has been published for more than one year prior to publication of the annexed notice described below; that such newspaper is regularly published twice weekly on Wednesdays and Saturdays, for at least fifty weeks during a calendar year, in the municipality of Moorefield, Hardy County, West Virginia; that such newspaper is a newspaper of "general circulation," as that term is defined in article three, chapter fifty-nine of the Code of West Virginia, 1931, as amended within the publication area or areas of aforesaid municipality and county; that such newspaper averages in length four or more pages, exclusive of any cover, per issue; that such newspaper is circulated to the general public at a definite price or consideration; that such newspaper is a newspaper to which the general public resorts for passing events of a political, religious, commercial, and social nature, and for current happenings, announcements, miscellaneous reading matters, that the annexed

notice of Public Hearing -Town of Wardensville

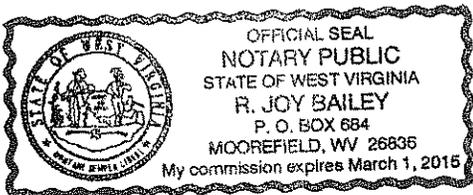
was duly published in said newspaper once a week for 2 successive weeks, commencing with the issue of 19 day of November 20 08, and ending with the issue of the 26 day of November 2008, (and was posted at the n/a on the day of , 20 .

/s/ Phoebe Fisher Heishman
Phoebe Fisher Heishman, Publisher
The Moorefield Examiner

Taken, subscribed and sworn to before me in my said county this 26th day of November, 2008.

My commission expires March 1, 2015

/s/ R. Joy Bailey
Notary Public of Hardy County, WV



**NOTICE OF PUBLIC HEARING ON
THE TOWN OF WARDENSVILLE
BOND ORDINANCE**

A public hearing will be held on the following-entitled Ordinance at a regular meeting of the Council of the Town of Wardensville (the "Town") to be held on Tuesday, December 2, 2008, at 6:30 p.m. at the Town Hall, Wardensville, West Virginia, and at such hearing any person interested may appear before the Town and present protests, and all protests and suggestions shall be heard by the Town and it shall then take such actions as it shall deem proper in the premises upon an Ordinance entitled:

**TOWN OF WARDENSVILLE
ORDINANCE AUTHORIZING THE PAYMENT OF THE WATERWORKS SYSTEM BOND ANTICIPATION NOTE, SERIES 2007 AND THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE TOWN OF WARDENSVILLE AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF WARDENSVILLE OF NOT MORE THAN \$1,750,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA DWTRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.**

The above-quoted title of the Ordinance describes generally the contents thereof and the purposes of the Bonds contemplated thereby. The Town contemplates the issuance of the Bonds described in the Ordinance. The proceeds of the Bonds will be used (i) to pay the Issuer's Waterworks System Bond Anticipation Note, Series 2007 (the "Prior Notes"); (ii) to pay a portion of the costs of acquisition and construction of certain additions, betterments and improvements to the existing public waterworks system of the Issuer (the "Project"); and (iii) to pay certain costs of issuance of the Bonds and related costs. The Bonds are payable solely from revenues to be derived from the ownership and operation of the system of the Town. No taxes may at any time be levied for the payment of the Bonds or the interest thereon.

The above-entitled Ordinance was adopted by the Council of the Town of Wardensville on November 3, 2008. A certified copy of the above-entitled Ordinance is on file with the Town for review by interested parties during regular office hours.

Following the public hearing, the Town intends to enact the Ordinance upon final reading.

/s/ Tracey S. Miller
Mayor

11/19, 11/26 2c

TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

EXCERPT OF MINUTES ON ADOPTION OF BOND ORDINANCE,
SUPPLEMENTAL RESOLUTION AND SWEEP RESOLUTION

The undersigned RECORDER of the Town of Wardensville hereby certifies that the following is a true and correct excerpt of the minutes of a regular meeting of the said Town Council:

The Town Council of the Town of Wardensville met in regular session, pursuant to notice duly posted, on the 2nd day of December, 2008, in Hardy County, West Virginia, at the hour of 6:30 p.m.

PRESENT:	Tracey S. Miller	-	Mayor
	John Sayers	-	Recorder
	John Bowman	-	Councilmember
	Michael Funkhouser	-	Councilmember
	Chester R. Tharp	-	Councilmember
	Mark Pappas	-	Councilmember
	J. Brandon Bowman	-	Councilmember

Tracey S. Miller, Mayor, presided, and John Sayers, acted as Recorder. The Mayor announced that a quorum of members was present and that the meeting was open for any business properly before it.

Thereupon, the Mayor presented a proposed Bond Ordinance in writing entitled:

ORDINANCE AUTHORIZING THE PAYMENT OF THE WATERWORKS SYSTEM BOND ANTICIPATION NOTE, SERIES 2007 AND THE ACQUISITION AND CONSTRUCTION OF ADDITIONS, BETTERMENTS AND IMPROVEMENTS TO THE EXISTING PUBLIC WATERWORKS SYSTEM OF THE TOWN OF WARDENSVILLE AND THE FINANCING OF THE COST, NOT OTHERWISE PROVIDED, THEREOF THROUGH THE ISSUANCE BY THE TOWN OF WARDENSVILLE OF NOT MORE THAN \$1,750,000 IN AGGREGATE PRINCIPAL AMOUNT OF WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA DWTRF PROGRAM); PROVIDING FOR THE RIGHTS AND REMEDIES OF

AND SECURITY FOR THE REGISTERED OWNERS OF SUCH BONDS; AUTHORIZING EXECUTION AND DELIVERY OF ALL DOCUMENTS RELATING TO THE ISSUANCE OF SUCH BONDS; APPROVING, RATIFYING AND CONFIRMING A LOAN AGREEMENT RELATING TO SUCH BONDS; AUTHORIZING THE SALE AND PROVIDING FOR THE TERMS AND PROVISIONS OF SUCH BONDS AND ADOPTING OTHER PROVISIONS RELATING THERETO.

and caused the same to be read and there was discussion. Thereupon, on motion duly made by Michael Funkhouser and seconded by J. Brandon Bowman, it was unanimously ordered that the said Bond Ordinance be adopted and be in full force and effect on and from the date hereof.

Thereupon, the Mayor then presented a proposed Supplemental Resolution in writing entitled:

SUPPLEMENTAL RESOLUTION PROVIDING AS TO PRINCIPAL AMOUNT, DATE, MATURITY DATE, REDEMPTION PROVISION, INTEREST RATE, INTEREST AND PRINCIPAL PAYMENT DATES, SALE PRICE AND OTHER TERMS OF THE WATER REVENUE BONDS, SERIES 2008 A (WEST VIRGINIA DWTRF PROGRAM), OF THE TOWN OF WARDENSVILLE; APPROVING AND RATIFYING THE LOAN AGREEMENT RELATING TO SUCH BONDS AND THE SALE AND DELIVERY OF SUCH BONDS TO THE WEST VIRGINIA WATER DEVELOPMENT AUTHORITY; DESIGNATING A REGISTRAR, PAYING AGENT AND DEPOSITORY BANK; CHANGING THE SERIES DESIGNATION; AND MAKING OTHER PROVISIONS AS TO THE BONDS.

and caused the same to be read and there was discussion. Thereupon, upon motion duly made by Mark Pappas and seconded by J. Brandon Bowman, it was unanimously ordered that the said Supplemental Resolution be adopted and be in full force and effect on and from the date hereof.

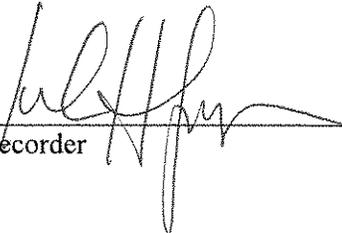
Next, the Mayor presented a proposed Sweep Resolution for the authorization of electronic monthly debt service and reserve fund payments to the Municipal Bond Commission. Thereupon, on motion duly made by Michael Funkhouser and seconded by J. Brandon Bowman, it was unanimously ordered that the said Sweep Resolution be adopted.

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 the Town of Wardensville 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 10th day of December, 2008.


Recorder

11.25.08
940540.00002

MINUTES
TOWN COUNCIL
MUNICIPALITY OF WARDENSVILLE
HARDY COUNTY, WEST VIRGINIA
October 7, 2008

The regular meeting of Wardensville Town Council was called to order by at 6:30 p.m. by Mayor Scotty Miller on Tuesday, October 7, 2008, in the Wardensville Visitor and Conference Center. Present were Recorder John Sayers, Councilors John Bowman, Michael Funkhouser (late), and Mark Pappas. Absent were Councilors J. Brandon Bowman and Chester Tharp. Also present were Office Manager Jody Sayres, Police Chief Jeff Driskill, Public Works Superintendent Brad Dyer, Police Officer Rick Burrows (late), Pool Manager Tevya Weatherholtz and guests Jack Booth, Jean Flanagan (Moorefield Examiner), Red Funkhouser, Amy Owen and Amy Pancake.

Consent Agenda. Councilor John Bowman moved to approve the October 7 Consent Agenda. (Councilor Pappas seconded.) Motion passed, three yeas. Consent agenda items:

- Approve Minutes of September 2 Meeting
- Approve Financial Report of August 2008
- Approve Office, Police, Projects and Public Works Reports

Hardy County Community Foundation. Amy Pancake (HCCF executive director) and Amy Owen (executive director of the Eastern W.Va. Community Foundation) presented information on community foundations in general, as well as the work of the brand-new Hardy County Foundation. Recorder Sayers has been promoting the idea of such a community foundation for some time to give assistance to the community assets such as the Town Park, Community Center and Library. The Town currently manages an endowment for the Park that has been raised over the years by volunteers, including Park Board chair Red Funkhouser. Council has never been entirely comfortable managing an endowment fund, and Recorder Sayers suggested that the fund could be held and managed by the new foundation, with all income proceeds still going to the Park Operations fund. Council will consider the matter and discuss it with Chairman Funkhouser at an upcoming meeting.

Pool Report. Pool Manager Tevya Weatherholz reported on this year's pool season. She suggested some necessary repairs and hoped that she could expand some of the programming (including lessons) for next year's season. Council thanked her for her stewardship.

Recorder's Report: Recorder Sayers passed out copies of the Independent Audit for the Town for the fiscal year ending June 30, 2007, and observed that Teed and Associates gave the Town a clean financial bill of health.

He introduced Pat Ford, longtime planning consultant for the Town and now Special Projects Coordinator for the water and sewer projects. At the Recorder's request, Councilor Bowman moved to name Mr. Ford to the post of Assistant Zoning Enforcement Officer for the Town. (Councilor Pappas seconded.) Motion passed, three yeas.

The Public Service Commission hearing of Sept. 11 on the water project and new rate went reasonably well. The PSC staff recommended a two-part increase, one to take effect immediately and one upon the completion of construction on the project, which they found to be viable. The only matter of contention was PSC staff desire to remove the Town's water capacity fee, which assesses an extra charge to developers when installing new systems for the purpose of increasing capacity. This part of the case will be separated out and argued separately, to avoid delays in the construction project.

Miss Marlene See of See's Motel wrote to express her gratitude to Council for recent business. Council directed staff to begin plans for the annual employee dinner in January.

Planning & Special Projects. Final details on the sidewalk/parking project are being finalized, with several corrections having already been made. Council reviewed correspondence between local Division of Highways and the Town regarding responsibility for drainage issues, which are, for the most part, the State's. Chief Driskill showed drafts of the electronic sign for the front of the complex. Mr. Ford reported that federal and state authorities have revised flood plain maps and will require changes to our local ordinance, which he will coordinate.

The winning bid for the Water Projects was submitted by Snyder Environmental Services of Kearneysville, W.Va. (\$1,110,789), and Dunn Engineers has been working to make reductions in the cost of the overall project. Finally, Mr. Ford is working with the Planning Commission on the nuisance property ordinance requested by Council earlier this year.

Police & Public Safety. Chief Driskill reported that Officer Burrows has started full-time work, been trained in NIMS protocols and has been doing well in becoming familiar with the community and generating new ideas. He reported the receipt of a grant from the US Army for a wireless surveillance system. Other grants and projects are still pending. Halloween hours were set at 6-8 p.m. on Friday, Oct. 31.

Public Works. Mr. Dyer reported being very busy over the past month in several areas, including work on the Warden Acres lift station, repair of a leak at Laurel Street, winterizing the pool and drilling new flagpole mounts in the new sidewalks (not a small job, with 54 to do).

Amendment 08-03: Water Revenue Bonds Series 2008 A. Recorder Sayers introduced this new ordinance, which is required in order for the Town to accept the \$1,550,000 loan for the major water project. The bond ordinance will have three readings: tonight and at the Council meetings for November and December, with the final reading being a public hearing. Councilor John Bowman moved to waive the full reading of the full ordinance. (Councilor Funkhouser seconded.) Motion passed, four yeas. Councilor Funkhouser moved to approve the amendment on first reading. (Councilor John Bowman seconded.) Motion passed, four yeas.

Community Center Request. Councilor Funkhouser moved to approve the request of the Christian rock band "Explicit Faith" to rent the Community Center Gym for the day of Saturday, December 6, 2008. The group will be charged the \$125 fee in addition to a refundable security deposit of \$75. (Councilor Pappas seconded.) Motion passed, four yeas. Also, the Community Center meeting scheduled for Sunday, Oct. 19, has been cancelled.

Library Board. Suzanne Whitson has resigned from the Library Board for health reasons, and has recommended Mrs. Carolyn Lyndaker, who will be approached.

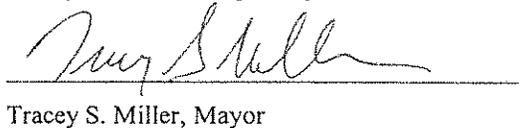
November Council Meeting. Due to Election Day November 4 and Veterans Day November 11, Recorder Sayers moved to reschedule November Council to Monday, November 3. (Councilor Pappas seconded.) Motion passed, four yeas.

Pharmacy/Fitness Center Ramp Update. Council asked Recorder Sayers and Chief Driskill on the status of the approval of the handicapped ramp exiting the Community Center building for the planned Fitness Center. Apparently Mrs. Lisa Whetzel of the Pharmacy has complained that the Town is dragging its feet on the matter. Recorder Sayers reported that Mrs. Whetzel has yet to provide an acceptable measured drawing of the ramp that complies with the legal specifications for such a ramp, as have been provided to her by Chief Driskill. Council agreed that such an addition could not be made to a publicly-owned structure without being in full ADA compliance. The Chief will continue to work with Mrs. Whetzel.

The next regular meeting of Council will be held on Monday, November 3, 2008, at 6:30 p.m. in the conference room of the Wardensville Visitor and Conference Center. Council adjourned at 8:12 p.m. upon the motion of John Bowman.



ATTEST: John H. Sayers, Recorder



Tracey S. Miller, Mayor

MINUTES
TOWN COUNCIL
MUNICIPALITY OF WARDENSVILLE
HARDY COUNTY, WEST VIRGINIA
November 3, 2008

The regular meeting of Wardensville Town Council was called to order by at 6:30 p.m. by Mayor Scotty Miller on Tuesday, November 3, 2008, in the Wardensville Visitor and Conference Center. Present were Recorder John Sayers, Councilors John Bowman, J. Brandon Bowman and Mark Pappas. Absent were Councilors Michael Funkhouser and Chester Tharp. Also present were Police Chief Jeff Driskill, Public Works Superintendent Brad Dyer, Special Projects Coordinator Pat Ford, Park Chair Red Funkhouser and guest Alecia Sirk (Moorefield Examiner).

Consent Agenda. Councilor Brandon Bowman moved to approve the October 7 Consent Agenda. (Councilor Pappas seconded.) Motion passed, four yeas. Consent agenda items:

- Approve Minutes of October 7 Meeting
- Approve Financial Report of September 2008
- Approve Office, Police, Projects and Public Works Reports
- Approve Mayor's Appointments as follows, effective July 1, 2008:

Lary Garrett to Town Attorney	Brad Simmons to Municipal Judge
Carolyn Lyndaker to Library Board	Jeff Driskill to Planning Commission
Marlene Collins to Library Board	Connie Twedt to Planning Commission
Anne Dunlap to Community Improvement Board	Lori Rudolph to Community Improvement Board

Recorder's Report: Recorder Sayers discussed the status of water rate and project cases. The recommended decision from the state Public Service Commission (which will become final at the end of the month) approves the water project as proposed and calls for a two-part water rate increase. January bills will reflect a 21% water rate increase, with another increase of 84% at the conclusion of the project construction next spring. (The Town had originally asked only for a 62% increase, which became a state PSC case when a majority of users protested.) Since the water bill is combined with the sewer bill, users will see only an increase of 47% overall.

The PSC did not allow the Town to increase its water tap fee, but it did allow us to keep our existing water capacity fee, which assesses developers a charge to create additional capacity.

Planning & Special Projects. Pat Ford reported some difficulty in receiving federal flood insurance for the sewer lagoon and park facilities; apparently they will only insure structures with two walls and a roof. This, after a federal agency contacted the Town to require insurance on those properties. He also said that he would be working with FEMA authorities to investigate and reevaluate flood plain mapping of the Town. In addition, he and Chief Driskill will be in communication with the US Department of Agriculture to determine which of our projects might be eligible for funding through the USDA/Rural Development program.

Police & Public Safety. Chief Driskill reported that an individual who did or still does live in the community has been reported visiting school sites posing as a FEMA agents. Federal authorities have been contacted. He said that Halloween night was a success and no problems were reported. He has been working with Public Works on the new LED sign that will be installed on the front lawn of the Community Center in December.

Public Works. Mr. Dyer reported that he and Ms. Barney worked to winterize the Park and other maintenance throughout the Town. They will put up Christmas decorations after the Thanksgiving holiday.

Amendment 08-03: Water Revenue Bonds Series 2008 A. Recorder Sayers called for the second reading of this ordinance, which is required in order for the Town to accept the \$1,550,000 loan for the major water project. The final reading and hearing on the ordinance will be held in December, loan closing scheduled for Dec. 10. Councilor John Bowman moved to waive the full reading of the full ordinance. (Councilor Pappas seconded.) Motion passed, four yeas. Recorder Sayers moved to approve the amendment on second reading. (Councilor John Bowman seconded.) Motion passed, four yeas. In addition, Councilor Brandon Bowman moved to approve Resolution 08-08, Approving Invoices Relating to Construction and Other Services on Phase II Water Project. (Councilor John Bowman seconded.) Motion passed, four yeas.

Water Project Phase II. Councilor John Bowman moved to award the bid for Phase II of the Water Project to Snyder Environmental Services of Kearneysville, W.Va. (\$1,110,789). (Councilor Brandon Bowman seconded.) Motion passed, four yeas. Once the project loan is approved, work is expected to begin in January 2009.

Hardy County Community Foundation. Recorder Sayers asked Council to consider placing the \$50,000 Town Park endowment under the stewardship of the newly-formed community foundation. While Park Board chair Red Funkhouser expressed his approval of the move, Council requested additional information on how the HCCF funds are invested. A foundation representative will be asked to attend the December meeting.

Frances Frye/June Orndorff Fund. The Park will be receiving a donation of \$500 in the first installment of the HCCF fund set up to benefit the Park by "Spirit of Hardy County" recipient Virginia Vance. Ms. Vance has requested utility services to be provided to the baseball field at the Park. Public Works and Park personnel will study the feasibility and report back to Council.

Bids on Equipment. Council reviewed bids received for three surplus pieces of equipment. There were no acceptable bids for two of the items. Councilor Brandon Bowman moved to accept the bid of \$2,813 by Bryan Hyre on the Ford Tractor and Mower, and to rebid the other items with minimum bids of \$500 (Agri-Fab Leaf Vacuum) and \$300 (1998 Ford Crown Victoria cruiser) with a deadline of Nov. 21. (Councilor John Bowman seconded.) Motion passed, four yeas.

W.Va. Retirement Plus for Employees. The state is offering a 401(k) style retirement enhancement to municipal employees. This plan has been recommended by the W.Va. Municipal League and can be implemented at no cost to the Town. The Recorder will ask Council to review and consider this plan at the December meeting.

The next regular meeting of Council will be held on Monday, December 2, 2008, at 6:30 p.m. in the conference room of the Wardensville Visitor and Conference Center. Council adjourned at 7:40 p.m. upon the motion of John Bowman.



ATTEST: John H. Sayers, Recorder



Tracey S. Miller, Mayor



WV MUNICIPAL BOND COMMISSION
 1207 Quarrier Street
 Suite 401
 Charleston, WV 25301
 (304) 558-3971

NEW ISSUE REPORT FORM

Date of Report: 12/10/2008

(See Reverse for Instructions)

ISSUE: <u>Town of Wardensville</u> <u>Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program)</u>	
ADDRESS: <u>Box 7, Wardensville, West Virginia 26851</u>	COUNTY: <u>Hardy</u>
PURPOSE OF ISSUE: New Money: <u> x </u> Refunding: <u> </u>	
ISSUE DATE: <u>12/10/2008</u>	REFUNDS ISSUE(S) DATED: <u>NA</u>
ISSUE AMOUNT: <u>\$1,550,000</u>	CLOSING DATE: <u>12/10/2008</u>
1ST DEBT SERVICE DUE: <u>1-Jun-10</u>	RATE: <u>0% Administrative Fee: 1%</u>
1ST DEBT SERVICE AMOUNT <u>\$12,917.00</u>	1ST PRINCIPAL DUE <u>1-Jun-10</u>
	PAYING AGENT: <u>Municipal Bond Commission</u>
BOND COUNSEL: Firm: <u>Step toe & Johnson PLLC</u> Contact <u>John Stump, Esquire</u> Phone: <u>(304) 353.8196</u>	
UNDERWRITERS COUNSEL Firm: <u>Jackson Kelly, PLLC</u> Contact: <u>Samme Gee, Esquire</u> Phone: <u>(304) 340-1318</u>	
CLOSING BANK: Bank: <u>Capon Valley Bank</u> Contact: <u>Alan Brill</u> Phone: <u>304.874.3531</u>	
ESCROW TRUSTEE: Firm: _____ Contact: _____ Phone: _____	
KNOWLEDGEABLE ISSUER CONTACT Contact: <u>John Sayers</u> Position: <u>Recorder</u> Phone: <u>(304) 874.3950</u>	
OTHER: Agency: <u>West Virginia Bureau for Public Health</u> Contact: <u>Robert DeCrease</u> Position: <u>Manager</u> Phone: <u>(304) 558-2981</u>	
DEPOSITS TO MBC AT CLOSE	
By: <u> </u> Wire	Accrued Interest: \$ _____
<u> </u> Check	Capitalized Interest: \$ _____
	Reserve Account: \$ _____
	Other: \$ _____
REFUNDS & TRANSFERS BY MBC AT CLOSE	
By: <u> </u> Wire	To Escrow Trustee \$ _____
<u> </u> Check	To Issuer \$ _____
<u> </u> IGT	To Cons. Invest. Fund \$ _____
	To Other: \$ _____
NOTES: <u>The Series 2008 A Reserve Account to be funded over 10 years</u>	
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 West Virginia 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 supplements, 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 closing are required, please submit this form before closing. If no significant facts change by closing, no resubmission at closing is required. If, however, there are changes, please submit an updated form, with changes noted, at closing.

If you should have any questions concerning this form, please call the Commission.

TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

ACCEPTANCE OF APPOINTMENT AS DEPOSITORY BANK

Capon Valley Bank, Wardensville, West Virginia, hereby accepts appointment as Depository Bank in connection with a Bond Ordinance of the Town of Wardensville (the "Issuer") enacted by the Issuer on December 2, 2008, and a Supplemental Resolution adopted by the Issuer on December 2, 2008 (collectively, the "Bond Legislation"), authorizing issuance of the Issuer's Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), dated December 10, 2008, issued in the original aggregate principal amount of \$1,550,000 (the "Bonds"), and agrees to serve as Depository Bank in connection with the Bonds, all as set forth in the Bond Legislation.

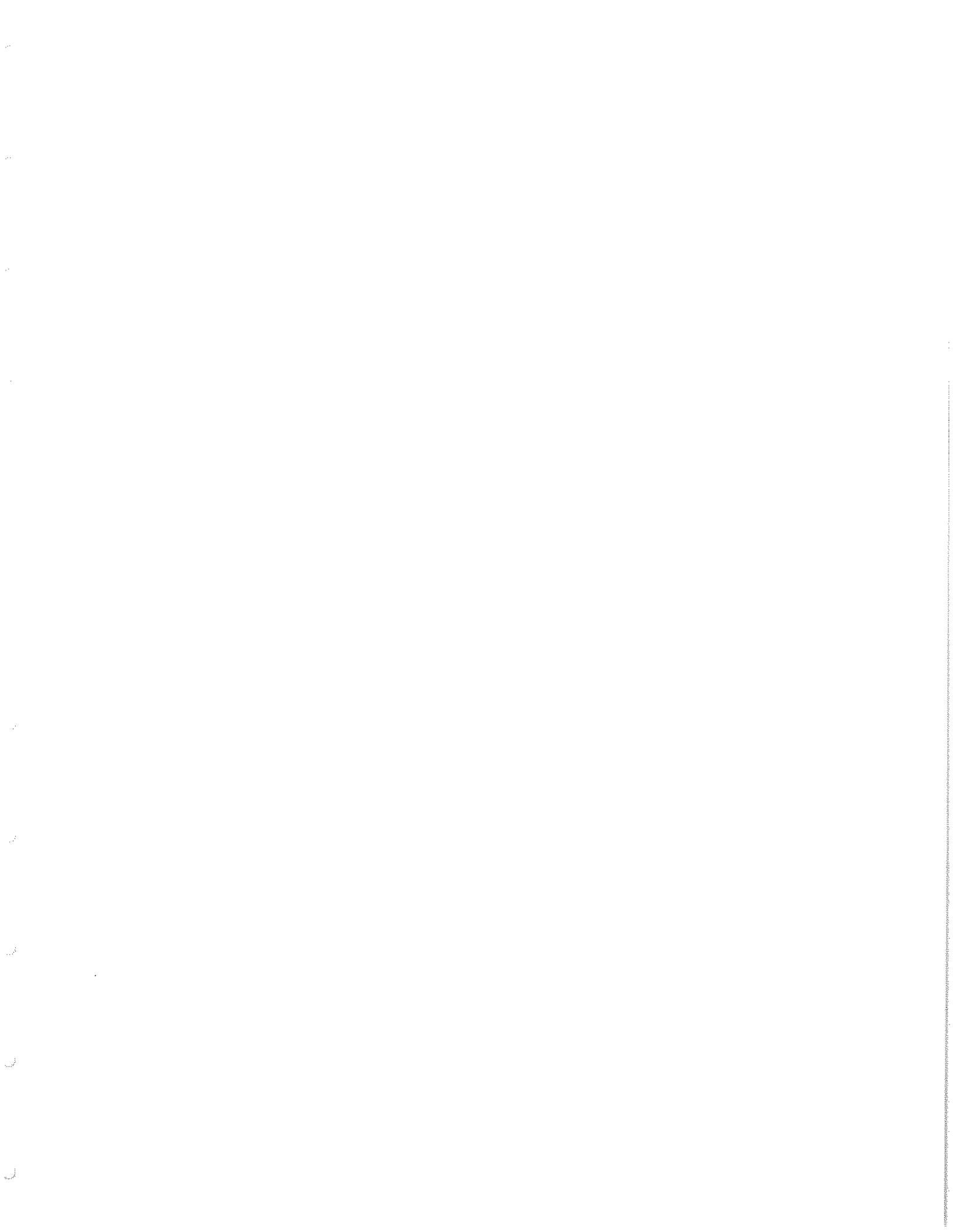
WITNESS my signature on this 10th day of December, 2008.

CAPON VALLEY BANK

By: Alan L. Buee
Its: Authorized Officer

11.13.08
940540.00002

CH4913014.1



TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

ACCEPTANCE OF DUTIES AS REGISTRAR

The Huntington National Bank, Charleston, West Virginia, hereby accepts appointment as Registrar in connection with the Town of Wardensville Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), dated December 10, 2008, issued in the original aggregate principal amount of \$1,550,000 (the "Bonds"), and agrees to perform all duties of Registrar in connection with the Bonds, all as set forth in the Bond Legislation authorizing issuance of the Bonds.

WITNESS my signature on this 10th day of December, 2008.

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

11.25.08
940540.00002

CH4913020.1



TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

CERTIFICATE OF REGISTRATION OF BONDS

THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia, as Registrar under the Bond Legislation and Registrar's Agreement providing for the above-captioned Bonds of the Town of Wardensville (the "Issuer"), hereby certifies that on the date hereof, the single, fully registered Water Revenue Bond, Series 2008 A (West Virginia DWTRF Program), of the Issuer, dated December 10, 2008, in the principal amount of \$1,550,000, numbered AR-1, was registered as to principal only 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 The Huntington National Bank, as Registrar.

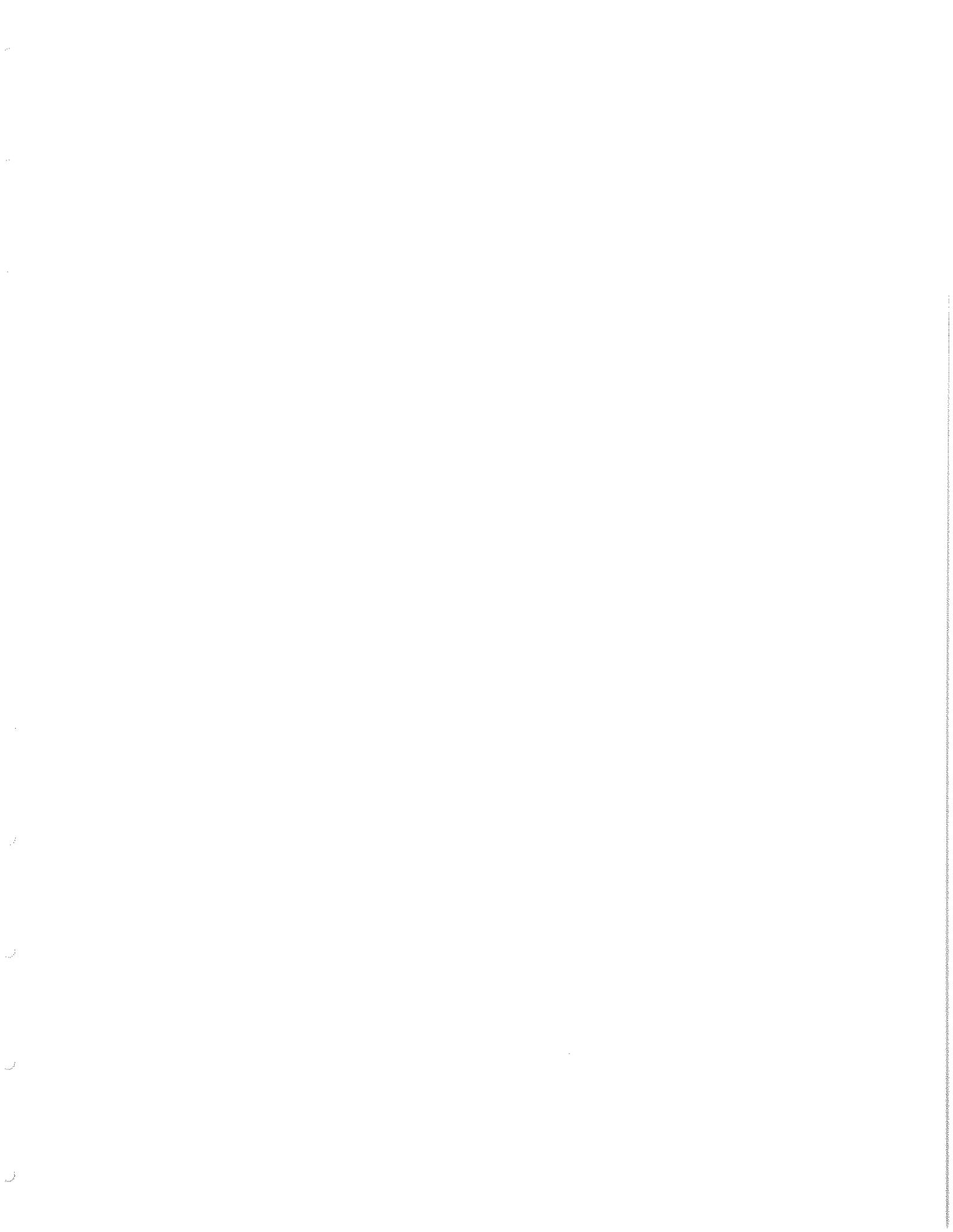
WITNESS my signature on this 10th day of December, 2008.

THE HUNTINGTON NATIONAL BANK

By: 
Its: Authorized Officer

11.13.08
940540.00002

CH4913224.1



TOWN OF WARDENSVILLE

Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

REGISTRAR'S AGREEMENT

THIS REGISTRAR'S AGREEMENT, dated as of the 10th day of December, 2008, by and between the TOWN OF WARDENSVILLE, a municipal corporation and political subdivision of the State of West Virginia (the "Issuer"), and THE HUNTINGTON NATIONAL BANK, Charleston, West Virginia (the "Registrar").

WHEREAS, the Issuer has, contemporaneously with the execution hereof, issued and sold its \$1,550,000 Water Revenue Bonds, Series 2008 A (West Virginia DWTRF Program), dated December 10, 2008, in fully registered form (the "Bonds"), pursuant to a Bond Ordinance of the Issuer duly enacted December 2, 2008, and a Supplemental Resolution of the Issuer duly adopted December 2, 2008 (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 exemption of interest on the Bonds from federal income taxation, in accordance with any rules and regulations promulgated by the United States Treasury Department or by the Municipal Securities Rulemaking Board

or similar regulatory bodies as the Issuer advises it of and with generally accepted industry standards.

2. The Registrar agrees to furnish the Issuer with appropriate records of all transactions carried out by it as Registrar and to furnish the Issuer with the names and specimen signatures of the Registrar's authorized officers for the purposes of acting as the Registrar and with such other information and reports as the Issuer may from time to time reasonably require.

3. The Registrar shall have no responsibility or liability for any action taken by it at the specific direction of the Issuer.

4. As compensation for acting as Registrar pursuant to this Registrar's Agreement, the Issuer hereby agrees to pay to the Registrar the compensation for services rendered as provided in the attached invoice.

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:
Town of Wardensville
Post Office Box 7
Wardensville, WV 26851
Attention: Mayor

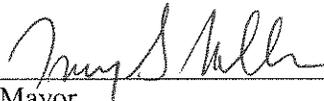
REGISTRAR:
The Huntington National Bank
One Huntington Square
Charleston, West Virginia 25326
Attention: Corporate Trust Department

8. The Registrar is hereby requested and authorized to authenticate, register and deliver the Bonds in accordance with the Bond Legislation.

9. This document may be executed in one or more counterparts each of which shall be deemed an original and all of which shall constitute but one and the same document.

IN WITNESS WHEREOF, the parties hereto have respectively caused this Registrar's Agreement to be signed in their names and on their behalf, all as of the day and year first above-written.

TOWN OF WARDENSVILLE



Mayor

THE HUNTINGTON NATIONAL BANK



Authorized Officer

11.13.08
940540.00002

EXHIBIT A

Bond Legislation included in bond transcript as Documents No. 1 and No. 2

SCHEDULE OF COMPENSATION

(See attached)

Private Financial Group
P.O. Box 633 - WE3013
Charleston, West Virginia 25322-0633



STATEMENT OF REGISTRAR'S FEES
Invoice Date December 10, 2008

Town of Wardensville
Account Number 6089001809

Town of Wardensville
Water Revenue Bond, Series 2008 A
C/o John C. Stump
Steptoe & Johnson, PLLC
P.O. Box 1588
Charleston, WV 25326-1588

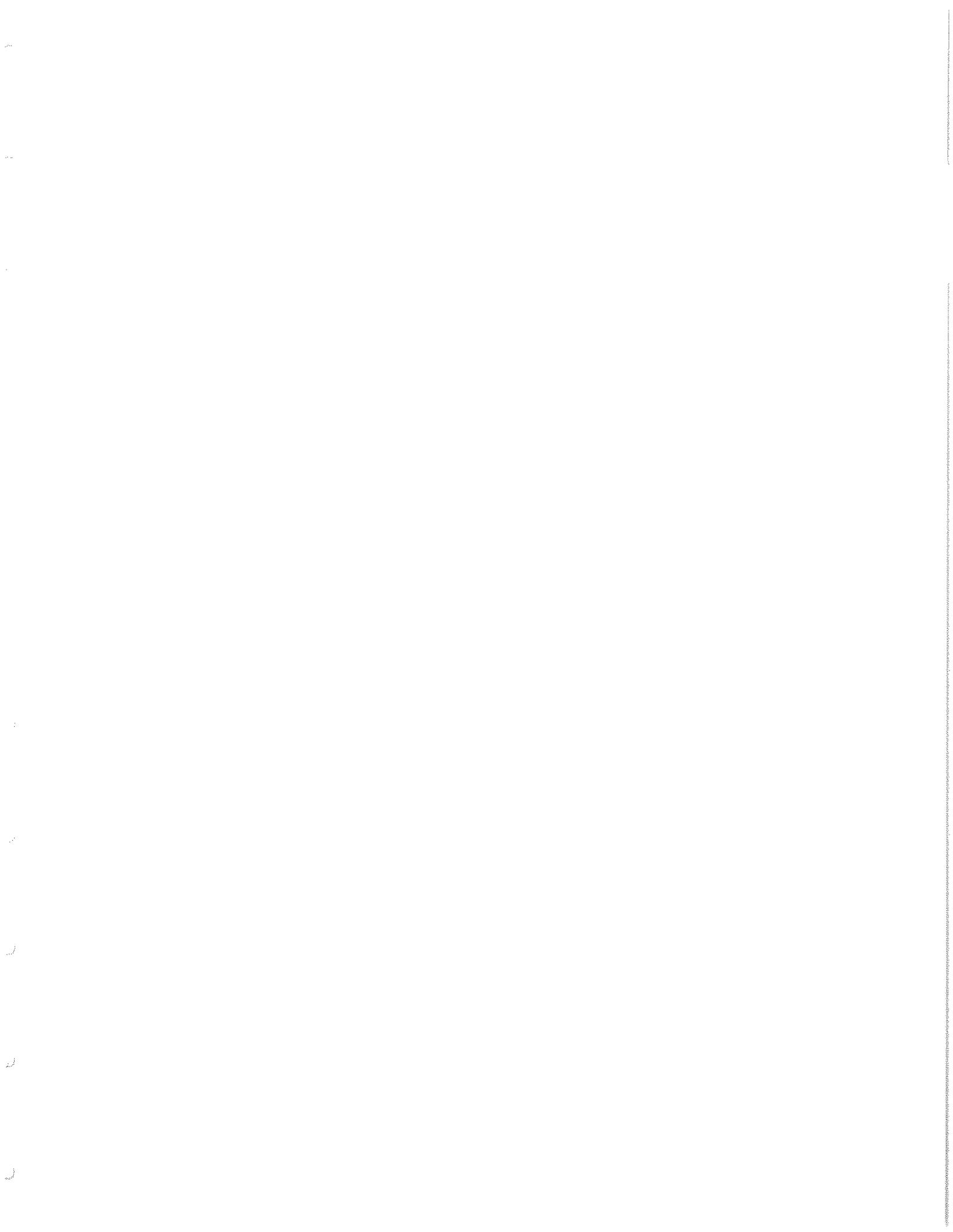
SUMMARY OF ACCOUNT

FEE CALCULATION FOR December, 2008

TOTAL AMOUNT	\$	500.00
TOTAL DUE	\$	<u>500.00</u>

- * FEE INVOICES ARE PAYABLE WITHIN 30 DAYS. IF PAYMENT *
- * IS NOT RECEIVED, FEES WILL BE DEDUCTED FROM THE PLAN *
- * .. MAIL CHECK TO: HUNTINGTON NATIONAL BANK, ATTN: BARRY. . *
- * .. GRIFFITH, PO BOX 633, CHARLESTON, WV 25322-0633 *

IF YOU HAVE ANY QUESTIONS, PLEASE CONTACT
Barry Morgan Griffith at (304)348-5035



08-0282-w-ma **State of West Virginia**

OFFICE OF ENVIRONMENTAL HEALTH SERVICES

CAPITOL and WASHINGTON STREETS 1 DAVIS SQUARE, SUITE 200 CHARLESTON, WV 25301
Telephone (304) 558-2981

PERMIT

(Water Well)
PROJECT: Water Well #2 **PERMIT NO.:** 18,026
LOCATION: Wardensville **COUNTY:** Hardy **DATE:** 6-25-2008

THIS IS TO CERTIFY that after reviewing plans, specifications, application forms, and other essential information that

**Town of Wardensville
Post Office Box 7
Wardensville, West Virginia 26851**

is hereby granted approval to: drill one (1) new public water system well. The well is to be constructed according to the WV Bureau for Public Health's "Design Standards for Public Water Supply Systems", with particular attention to **Section 5.3.e.9.--Grouting Requirements**. Well construction is to be performed by a WV Certified Water Well Contractor. The well water shall be tested for chemical, radiological and microbiological contaminants, as required by the WV Bureau for Public Health's "Public Water Systems" regulations.

Facilities are to serve the Town of Wardensville.

NOTE: It is the well owner's responsibility that the well log, all yield & drawdown test results and contaminate results are submitted to the Wellhead Protection Program, Environmental Engineering Division, WV Bureau for Public Health, Capitol and Washington Streets, 1 Davis Square, Suite 200, Charleston, WV 25301, within 30 calendar days after the well is drilled.

Validity of this permit is contingent upon conformity with plans, specifications, application forms, and other information submitted to the West Virginia Bureau for Public Health.

FOR THE DIRECTOR


William S. Herold, Jr., P.E., Assistant Manager
Infrastructure and Capacity Development
Environmental Engineering Division

WSH:bms

pc: Dunn Engineers
James W. Ellars, P.E., PSC
Amy Swann, PSC
Hardy County Health Department
OEHS-EED Kearneysville DO
Source Water Protection Unit

RECEIVED
2008 JUN 30 PM 1 19
WVA PUBLIC SERVICE
COMMISSION
SECRETARY'S OFFICE

ACORD CERTIFICATE OF LIABILITY INSURANCE

OP ID AH
WARDE-2

DATE (MM/DD/YYYY)
12/08/08

PRODUCER Commercial Insurance Services 340 MacCorkle Ave. Ste #200 Charleston WV 25314 Phone: 304-345-8000 Fax: 304-345-8014	THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
	INSURERS AFFORDING COVERAGE	NAIC #
INSURED Town of Wardensville John H. Sayers, Recorder 25 Warrior Way, P.O. Box 7 Wardensville WV 26851-0007	INSURER A: Argonaut Great Central Ins. Co	
	INSURER B:	
	INSURER C:	
	INSURER D:	
	INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		GENERAL LIABILITY <input checked="" type="checkbox"/> COMMERCIAL GENERAL LIABILITY <input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR GEN'L AGGREGATE LIMIT APPLIES PER: <input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC	PE-4614861-01	07/01/08	07/01/09	EACH OCCURRENCE	\$ 2,000,000
						DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 500,000
						MED EXP (Any one person)	\$ N/A
						PERSONAL & ADV INJURY	\$ 2,000,000
						GENERAL AGGREGATE	\$ 6,000,000
						PRODUCTS - COMP/OP AGG	\$ 6,000,000
						Emp Ben.	2,000,000
A		AUTOMOBILE LIABILITY <input checked="" type="checkbox"/> ANY AUTO <input type="checkbox"/> ALL OWNED AUTOS <input checked="" type="checkbox"/> SCHEDULED AUTOS <input checked="" type="checkbox"/> HIRED AUTOS <input checked="" type="checkbox"/> NON-OWNED AUTOS	PE-4614861-01	07/01/08	07/01/09	COMBINED SINGLE LIMIT (Ea accident)	\$ 2,000,000
						BODILY INJURY (Per person)	\$
						BODILY INJURY (Per accident)	\$
						PROPERTY DAMAGE (Per accident)	\$
		GARAGE LIABILITY <input type="checkbox"/> ANY AUTO				AUTO ONLY - EA ACCIDENT	\$
						OTHER THAN AUTO ONLY: EA ACC	\$
						AGG	\$
A		EXCESS/UMBRELLA LIABILITY <input checked="" type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE DEDUCTIBLE <input checked="" type="checkbox"/> RETENTION \$ 0	PE-4614861-01	07/01/08	07/01/09	EACH OCCURRENCE	\$ 2,000,000
						AGGREGATE	\$ 2,000,000
							\$
							\$
							\$
A		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? If yes, describe under SPECIAL PROVISIONS below OTHER	PE-4614861-01	07/01/08	07/01/09	<input checked="" type="checkbox"/> WC STATUTORY LIMITS <input type="checkbox"/> OTHER	
						E.L. EACH ACCIDENT	\$ 1,000,000
						E.L. DISEASE - EA EMPLOYEE	\$ 1,000,000
						E.L. DISEASE - POLICY LIMIT	\$ 1,000,000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS
 Certificate holder is named as additional insured as respects Town of Wardensville's water project.

CERTIFICATE HOLDER WVWDCHA WV Water Development Authority 180 Association Drive Charleston WV 25311	CANCELLATION SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES. AUTHORIZED REPRESENTATIVE 
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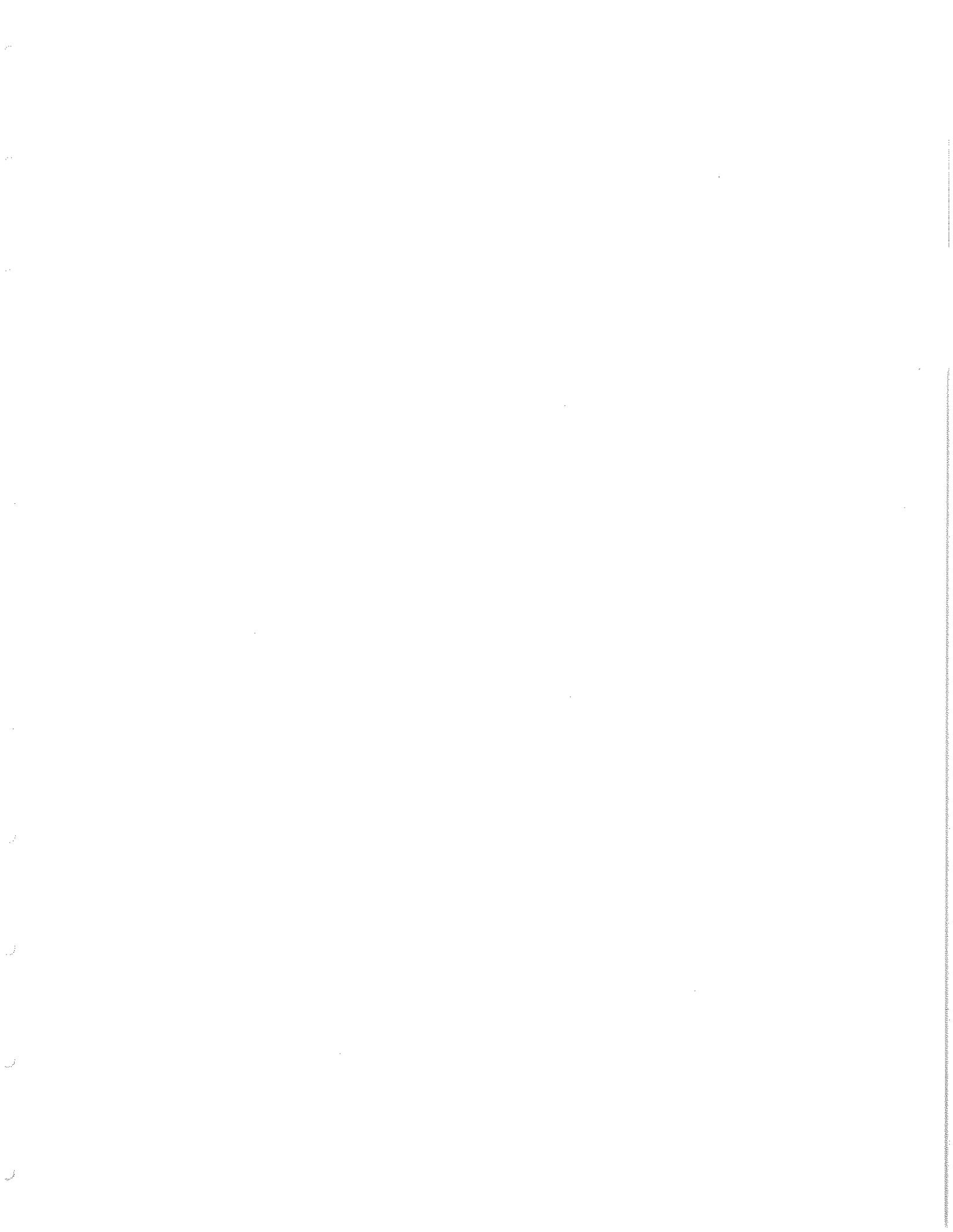
IMPORTANT

If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

DISCLAIMER

The Certificate of Insurance on the reverse side of this form does not constitute a contract between the issuing insurer(s), authorized representative or producer, and the certificate holder, nor does it affirmatively or negatively amend, extend or alter the coverage afforded by the policies listed thereon.



Town of Wardensville
Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

RECEIPT AND RELEASE

The undersigned duly authorized representative of the Capon Valley Bank (the "Holder"), the holder of The Town of Wardensville (the "Issuer") Waterworks System Bond Anticipation Note, Series 2007, dated March 1, 2007, issued in the original aggregate principal amount of \$200,000 (the "Prior Note"), hereby certifies and declares that on the date hereof, he received on behalf of the Holder from the Issuer the sum of \$218,015 and that such sum is sufficient to pay in full the entire outstanding principal of the Prior Note the date hereof and to discharge all liens, pledges and encumbrances securing the Prior Note.

Dated this 10th day of December, 2008.

CAPON VALLEY BANK

Alon L. Bulli, Pres + CEO
Authorized Representative

11.24.08
940540.00002

CH4949280.1

CLOSING MEMORANDUM

To: Financing Team
From: John C. Stump, Esquire
Date: December 10, 2008
Re: Town of Wardensville Water Revenue Bonds, Series 2008 A
(West Virginia DWTRF Program)

1. DISBURSEMENTS TO THE TOWN OF WARDENSVILLE

Payor: West Virginia DWTRF Program
Amount: \$65,789
Form: Wire
Payee: Town of Wardensville
Bank: Capon Valley Bank
ABA: 052203703
Account #: 218057
Contact: Alan Brill 304.874.3531
Account: Series 2008 A Bonds Construction Fund

2. DISBURSEMENTS TO CAPON VALLEY BANK

Payor: West Virginia DWTRF Program
Amount: \$218,015
Form: Wire
Payee: Capon Valley Bank
ABA: 052203703
Account #: 105842-0300
Contact: Alan Brill 304.874.3531
Source: Series 2008 A Bond Proceeds
Purpose: Payment of the principal of and accrued interest on the Waterworks System Bond Anticipation Note, Series 2007

Total Disbursements: 283,804

11.25.08
940540.00002

State of West Virginia
WATER DEVELOPMENT AUTHORITY
 180 Association Drive, Charleston, WV 25311-1217
 (304) 558-3612 - (304) 558-0299 (Fax)
 Internet: www.wvwda.org - Email: contact@wvwda.org

PRECLOSING ATTENDANCE LIST

Date December 9, 2008 Time 1:00 pm LGA Town of Wardensville Program DWTRF

NAME	COMPANY, AGENCY, OR ORGANIZATION	TELEPHONE	FAX	E-MAIL
John Stump	Stepro = Johnson PLLC	304.353.8186 340.	304.353.8196	john.stump@stepro-jackson.com
Sharon Lee	Jackson Kelly, com	304. 1318	304.340.1272	sglee@jacksonkelly.com
Ryan White	Jackson Kelly	340-1083	340-1072	rwhite@jacksonkelly.com
Barbara B. Meadows	WV WDA	558.3612 X103	558.0299	bmeadows@wvwda.org

The Authority requests that the following information concerning the individual who will be responsible for sending Debt Service Payments to the Municipal Bond Commission be provided. (If that individual is in attendance, he/she should also sign above.) Please Print:

Name John Sayer, Recorder Telephone 304.874.3950 E-Mail N/A
 Address Box 7, Wardensville, West Virginia 26851

REMINDER: As a participant in this program, the Local Governmental Agency (LGA) agrees and is required to submit annually to the WDA a copy of its audited financial statements and a copy of its adopted budget. Also, pursuant to the Loan Agreement and the Non-Arbitrage Certificate (both of which are contained in the bond transcript) you are to provide annually to the WDA a rebate calculation certificate or an exception opinion showing whether a rebate amount is due to the US Government under arbitrage requirements in Section 148(f) of the US Internal Revenue Code, 1986, as amended.

COPY

TOWN OF WARDENSVILLE

RESOLUTION OF THE TOWN OF WARDENSVILLE APPROVING INVOICES RELATING TO CONSTRUCTION AND OTHER SERVICES FOR THE PROPOSED WATER PROJECT AND AUTHORIZING PAYMENT THEREOF,

WHEREAS, the Town of Wardensville has reviewed the invoices attached hereto and incorporated herein by reference relation to the construction of the Water Construction Project funded by the Drinking Water Treatment Revolving Fund (DWTRF) and find as follows:

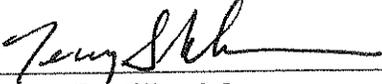
- a) That none of the items for which payment is proposed to be made has formed the basis for any disbursement theretofore made.
- b) That each item for which the payment is proposed to be paid is or was necessary in connection with the Project and constitutes a Cost of the project.
- c) That each of such costs has been otherwise properly incurred.
- d) That the payment for each of the items proposed is due and owing.

NOW, THEREFOR, BE IT RESOLVED The Town of Wardensville by as follows: There is hereby authorized and directed the payment of the attached invoices as follows:

Vendor		Total	DWTRF
Capon Valley Bank Principal \$200,000 Interest 18,014.01	Payoff Series 2007 Note December 10, 2008	218,014.01	218,014.01
Dunn Engineers	Engineering	46,118.84	46,118.84
JC Kunkle & Associates	Accounting	1,500.00	1,500.00
Spilman Thomas & Battle	PSC Work	1,432.42	1,432.42
Step toe & Johnson	Bond Counsel	15,000.00	15,000.00
Huntington Bank	Registrar	500.00	500.00
DOH	Permit	1,238.40	1,238.40
TOTAL		283,803.67	283,803.67

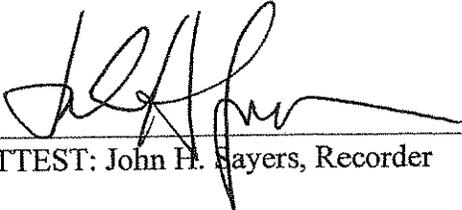
Round to 283,804.00

ADOPTED BY the Town of Wardensville at a meeting held on the 3rd day of November, 2008.



Tracey S. Miller, Mayor

I, John H. Sayers, Recorder of Wardensville, certify that the above is a true copy of a resolution adopted at a meeting of the Town Council of Wardensville, West Virginia, on **November 3, 2008**. I further certify that a quorum of the Council was present and a majority of its members voted affirmatively for this resolution.



ATTEST: John H. Sayers, Recorder

SWEEP RESOLUTION

Town of Wardensville

WHEREAS, the Town of Wardensville (the "Issuer") is a governmental body and political subdivision of West Virginia;

WHEREAS, the Issuer has issued bonds, as more specifically set forth on Exhibit A, attached hereto and incorporated herein by reference (the "Bonds");

WHEREAS, the Issuer makes or will make monthly debt service payments on and transfers reserve funds for the Bonds by check to the West Virginia Municipal Bond Commission (the "MBC") which in turn pays the owners of the Bonds and deposits funds in the reserve accounts;

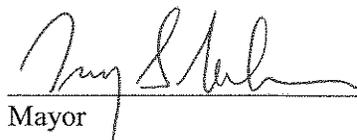
WHEREAS, the MBC may accept such monthly payments by electronic funds transfer, thereby eliminating delay in payments and lost checks;

WHEREAS, the Issuer finds and determines that it is in the best interest of the Issuer, its citizens and the owners of the Bonds that the monthly debt service and reserve fund payments be made by electronic funds transfer with the State Treasurer sweeping the Issuer's account.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

- 1) The monthly debt service payments on, reserve funds, and administrative fees for the Bonds, as set forth in Exhibit A, shall be made to the MBC by an electronic transfer by the State Treasurer from the accounts set forth in Exhibit A in such form and at such directions as are provided by the MBC.
- 2) The Mayor and Recorder are hereby authorized to sign and execute all such documents as are necessary to facilitate the electronic transfer of the Bond debt service and reserve fund payments.
- 3) This resolution shall be effective immediately upon adoption.

Adopted this 2nd day of December, 2008.



Mayor