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REGULATORY AUTH.

Before the
TENNESSEE REGULATORY AUTHORITY

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OFFICE OF THE
EXECUTIVE SECRETARY

In the Matter of the Application

of

KINGSPORT POWER COMPANY

For Permission to Make Notes to Evidence
Indebtedness Not to Exceed \$15,000,000

Docket No. 99-00319

TO THE HONORABLE REGULATORY AUTHORITY:

Comes the Petitioner, Kingsport Power Company (hereinafter called "Kingsport"), and presents this Application for the following purposes:

Kingsport seeks approval from this Authority to issue up to \$15,000,000 of its unsecured long-term indebtedness from time to time through June 30, 2000. The proceeds will be used to reduce the maturing long and short-term unsecured indebtedness of the Company. Long-term indebtedness of the Company due within one year of December 31, 1998 is \$10,000,000. Short-term indebtedness of the Company was \$3,725,000 at December 31, 1998. The proposed financing will bear interest at a fixed rate, a fluctuating rate or some combination of fixed and fluctuating rates. In order to obtain a favorable rate of interest, however, it is generally necessary to be able to commit to the financing within 24 hours from the time that funds become available. Therefore, this Application seeks approval of the financing within the ranges of maturities and interest specified herein without the need for a separate hearing on the final commitment.

In support of this Application, Kingsport respectfully submits the following:

ONE. It is a corporation duly organized and existing under the laws of the Commonwealth of Virginia, and qualified to transact business in the State of Tennessee and with its principal office in the City of Kingsport. A true copy of its Articles of Association has been filed in proceedings before the Authority, Docket No. 2894.

TWO. Kingsport proposes to issue from time to time through June 30, 2000 up to \$15,000,000 principal amount of its unsecured promissory note or notes (the "Notes") to one or more commercial banks, financial institutions or other institutional investors pursuant to one or more term loan agreements (the "Proposed Agreement") with terms similar to those contained in the preliminary draft attached hereto as Exhibit A, with appropriate insertions and deletions.

THREE. Kingsport is requesting an Order of this Authority approving the proposed financing in all respects such that, upon receipt of such Order, Kingsport may unconditionally, and without further Order of this Authority, enter into a definitive agreement with a bank or banks, in the form of the Proposed Agreement and subject to the conditions, restrictions and limitations specified herein.

FOUR. The Proposed Agreement does not represent a definitive form of agreement with any bank and would provide that the Notes bear interest at either a fixed rate, fluctuating rate or some combination of fixed and fluctuating rates. Kingsport believes that it would be beneficial to commit itself to a long-term

obligation. The actual rate of interest which each Note shall bear, and the maturity thereof, shall be subject to further negotiation between Kingsport and the lender.

Any fixed rate of interest of the Notes will not, at the time of issuance of the Notes, be greater than 300 basis points above the yield to maturity of United States Treasury obligations that mature on or about the date of maturity of the Notes. Any fluctuating rate will not be greater than 200 basis points above the rate of interest announced publicly by the lending bank from time to time as its base or prime rate.

In the event a bank or financial institution arranges for a borrowing from a third party, such institution may charge Kingsport a placement fee, not to exceed 1% of the principal amount of such borrowing.

Kingsport believes, given its size and the size of the requested indebtedness, that obtaining this financing through private sources is more cost effective than the public markets.

A lender may desire to assign, or to sell participations in, all or any part of the Proposed Agreement and the Notes thereunder to other entities. Such assignee would have the same rights and benefits under the Proposed Agreement as the lender. Such participant would not have any rights under the Proposed Agreement, but would have rights against the lender in respect of the agreement between the participant and the lender.

The Proposed Agreement specifies that, in the event a Note bearing interest at a fixed rate is paid prior to maturity in whole or in part and the fixed rate exceeds the yields to maturity of United States Treasury Notes maturing on or close to the Note, Kingsport shall pay to the lender an amount based on the present value of such prepaid amounts discounted at such treasury yield.

The Proposed Agreement may contain restrictive covenants which would prohibit Kingsport from: (i) creating, incurring, assuming or suffering to exist any liens on its property, with certain stated exceptions; (ii) creating or incurring any indebtedness for borrowed money, except as specified therein; (iii) entering into certain mergers, consolidations and dispositions of assets; and (iv) permitting certain events to occur in connection with its pension plans.

A borrowing by Kingsport from a bank under the Proposed Agreement will be evidenced by one or more Notes of Kingsport, substantially in the form of Exhibit A, B or C to the Proposed Agreement with appropriate insertions. The Proposed Agreement and such Notes thereunder would be for a term of not less than one year nor more than ten years from the date of borrowing.

FIVE. Kingsport proposes to apply all of the proceeds of the financing to pay maturing short and long-term indebtedness incurred by Kingsport.

SIX. Balance sheets of Kingsport as of December 31, 1998 and the related statements of income and retained earnings of Kingsport for the twelve-month period then ended are annexed hereto as Exhibit B.

WHEREFORE, Kingsport respectfully prays that an Order be entered (1) authorizing Kingsport from time to time through June 30, 2000 to borrow up to \$15,000,000 pursuant to the Proposed Agreement and to execute a note or notes substantially in the form of the Notes in an amount not to exceed \$15,000,000 to evidence the borrowings to be made pursuant to the Proposed Agreement and (2) granting to Kingsport such other, further or general relief as, in your judgment, Kingsport may be entitled to have upon the facts hereinabove set forth.

KINGSPORT POWER COMPANY

By: 
Vice President

Dated: April 27, 1999

T. Arthur Scott, Jr., Esq.
Hunter, Smith & Davis
1212 North Eastman Road
Kingsport, Tennessee 37664
Attorney for Petitioner

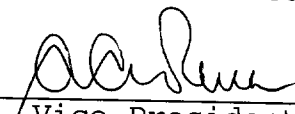
Before the
TENNESSEE REGULATORY AUTHORITY

In the Matter of the Application	:	
	:	
of	:	
	:	
KINGSPORT POWER COMPANY	:	Docket No.
	:	
For Permission to Make Notes to Evidence	:	
Indebtedness Not to Exceed \$15,000,000	:	

VERIFICATION

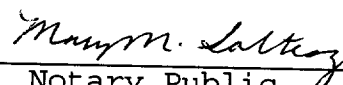
I, A. A. Pena, am authorized to represent Kingsport Power Company and to make this verification on its behalf. The statements in the Application of Kingsport Power Company filed in this docket today are true and of my own knowledge, except as to matters which are stated therein on information and belief, and as to those matters, I believe them to be true. Kingsport Power Company will comply with all applicable laws with respect to its issuance of securities to the public. I declare under penalty of perjury that the foregoing is true and correct.

KINGSPORT POWER COMPANY

By 
Vice President

STATE OF OHIO :
COUNTY OF FRANKLIN : ss:

Subscribed and sworn to me this 27th day of April, 1999.


Notary Public
My Commission expires 7-12-99

TERM LOAN AGREEMENT

AGREEMENT dated as of the ____ day of _____, 19__ between
_____, an _____ corporation
(herein called the "Company"), and _____
(the "Bank").

SECTION 1. Amounts and Terms of the Loan.

Section 1.01. Definitions. As used herein the following terms have the following meanings (which are equally applicable to both the singular and plural forms of such terms):

"Agreement" means this Term Loan Agreement and any future amendments or supplements hereto.

"Capitalization" of the Company means, as of any particular time, an amount equal to the sum of the total principal amount of all indebtedness for borrowed money, secured or unsecured, of the Company then outstanding (whether or not such indebtedness matures, pursuant to the instrument by which such indebtedness shall be created or incurred, within twelve months after such particular time) and the aggregate of the par value of, or stated capital represented by, the outstanding shares of all classes of stock and of the surplus of the Company, paid in, earned and other, if any.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a business day, for the next preceding business day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a business day, the average of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank.

"LIBO rate" means, for any Note in the form of Exhibit B, the average rate of interest per annum at which deposits in United States dollars are offered by the principal office of the Bank to prime banks in the London interbank market at 11:00 a.m. (London time) two Business Days prior to the date of such Note for the amount and term of such Note.

"Maturity Date" means _____.

"Note" means the promissory note of the Company substantially in the form of Exhibit A, B or C hereto, with appropriate insertions.

"Prime Rate" means a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum is at all times equal to the higher of the (i) rate of interest announced publicly by the Bank in _____ from time to time as the Bank's _____ rate and (ii) 1/2 of one percent per annum above the Federal Funds Rate from time to time.

"Short-Term Debt" means the principal amount of indebtedness for borrowed money represented by a note or draft issued, renewed or guaranteed by the Company which has a maturity at the time of issuance, renewal or guarantee of not more than twelve months, exclusive of days of grace.

Section 1.02. Loan; Pricing; and Borrowing Procedure. The Bank agrees, on the terms and conditions hereinafter set forth, to make a loan (the "Loan") to the Company on _____ (the "Loan Date") in an amount totaling \$_____.

The Loan shall bear interest from the Loan Date to the Maturity Date at one or more of the following interest rates per annum, as selected by the Company from time to time:

(i) at a fixed interest rate for the term of each Note in the form of Exhibit A, such term to be designated by the Company at least three Business Days (as defined in Section 1.13) prior to the date of the relevant Note and such rate to be quoted by the Bank for the designated term and accepted by the Company; or

(ii) at a rate per annum for the term of each Note in the form of Exhibit B, which shall be 1, 2, 3 or 6 months (such term to be selected by the Company at least three Business Days prior to the date of the relevant Note) equal to _____ of one percent (1.0%) per annum above the LIBO rate (the rate of _____ of 1% per annum above the LIBO rate is hereinafter called the "LIBO Rate"); or

(iii) at a fluctuating rate per annum for the term of each Note in the form of Exhibit C, which shall mature on the Maturity Date, equal to the Prime Rate.

The Company may, from time to time, change the pricing of the Loan (in whole or in part) from the LIBO Rate to the Prime Rate or from the Prime Rate to the LIBO Rate, and, in the case of the LIBO Rate, may continue such interest rate option (in whole or in part) for a subsequent period, in either case by giving the

Bank at least three Business Days' notice thereof and by executing and delivering a new promissory note in the form of Exhibit B or C, as the case may be, with appropriate insertions, evidencing the changed or continued interest rate option. Each such notice (which, in the case of a notice requesting the LIBO Rate, shall be received by the Bank by _____ a.m., _____ time, at least three Business Days prior to the date of the proposed change or continuation), shall specify the date of the proposed change or continuation (which shall be a Business Day and, in the case of a change from, or continuation of, the LIBO Rate, shall be the maturity date of the outstanding Note), whether the proposed interest rate is to be the Prime Rate or the LIBO Rate, and, in the case of a LIBO Rate, the term of the related Note.

In addition, the Company may, from time to time, change the pricing of the Loan (in whole or in part) from the LIBO Rate or the Prime Rate, as the case may be, to a fixed interest rate for a term certain, and, in the case of a fixed rate, may continue such interest rate option, by (i) requesting a fixed interest rate option from the Bank for a term certain specified by the Company and (ii) agreeing to the fixed interest rate proposed by the Bank within the period that such proposal remains effective. The Company may only convert from the LIBO Rate to a fixed interest rate or continue a fixed interest rate on the maturity date of the outstanding Note.

Each such notice given to the Bank by the Company pursuant to this Section 1.02 shall be irrevocable. In the event that the Company fails to deliver a proposed change or continuation notice prior to the third Business Day next preceding the maturity date of a Note in the form of Exhibit A or B, the interest rate on the Loan shall be converted on the maturity date of the outstanding Note in the form of Exhibit A or B into the Prime Rate.

Section 1.03. Making the Loan. Not later than _____ (_____ time) on the Loan Date and upon fulfillment of the applicable conditions set forth in Section 2, the Bank will make the Loan available to the Company in same day funds at the Bank's address referred to in Section 6.02.

Section 1.04. Optional Prepayments. The Company may prepay any Note in whole at any time or in part from time to time without premium or penalty, by giving at least 3 Business Days' notice to the Bank specifying the amount and date of the proposed prepayment. If notice is given as prescribed above, the principal amount of the Note which the Company proposes to prepay, together with accrued interest on such amount to the date of payment, shall become due and payable on the specified date of prepayment. Notwithstanding the foregoing, the Company shall have no right to prepay a Note in the form of Exhibit A, unless the Company pays the fee specified in Section 1.14 and shall have no right to prepay a Note in the form of Exhibit B prior to maturity of such Note.

Section 1.05. Interest and Repayment. The Company shall repay the Loan in full on the last day of each March, June, September and December (the "Repayment Date") commencing on the first such date occurring on or after the Loan Date and shall pay interest on the unpaid principal amount of the Loan in accordance with one or more promissory notes of the Company (each, a "Note") executed and delivered by the Company from time to time to evidence the indebtedness resulting from the Loan. If the Loan or any part thereof bears interest at the fixed interest rate, the Note evidencing such amount shall be substantially in the form of Exhibit A, with appropriate insertions, and shall be dated the Loan Date or the date upon which the interest rate has been continued for a subsequent period at a fixed rate or has been changed into a fixed interest rate, as the case may be. If the Loan or any part thereof bears interest at the LIBO Rate, the Note evidencing such amount shall be substantially in the form of Exhibit B, with appropriate insertions, and shall be dated the Loan Date or the date upon which the interest rate has been continued for a subsequent period at the LIBO Rate or has been changed into the LIBO Rate, as the case may be. If the Loan or any part thereof bears interest at the Prime Rate, the Note evidencing such amount shall be substantially in the form of Exhibit C, with appropriate insertions, and shall be dated the Loan Date or the date upon which the interest rate has been changed into the Prime Rate, as the case may be.

Section 1.06. Reborrowings. On each Repayment Date, the Company shall reborrow and the Bank shall relend the principal so paid, provided that:

- (a) No such reborrowing may be made on or after the Maturity Date and, after giving effect to each such reborrowing, the aggregate outstanding principal amount of the Loan shall not exceed the principal amount of the Loan outstanding immediately prior to the date of such reborrowing.
- (b) For purposes of this Section 1.06, any payment of principal of the Loan, or any portion thereof, represented by a Note in the form of Exhibit A pursuant to Section 1.05 hereof which (x) the Company is required to reborrow under this Section 1.06 on the date of such payment but does not reborrow on such date, or (y) the Company is not permitted to reborrow under this Section 1.06 on the date of such payment by reason of clause (c) below, shall be deemed a prepayment of the Loan prior to the Due Date (as defined in Section 1.14), and shall have the effect of a prepayment, subject to the prepayment provisions in Section 1.14. Any such payment which is so reborrowed shall not be deemed a prepayment of the Loan for purposes of Section 1.14.

- (c) After giving effect to such reborrowing, each of the representations and warranties of the Company set forth in Section 3.01 shall be true with the exceptions of Subsections 3.01(e) and (f) on and as of the date of such reborrowing, and no Event of Default or other event which, with the giving of notice or the lapse of time, or both, would constitute such an Event of Default shall have occurred and be continuing. Each reborrowing by the Company pursuant to this Section 1.06 shall be deemed to be a representation and warranty by the Company as to such matters.

Section 1.07. Additional Interest. The Company shall pay to the Bank, during the time that the Bank shall be required to maintain reserves with respect to liabilities or assets consisting of or including Eurocurrency liabilities (as defined in Regulation D of the Board of Governors of the Federal Reserve System as in effect from time to time), additional interest on the unpaid principal amount of each Note in the form of Exhibit B from the date of such Note until such principal amount is paid in full, payable on the due date of each interest payment for such Note, at an interest rate per annum equal at all times during the term of such Note to the excess of (i) the rate obtained by dividing the LIBO Rate for such Note by a percentage equal to 100% minus the reserve percentage applicable during the term of such Note under regulations issued from time to time by the Board of Governors of the Federal Reserve System (or if more than one such percentage is so applicable, minus the daily average for such percentages for those days during which such percentage shall be so applicable) for determining the maximum reserve requirement (including, without limitation, any marginal reserve requirement) for the Bank in respect of liabilities or assets consisting of or including Eurocurrency liabilities over (ii) the LIBO Rate for such Note.

Section 1.08. Increased Costs, etc.

- (a) If either (i) the introduction of or any change (including, without limitation, any change by way of imposition or increase of reserve requirements) in or in the interpretation of any law or regulation or (ii) the compliance by the Bank with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), shall result in any increase in the cost to the Bank of making, funding or maintaining loans bearing interest at the LIBO Rate, then the Company shall from time to time, upon demand by the Bank, pay to the Bank additional amounts sufficient to indemnify the Bank against such increased cost. A certificate as to the amount of such increased cost (including calculations thereof in reasonable detail), submitted to the Company by the Bank, shall, in absence of manifest error, be conclusive.

- (b) If it shall become unlawful for the Bank to obtain funds in the London interbank market in order to fund or maintain loans bearing interest at the LIBO Rate or otherwise to perform their obligations hereunder with respect to any such loans, then, upon at least five Business Days' notice by the Bank to the Company the rate of interest on any portion of the Loan then bearing interest at the LIBO Rate shall thereupon be the Prime Rate, and the right of the Company to select the LIBO Rate shall thereupon terminate. In such event, the Company will execute and deliver a Note substantially in the form of Exhibit C, with appropriate insertions.
- (c) The Company shall indemnify the Bank against any loss or expense which the Bank may sustain or incur as a consequence of any default in payment or prepayment of the principal amount of any portion of the Loan bearing interest at the LIBO Rate.

Section 1.09. Inability to Determine LIBO Rate. In the event that the Bank shall have determined that:

- (i) by reason of circumstances affecting the London interbank market generally, adequate and reasonable means do not exist for ascertaining the LIBO Rate with respect to a changed or continued interest rate option that the Company has requested be made bearing interest at the LIBO Rate; or
- (ii) the LIBO Rate will not adequately and fairly reflect the cost to the Bank of maintaining or funding a changed or continued interest rate option that the Company has requested be made bearing interest at the LIBO Rate,

then, the Bank shall forthwith give prompt notice, confirmed in writing, of such determination to the Company, at least one Business Day prior to the date for such change or continuation. If such notice is given, the interest rate on such portion of the Loan shall be the Prime Rate and the Company shall execute and deliver to the Bank a Note substantially in the form of Exhibit C, with appropriate insertions.

Section 1.10. Increased Capital. If the Bank determines (i) that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by the Bank or any corporation controlling the Bank or would have the effect of reducing the rate of return on the Bank's capital or on the capital of such corporation and (ii) that the amount of such capital is increased by or based upon, or such reduction is a consequence of the existence of, the Bank's commitment to lend

hereunder and other commitments of this type or the Loan or any Note in the form of Exhibit B, then the Company shall, within ten days following demand therefor by the Bank, from time to time as specified by the Bank pay to the Bank additional amounts sufficient to compensate the Bank in the light of such circumstances, to the extent that the Bank reasonably determines such increase in capital or reduction in rate of return, as the case may be, to be allocable to the existence of the Bank's commitment to lend hereunder or the making or maintenance of its Loan or any Note in the form of Exhibit B. A certificate as to such amounts submitted to the Company by the Bank accompanied by an explanation of the basis therefor, shall constitute such demand and shall be conclusive and binding for all purposes, absent manifest error.

Section 1.11. Assignments and Participations. The Bank may assign, or sell participations in, all or any part of the Loan to another bank or other entity, in which event (a) in the case of an assignment, upon notice thereof by the Bank to the Company and receipt by the Bank of the Company's written consent to such assignment, such consent not to be unreasonably withheld, the assignee shall have, to the extent of such assignment, the same rights and benefits as it would have if it were the Bank hereunder and (b) in the case of a participation, the participant shall not have any rights under this Agreement and the Notes (the participant's rights against the Bank in respect of such participation to be those set forth in the agreement(s) executed by the Bank in favor of the participant relating thereto) and all amounts payable by the Company under Section 1 shall be determined as if the Bank had not sold such participation. The Bank may furnish any information concerning the Company in the possession of the Bank from time to time to assignees and participants (including prospective assignees and participants).

Section 1.12. Payments and Computations. The Company shall make each payment hereunder and under an outstanding Note not later than 12:00 noon (New York Time) on the day when due in lawful money of the United States of America and in same day funds to the Bank at its address referred to in Section 6.02. The Company hereby authorizes the Bank, if and to the extent payment is not made when due hereunder or under an outstanding Note, to charge from time to time against the Company's account with the Bank any amount so due. All computations of interest under a Note shall be made by the Bank on the basis of a year of 365/366 days for the actual number of days (including the first day but excluding the last day) elapsed, except that interest under any Note in the form of Exhibit B shall be computed on the basis of a year of 360 days for the actual days elapsed.

Section 1.13. Payment on Non-Business Days. Whenever any payment to be made hereunder or under a Note shall be stated to be due on a Saturday, a Sunday or a public or bank holiday or the equivalent for banks generally under the laws of the State of New York and, if the issuance or payment of a Note bearing interest

at the LIBO Rate is involved, or a day on which banks in the London interbank market are not open for transactions in dollars (any other day being a "Business Day"), such payment may be made on the next succeeding Business Day, provided, however, that in the case of a Note in the form of Exhibit B, if such extension would cause such payment to be made in a new calendar month, such payment shall be made on the next preceding Business Day and such extension of time shall in such case be included in the computation of payment of interest. Any prepayments to the Bank on account of the principal of the Note shall be endorsed on the Note prior to any transfer by the Bank of the Note.

Section 1.14. Fee for Cancellation or Payment Prior to Maturity Date.

- (a) For purposes of this Section 1.14, the following terms shall have the following meanings:

"Due Date" means the Due Date (as defined in the outstanding Note in the form of Exhibit A which governs the Loan or the portion of the Loan being repaid).

"Liquidation Rate" means one-quarter of the interest rate per annum equal to the latest three-week moving average of secondary market midafternoon quotations of yields to maturity of U.S. Treasury notes trading closest to par value and maturing on, or within three months of, the Due Date, such three-week moving average to be determined by the Bank on the Fee Determination Date on the basis of such yields reported by dealers of U.S. Treasury notes to and published by the Federal Reserve Bank of New York or, if such publication shall be suspended or terminated, on the basis of quotations of such yields received by the Bank from three New York dealers of U.S. Treasury notes of recognized standing.

"Loan Rate" means one-quarter of the Fixed Rate (as defined in the outstanding Note in the form of Exhibit A which governs the Loan or the portion of the Loan being repaid).

"Fee Determination Date" means the Loan Date, if the Loan has not been made on or before the Loan Date, and means the date prior to the Due Date on which the Company repays the Loan or any part thereof pursuant to Section 1.04 or otherwise, if the Loan has been made.

- (b) If the Company prepays the Loan or any part of it, which is then evidenced by a Note in the form of Exhibit A, prior to the Due Date (whether or not such prepayment is due to acceleration of the Loan pursuant to Section 5.01), the Company shall pay to the Bank a fee (as liquidated damages, and not as a penalty) equal to the sum of the present values, each determined at

the Liquidation Rate, of the excess, if any, of (A) the sum of the quarterly interest payments on the principal amount of the Loan evidenced by a Note in the form of Exhibit A that is prepaid between the Fee Determination Date and the Due Date computed at the Loan Rate over (B) the sum of the quarterly interest payments on the principal amount of the Loan evidenced by a Note in the form of Exhibit A that is prepaid between the Fee Determination Date and the Due Date computed at the Liquidation Rate, such fee to be payable five Business Days after the Fee Determination Date, and such present value ("PV") to be calculated in accordance with the following formula:

$$PV = (P \times (R - T)) \times [(1 - (1 + T)^{-n})/T]$$

where R = the Loan Rate;

T = the Liquidation Rate;

n = the number of quarters or any portion thereof from the Fee Determination Date to the Due Date; and

P = the principal amount of the Loan being prepaid.

SECTION 2. Conditions of Lending.

Section 2.01. Conditions Precedent to the Loan. The obligation of the Bank to make the Loan on the Loan Date is subject to the conditions precedent that:

(a) the Bank shall have received on or before the Loan Date the following, each dated such day, in form and substance satisfactory to the Bank:

(i) One or more promissory notes duly executed by the Company, dated the Loan Date, in the form of one or more of the Notes appended hereto;

(ii) Certified copies of the resolutions of the Board of Directors of the Company approving this Agreement and the transactions contemplated hereby, and of all documents evidencing other necessary corporate action and governmental approvals (including, without limitation, orders of the [state] Commission and Securities and Exchange Commission approving the transactions contemplated by this Agreement) with respect to this Agreement and the transactions contemplated hereby;

(iii) A certificate of the Secretary or an Assistant Secretary of the Company certifying the names and true signatures of the officers of the Company authorized to sign this Agreement and the Notes and the other documents to be delivered hereunder;

(iv) A favorable opinion of an attorney of the American Electric Power Service Corporation, counsel for the Company, as to matters referred to in Section 3.01 (except subsections (e) and (f) thereof) and as to such other matters as the Bank may reasonably request; and

(b) on the Loan Date the following statements shall be true and the Bank shall have received a certificate signed by a duly authorized officer of the Company, dated the Loan Date, stating that:

(i) The representations and warranties contained in Section 3.01 are correct on and as of the Loan Date as though made on and as of such date, and

(ii) No event has occurred and is continuing, or would result from the Loan, which constitutes an Event of Default (as defined in Section 5.01 hereof) or would constitute an Event of Default but for the requirement that notice be given or time elapse or both; and

(c) the Bank shall have received such other approvals, opinions or documents as the Bank may reasonably request.

SECTION 3. Representations and Warranties.

Section 3.01. Representations and Warranties of the Company. The Company represents and warrants as follows:

- (a) The Company is a corporation duly incorporated, validly existing and in good standing under the laws of the jurisdiction indicated at the beginning of this Agreement.
- (b) The execution, delivery and performance by the Company of this Agreement and the transactions contemplated hereby are within the Company's corporate powers, have been duly authorized by all necessary corporate action, and do not contravene (i) the Company's charter or by-laws or (ii) law or any contractual restriction binding on or affecting the Company.

- (c) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Company of this Agreement or the transactions contemplated hereby, except for the authorizations of the [state] Commission and Securities and Exchange Commission, which authorizations have been duly obtained and are in full force and effect.
- (d) This Agreement is, and the Notes when delivered hereunder will be, legal, valid and binding obligations of the Company enforceable against the Company in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency, or other similar laws affecting the enforcement of creditors' rights in general, and except as the availability of the remedy of specific performance is subject to general principles of equity (regardless of whether such remedy is sought in a proceeding in equity or at law).
- (e) The balance sheet of the Company as at December 31, 199_, and the related statement of income and retained earnings of the Company for the year then ended (the "Financial Statements"), copies of which have been furnished to the Bank, fairly present the financial condition of the Company as of such date and the results of the operations of the Company for the period ended on such date, all in accordance with generally accepted accounting principles consistently applied, and since December 31, 199_, there has been no material adverse change in such condition or operations or in the business prospects of the Company.
- (f) There is no pending or threatened action or proceeding affecting the Company, except as otherwise disclosed in the Financial Statements or otherwise reported to the Bank prior to the date of this Agreement, before any court, governmental agency or arbitrator, which may materially adversely affect the financial condition, operations or business prospects of the Borrower.
- (g) No proceeds of the Loan will be used to acquire any security in any transaction which is subject to Section 13 or 14 of the Securities Exchange Act of 1934.
- (h) The Company is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System), and no proceeds of the Loan will be used to purchase or carry any margin stock or to extend credit to others

for the purpose of purchasing or carrying any margin stock.

SECTION 4. Covenants of the Company.

Section 4.01. Affirmative Covenants. The Company covenants and agrees that during the term of this Agreement, and so long as any Note remains outstanding and unpaid, the Company will, unless the Bank shall otherwise consent in writing:

- (a) Compliance with Laws, Etc. Comply in all material respects with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, paying before the same become delinquent all taxes, assessments and governmental charges imposed upon it or upon its property except to the extent contested in good faith.
- (b) Reporting Requirements. Furnish to the Bank: (i) as soon as available and in any event within 90 days after the end of each of the first three quarters of each fiscal year of the Company, the balance sheet of the Company as of the end of each such quarter and the statement of income and retained earnings of the Company for the period commencing at the end of the previous fiscal year and ending with the end of such quarter, certified by the chief financial officer of the Company; (ii) as soon as available and in any event within 130 days after the end of each fiscal year of the Company, a copy of the annual report for each such year, containing financial statements for such year certified in a manner acceptable to the Bank by Deloitte & Touche LLP or another independent public accountant of recognized standing; and (iii) such other information respecting the condition or operations, financial or otherwise, of the Company as the Bank may from time to time reasonably request.
- (c) Notices. Promptly give notice to the Bank of (a) any litigation affecting the Company in which the amount involved is \$_____ or more and is not covered by insurance and (b) the occurrence of each Event of Default and each event which, with notice or lapse of time or both, would constitute an Event of Default.
- (d) Maintenance of Corporate Existence; Etc. Preserve and maintain its corporate existence in the jurisdiction of its incorporation (except as provided in Section 4.02(c)) and the rights, franchises and privileges necessary for the ordinary conduct of its business, maintain its properties and assets in good working order and condition and maintain, with respect to its properties and assets and its business, insurance with

financially sound and reputable insurers against loss or damage of the kinds and in the amounts customarily carried under similar circumstances by other corporations engaged in the same or similar businesses and similarly situated. Notwithstanding the provisions of the foregoing sentence, however, the Company may self-insure by deductible provisions in a prudent amount with respect to each loss.

Section 4.02. Negative Covenants. The Company covenants and agrees that during the term of this Agreement, and so long as any Note remains outstanding and unpaid, it will not, without the written consent of the Bank:

(a) Limitation on Liens, Etc. Create, incur, assume or suffer to be created, incurred, assumed, or to exist, any mortgage, deed of trust, pledge, lien, security interest or other charge or encumbrance of any nature (all of the foregoing being hereinafter referred to in this Section as "liens") upon or with respect to any of its property or assets, whether now owned or hereafter acquired, except that the foregoing restrictions shall not apply to:

(i) the lien of the Indenture dated as of _____ between the Company and _____, as Trustee, as supplemented and amended, and "Permissible Encumbrances" as therein defined;

(ii) liens for taxes, assessments or governmental charges or levies not yet delinquent or being contested in good faith by appropriate proceedings;

(iii) liens of landlords and liens of carriers, warehousemen, mechanics and materialmen incurred in the ordinary course of business for sums not yet due or being contested in good faith by appropriate proceedings;

(iv) liens incurred or deposits made in the ordinary course of business in connection with workers' compensation, unemployment insurance and other types of social security, or to secure the performance of or compliance with statutory obligations, tenders, bids, leases, surety and appeal bonds, performance and return-of-money bonds and other similar obligations (other than obligations for the payment of borrowed money);

(v) any judgment lien, unless the judgment it secures shall not, within sixty days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall not have been discharged within sixty days after the expiration of any such stay;

(vi) liens on any property acquired, constructed or improved by the Company after the date of this Agreement, or liens on any property existing at the time of the acquisition thereof, provided that the lien shall not apply to any property theretofore owned by the Company other than any theretofore unimproved real property on which the property so constructed, or the improvement, is located;

(vii) liens incidental to the conduct of the Company's business or the ownership of its property and assets, which were not incurred in connection with the borrowing of money or the obtaining of credit, none of which materially interferes with the Company's use and operation of its properties and assets or detracts from the value thereof; and

(viii) liens for the sole purpose of extending, renewing or replacing in whole or in part the indebtedness secured by any lien referred to in the foregoing clauses (i) and (vi) or in this clause (viii); provided, however, that the principal amount of indebtedness secured thereby shall not exceed the principal amount of indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement shall be limited to all or a part of the property which secured the lien so extended, renewed or replaced (and any improvements on such property).

- (b) Limitations on Borrowing. Create or incur any indebtedness for borrowed money (other than Short-Term Debt in an aggregate principal amount not exceeding the greater of 10% of the Capitalization of the Company, excluding Short-Term Debt, or such other amount as shall be approved by the Securities and Exchange Commission pursuant to the Public Utility Holding Company Act of 1935) if, immediately after the creation or incurring of such indebtedness and the application of the proceeds thereof, if any, the total principal amount of all indebtedness of the Company for borrowed money (other than Short-Term Debt to the extent specified above) shall at any time exceed 65% of the Capitalization of the Company.

- (c) Limitation on Mergers. Merge into or consolidate with any corporation or other entity, or permit any corporation or other entity to merge into or consolidate with it, or sell or otherwise dispose of all or substantially all of its assets to any other corporation or entity, if, in any such case, (a) the indebtedness of such successor corporation or entity (whether or not the Company) for borrowed money would exceed the amount permitted by Section 4.02(b) hereof, or (b) such successor corporation or entity (if other than the Company) shall fail to assume the obligations of the Company under any outstanding Note and to subject itself to the terms of this Agreement.
- (d) Limitation on Plan Withdrawals or Terminations. Permit any employee benefit pension plan (other than a multiemployer plan of the United Mine Workers of America) with respect to which the Company may have any liability to terminate, or withdraw from such a plan, while there shall exist a deficiency of more than \$50,000,000 in plan assets available to satisfy the benefits guaranteeable under the Employee Retirement Income Security Act of 1974, as amended, with respect to such plan.

SECTION 5. Events of Default.

Section 5.01. Events of Default. If any of the following events ("Events of Default") shall occur and be continuing:

- (a) The Company shall fail to pay the principal of, or any installment of interest on, any outstanding Note when due or shall fail to pay any other amounts payable under this Agreement when due; or
- (b) Any representation or warranty made by the Company herein or by the Company (or any of its officers) in connection with this Agreement shall prove to have been incorrect in any material respect when made; or
- (c) The Company shall fail to perform or observe any other term, covenant or agreement contained in this Agreement on its part to be performed or observed and any such failure shall remain unremedied for 10 days after written notice thereof shall have been given to the Company by the Bank; or
- (d) The Company shall fail to pay the principal of, or interest on, any obligation of the Company for borrowed money (other than under this Agreement and any outstanding Note) when due, whether by acceleration, by required prepayment or otherwise, for a period longer than any period of grace provided in such obligation,

or fail to perform any other term, condition or covenant contained in any such obligation, the effect of which is to cause, or to permit the holder of such obligation or others on its behalf to cause, such obligation then to become due prior to its stated maturity, unless such failure shall have been cured or effectively waived; or

- (e) The Company shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Company seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee or other similar official for it or for any substantial part of its property; or the Company shall take any corporate action to authorize any of the actions set forth above in this subsection (e); or
- (f) All of the Common Stock, other than directors' qualifying shares, of the Company, or of any successor corporation or entity, shall not be owned, directly or indirectly, by American Electric Power Company, Inc., or a successor thereto;

then, and in any such event, the Bank may, by notice to the Company, (i) declare its obligation to make the Loan to be terminated, whereupon the same shall forthwith terminate, and (ii) declare any outstanding Note or Notes, all interest thereon and all other amounts payable under this Agreement to be forthwith due and payable, whereupon such Note or Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Company.

SECTION 6. Miscellaneous.

Section 6.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or any Note, nor consent to any departure by the Company therefrom, shall in any event be effective unless the same shall be in writing and signed by the Bank and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 6.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic communication) and mailed or telegraphed or delivered, if to the Company, at its address at 1 Riverside Plaza, Columbus, Ohio 43215, Attention: A. A. Pena; and if to the Bank, at its address at _____ or, as to each party, at such other address as shall be designated by such party in a written notice to the other party. All such notices and communications shall, when mailed or telegraphed, be effective when deposited in the mails or delivered to the telegraph company, respectively, addressed as aforesaid.

Section 6.03. No Waiver; Remedies. No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder or under any Note preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

Section 6.04. Right of Set-Off. Upon the occurrence and during the continuance of any Event of Default the Bank is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by the Bank to or for the credit or the account of the Company against any and all of the obligations of the Company now or hereafter existing under this Agreement and any Note, irrespective of whether or not the Bank shall have made any demand under this Agreement or any Note and although such obligations may be unmatured. The Bank agrees promptly to notify the Company after any such set-off and application, provided that the failure to give such notice shall not affect the validity to such set-off and application. The rights of the Bank under this Section are in addition to other rights and remedies (including, without limitation, other rights of set-off) which the Bank may have.

Section 6.05. Binding Effect; Governing Law. This Agreement shall be binding upon and inure to the benefit of the Company and the Bank and their respective successors and assigns, except that the Company shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Bank. This Agreement and any Notes shall be governed by, and construed in accordance with, the laws of the State of _____.

Section 6.06. Costs, Expenses and Taxes. The Company agrees to pay or reimburse the Bank for the payment of (i) all reasonable out-of-pocket expenses of the Bank, including attorneys' fees, arising in connection with the enforcement or preservation of any rights under this Agreement and any Note, and (ii) any and all present and future stamp and other taxes (including interest and penalties, if any) which may be assessed or payable in respect of any Note, or of any modification of any Note, or of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

By:

Treasurer

By:

Treasurer

FIXED RATE

EXHIBIT A

PROMISSORY NOTE

\$ _____

Dated: _____, 19__

FOR VALUE RECEIVED, the undersigned, _____,
an _____ corporation (the "Borrower"), hereby promises to
pay to the order of _____ (the "Bank"), the
principal sum of _____ Dollars (\$ _____)
on _____ (the "Due Date"), together with interest
on the principal amount remaining unpaid hereunder from time to
time outstanding from the date hereof until said principal sum
shall be paid in full, payable _____ during
the term hereof and on the Due Date, at a rate of interest per
annum equal at all times to _____ % per annum (the "Fixed Rate").
Any amount of principal hereof which is not paid when due,
whether at stated maturity, by acceleration or otherwise, shall
bear interest from the day when due until said principal amount
is paid in full, payable on demand, at a rate of interest per
annum equal at all times to one percent (1%) over the Fixed Rate.
Interest shall be computed on the basis of a year consisting of
365 or 366 days, as the case may be, for the actual number of
days elapsed.

Both principal and interest are payable in lawful money of
the United States of America and in same day funds to the Bank at
_____.

This Note evidences indebtedness incurred under a Term Loan
Agreement dated as of _____, between the Borrower
and the Bank (the "Agreement"), as the same may be amended,
modified or supplemented from time to time, and is entitled to
the benefits thereof. The Agreement, among other things,
contains provisions for acceleration of the maturity of the
principal amount hereof upon the happening of certain stated
events and also for the payment of a fee in the event of
repayment of principal hereof prior to the Due Date hereof upon
the terms and conditions therein specified.

By: _____
Title: _____

LIBO RATE

EXHIBIT B

PROMISSORY NOTE

\$ _____

Dated: _____, 19____

FOR VALUE RECEIVED, the undersigned, _____,
an _____ corporation (the "Borrower"), hereby promises to
pay to the order of _____ (the "Bank"), the
principal sum of _____ Dollars
(\$_____) on _____, and to pay interest on
the unpaid principal amount hereof from the date hereof as
provided below. For Notes with a term greater than three months,
interest on the unpaid principal amount shall be payable
quarterly on the last day of March, June, September and December
prior to, and at maturity hereof; for Notes with a term of three
months or less, interest on the unpaid principal amount shall be
payable at maturity only; in all cases, without exception,
interest on the unpaid principal amount shall be payable after
such maturity on demand. Said interest shall be: (i) prior to
the maturity hereof, at a rate per annum equal to _____% (the
"Rate"), and (ii) from the maturity hereof (whether by
acceleration or otherwise), at a rate per annum equal at all
times to the sum of 1% plus the Rate until payment in full.
Interest shall be computed on the basis of a year consisting of
360 days for the actual number of days elapsed.

Both principal and interest are payable in lawful money of
the United States of America in immediately available funds to
the Bank at _____.

This Note evidences indebtedness incurred under a Term Loan
Agreement dated as of _____, between the Borrower
and the Bank (the "Agreement"), as the same may be amended,
modified or supplemented from time to time, and is entitled to
the benefits thereof. The Agreement, among other things,
contains provisions for acceleration of the maturity of the
principal amount hereof upon the happening of certain stated
events and also for optional and mandatory prepayments of
principal prior to the maturity hereof.

By: _____
Title: _____

PRIME RATE

EXHIBIT C

PROMISSORY NOTE

\$ _____

Dated: _____, 19__

FOR VALUE RECEIVED, the undersigned, _____,
an _____ corporation (the "Borrower"), hereby promises to
pay to the order of _____ (the "Bank"),
the principal sum of _____
Dollars (\$ _____) on _____, and to pay
interest on the unpaid principal amount hereof from the date
hereof as provided below. Interest on the unpaid principal
amount shall be payable quarterly on the last day of March, June,
September and December prior to and, at the maturity hereof
(whether by acceleration or otherwise), and after such maturity
on demand. Said interest shall be: (i) prior to the maturity
hereof, at a fluctuating rate per annum equal at all times to the
Prime Rate (the "Prime Rate") as defined in the Term Loan
Agreement dated as of _____ between the Borrower and
the Bank (the "Agreement"); and (ii) from the maturity hereof
(whether by acceleration or otherwise), at a fluctuating rate per
annum equal at all times to 1% plus the Prime Rate until payment
in full. Any change in the interest rate hereon resulting from a
change in the Prime Rate shall be effective as of the opening of
business on the date of such change in the Prime Rate. Interest
shall be computed on the basis of a year consisting of 365 or 366
days, as the case may be, for the actual number of days elapsed.

Both principal and interest are payable in lawful money of
the United States of America in immediately available funds to
the Bank at _____.

This Note evidences indebtedness incurred under the
Agreement, as the same may be amended, modified or supplemented
from time to time, and is entitled to the benefits thereof. The
Agreement, among other things, contains provisions for
acceleration of the maturity of the principal amount hereof upon
the happening of certain stated events and also for optional and
mandatory prepayments of principal prior to the maturity hereof.

By: _____
Title: _____

STATEMENTS OF INCOME

	Year Ended December 31.		
	<u>1998</u>	<u>1997</u>	<u>1996</u>
	(in thousands)		
OPERATING REVENUES	<u>\$78,498</u>	<u>\$79,922</u>	<u>\$84,873</u>
OPERATING EXPENSES:			
Purchased Power - Affiliated Company	54,619	57,931	59,514
Other Operation	8,933	8,533	10,165
Maintenance	2,913	1,982	2,635
Depreciation	2,764	2,582	2,428
Taxes Other Than Federal Income Taxes	3,594	3,937	3,854
Federal Income Taxes	<u>636</u>	<u>825</u>	<u>1,328</u>
TOTAL OPERATING EXPENSES	<u>73,459</u>	<u>75,790</u>	<u>79,924</u>
OPERATING INCOME	5,039	4,132	4,949
NONOPERATING INCOME	<u>858</u>	<u>594</u>	<u>252</u>
INCOME BEFORE INTEREST CHARGES	5,897	4,726	5,201
INTEREST CHARGES	<u>3,717</u>	<u>2,711</u>	<u>2,574</u>
NET INCOME	<u>\$ 2,180</u>	<u>\$ 2,015</u>	<u>\$ 2,627</u>

STATEMENTS OF RETAINED EARNINGS

	Year Ended December 31.		
	<u>1998</u>	<u>1997</u>	<u>1996</u>
	(in thousands)		
RETAINED EARNINGS JANUARY 1	\$7,367	\$7,607	\$7,068
NET INCOME	2,180	2,015	2,627
CASH DIVIDENDS DECLARED	<u>2,448</u>	<u>2,255</u>	<u>2,088</u>
RETAINED EARNINGS DECEMBER 31	<u>\$7,099</u>	<u>\$7,367</u>	<u>\$7,607</u>

See Notes to Financial Statements.

STATEMENTS OF CASH FLOWS

	Year Ended December 31,		
	1998	1997	1996
	(in thousands)		
OPERATING ACTIVITIES:			
Net Income	\$ 2,180	\$ 2,015	\$ 2,627
Adjustments for Noncash Items:			
Depreciation	2,764	2,582	2,428
Deferred Federal Income Taxes	749	249	270
Changes in Certain Current Assets and Liabilities:			
Accounts Receivable (net)	271	(898)	97
Materials and Supplies	200	68	(2)
Accrued Utility Revenues	254	402	(1,568)
Accounts Payable	631	(140)	542
Taxes Accrued	(118)	39	209
Rate Refund Receivable Due From			
Affiliated Power Supplier	(15,496)	-	-
Revenue Refunds Accrued	16,290	-	-
Other (net)	(1,418)	580	(866)
Net Cash Flows From Operating Activities	<u>6,307</u>	<u>4,897</u>	<u>3,837</u>
INVESTING ACTIVITIES:			
Construction Expenditures	(4,395)	(5,419)	(5,260)
Sales of Property and Other	<u>2</u>	<u>46</u>	<u>-</u>
Net Cash Flows Used For			
Investing Activities	<u>(4,393)</u>	<u>(5,373)</u>	<u>(5,260)</u>
FINANCING ACTIVITIES:			
Capital Contributions from Parent Company	3,000	2,000	1,000
Issuance of Long-term Debt	-	-	10,000
Retirement of Long-term Debt	-	-	(10,000)
Change in Short-term Debt (net)	(1,875)	375	3,125
Dividends Paid	<u>(2,448)</u>	<u>(2,255)</u>	<u>(2,088)</u>
Net Cash Flows From (Used For)			
Financing Activities	<u>(1,323)</u>	<u>120</u>	<u>2,037</u>
Net Increase (Decrease) in Cash			
and Cash Equivalents	591	(356)	614
Cash and Cash Equivalents January 1	<u>763</u>	<u>1,119</u>	<u>505</u>
Cash and Cash Equivalents December 31	<u>\$ 1,354</u>	<u>\$ 763</u>	<u>\$ 1,119</u>

See Notes to Financial Statements.

BALANCE SHEETS

	<u>December 31,</u>	
	<u>1998</u>	<u>1997</u>
	(in thousands)	
ASSETS		
ELECTRIC UTILITY PLANT:		
Transmission	\$13,943	\$12,996
Distribution	67,654	65,255
General	4,872	4,684
Construction Work in Progress	<u>1,618</u>	<u>1,456</u>
Total Electric Utility Plant	88,087	84,391
Accumulated Depreciation	<u>29,800</u>	<u>27,824</u>
NET ELECTRIC UTILITY PLANT	<u>58,287</u>	<u>56,567</u>
OTHER PROPERTY AND INVESTMENTS	<u>1,794</u>	<u>288</u>
CURRENT ASSETS:		
Cash and Cash Equivalents	1,354	763
Accounts Receivable:		
Customers	5,207	5,803
Miscellaneous	1,670	1,371
Allowance for Uncollectible Accounts	(46)	(72)
Rate Refund Receivable Due From Affiliated Power Supplier	15,496	-
Materials and Supplies - at average cost	347	547
Accrued Utility Revenues	3,539	3,793
Prepayments	<u>1,020</u>	<u>1,058</u>
TOTAL CURRENT ASSETS	<u>28,587</u>	<u>13,263</u>
REGULATORY ASSETS	<u>5,775</u>	<u>5,598</u>
DEFERRED CHARGES	<u>80</u>	<u>3</u>
TOTAL	<u>\$94,523</u>	<u>\$75,719</u>

See Notes to Financial Statements.

	<u>December 31,</u>	
	<u>1998</u>	<u>1997</u>
	(in thousands)	
CAPITALIZATION AND LIABILITIES		
CAPITALIZATION:		
Common Stock - No Par Value:		
Authorized - 500,000 Shares		
Outstanding - 410,000 Shares	\$ 4,100	\$ 4,100
Paid-in Capital	13,800	10,800
Retained Earnings	<u>7,099</u>	<u>7,367</u>
Total Common Shareholder's Equity	24,999	22,267
Long-term Debt - Notes Payable to Banks	<u>15,000</u>	<u>25,000</u>
TOTAL CAPITALIZATION	<u>39,999</u>	<u>47,267</u>
OTHER NONCURRENT LIABILITIES		
	<u>2,044</u>	<u>2,016</u>
CURRENT LIABILITIES:		
Long-term Debt Due Within One Year	10,000	-
Short-term Debt - Notes Payable	3,725	5,600
Accounts Payable - General	1,208	494
Accounts Payable - Affiliated Companies	6,245	6,328
Customer Deposits	912	886
Taxes Accrued	1,097	1,215
Revenue Refunds Accrued	16,290	-
Other	<u>2,727</u>	<u>2,203</u>
TOTAL CURRENT LIABILITIES	<u>42,204</u>	<u>16,726</u>
DEFERRED INCOME TAXES	<u>9,173</u>	<u>8,506</u>
DEFERRED INVESTMENT TAX CREDITS	<u>942</u>	<u>1,027</u>
DEFERRED CREDITS	<u>161</u>	<u>177</u>
COMMITMENTS AND CONTINGENCIES (Note 4)		
TOTAL	<u>\$94,523</u>	<u>\$75,719</u>