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FOUNDED 1914
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JOHN W. LARSON, RTD.

January 25, 2006

Public Utilities Commission
Capitol Building, 1st floor
500 East Capitol Avenue
Pierre, SD 57501-5070

CALL FOR FAX

RECEIVED

JAN 26 2006

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

Dear Sirs:

re: Request for Approval of an electrical Territory Agreement
between the City of Pierre and Oahe Electric Cooperative, Inc.

The City of Pierre and Oahe Electric Cooperative, Inc., are jointly requesting
Commission approval of an electrical territory agreement recently entered into between them.

Four executed copies of both our joint Petition requesting approval and the proposed
agreement are enclosed. If additional copies or information is required, please advise and we will
be happy to submit whatever is required.

Counsel for the parties, together with their contact information, are as follows:

City of Pierre

Mr. John L. Brown
Riter, Rogers, Wattier & Brown, LLP
PO Box 280
Pierre, SD 57501-0280

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Sincerely yours,

David J. Larson

DJL/jmf
Copy to:
John L. Brown
Alan F. Glover

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JAN 24 2006

SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF SOUTH DAKOTA

IN THE MATTER OF THE JOINT)	
REQUEST FOR APPROVAL OF AN)	
ELECTRIC SERVICE TERRITORY)	PETITION
AGREEMENT BETWEEN THE CITY)	
OF PIERRE AND OAHE ELECTRIC)	
COOPERATIVE, INC.)	

The City of Pierre and Oahe Electric Cooperative, Inc. jointly petition the Public Utilities Commission of the State of South Dakota for approval of an electric service territory agreement entered into between the parties.

1. The agreement is dated January 10th, 2006. It has been approved by the respective governing bodies of each of the parties and executed by the appropriate officers of both the City and Cooperative.


2. The parties believe, and represent to the Commission that the proposed agreement was entered into for the purpose of and will promote the public interest through elimination or avoidance of unnecessary duplication of facilities, providing adequate electric service to all areas and customers affected, and the promotion of the efficient and economical use and development of the electric systems of the contracting electric utilities.

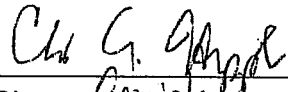
3. The parties are authorized to enter into agreements of this nature, and the Commission has jurisdiction over this petition pursuant to SDCL Chapter 49-34A and SDCL 49-34A-55 specifically.

Dated this 24~~A~~ day of January, 2006.

CITY OF PIERRE

OAHE ELECTRIC COOPERATIVE, INC.

By: 
Its: MAYOR

By: 
Its: President

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JAN 26 2006

Territorial Agreement

SOUTH DAKOTA PUBLIC
UTILITIES COMMISSION

This agreement is entered into this 10th day of January,
2006, by and between City of Pierre, South Dakota and Oahe Electric Cooperative.

WHEREAS, Oahe Electric currently provides electric service within its service territory in Sections 21 and 22, Township 111 North, Range 79 West; and

WHEREAS, said sections 21 and 22 are adjacent to the city limits of the City of Pierre and located within the extra-territorial area of the City of Pierre; and

WHEREAS, under current zoning ordinances for the extra-territorial area, development for said sections 21 and 22 is limited; and

WHEREAS, the City, in addressing its future needs for growth, may consider annexation of property in said sections 21 and 22; and

WHEREAS, in contemplation of such annexation, City desires to extend its services into said sections 21 and 22; and

WHEREAS, South Dakota statutes provide for acquisition of electrical service territory by a municipality annexing another utilities service territory; and

WHEREAS Oahe desires to stabilize its service territory and to avoid continued diminishment of its consumer base, to avoid costly duplication and replacement of facilities, and to promote efficient and economical use and development of its electric system; and

WHEREAS, the parties to this agreement wish to amicably resolve any conflicts which may exist between them regarding electrical services to be provided in sections 21 and 22 and clearly define the service territory in which each of them may operate in the future; and

WHEREAS, the parties to this agreement wish to establish a policy for continued cooperation in delivering electric service and addressing future needs for growth and development in and around the City; and

WHEREAS, SDCL 49-34A-55 authorizes utilities to enter into agreements to buy, sell or exchange distribution properties, service rights, and other rights by mutual agreements, subject to approval of the Public Utilities Commission, in order to eliminate or avoid unnecessary duplication of facilities, provide adequate electric service to all areas and customers affected, and to promote efficient and economical use and development of the electric systems of the contracting electric utilities;

NOW, THEREFORE, pursuant to the authority granted to each of them under the statutes of the state of South Dakota and their respective charters, articles and/or by-laws the parties agree as follows:

Section 1

The parties agree that the City may undertake annexation proceedings with reference to property in sections 21 and 22, and such other areas adjacent to the City

as the needs of the City may dictate. It is understood that there is no definite timetable for such annexation and annexation will proceed at the sole discretion of the City. Oahe Electric agrees that it will not oppose and will take no action, publicly or privately, which would hinder, obstruct or interfere with such annexation efforts.

Section 2

Upon annexation of any properties in section 21 and the West ½ of section 22 or in the event that zoning restrictions in section 21 and the West ½ of section 22 are modified to allow for greater density than 20 acre minimum lot size, City may extend its electrical service into those areas. City shall serve any new or existing locations in section 21 or the West ½ of Section 22 from the date of annexation or such zoning change. If City is unable to extend its electrical service to the area immediately upon such zoning modification or annexation the parties may negotiate an interim agreement for Oahe to serve City's service locations or customers until City is able to extend its electrical service into the area.

Section 3

City agrees to compensate Oahe Electric for the electric distribution properties in place which the City acquires to provide service to those existing customers or service locations of the Cooperative which are acquired by the City in

accordance with this agreement. Such compensation shall be the reasonable value, in place, of those facilities the City, at its sole option, chooses to acquire to maintain service to those customers or service locations of Oahe's being acquired by City. It is understood and agreed that such compensation does not include any reintegration costs or loss of revenue. Notwithstanding any statutory provisions regarding compensation, the parties agree that the compensation provided for in this agreement will be the full amount which Oahe Electric will receive for its distribution facilities. Oahe shall have the right to retain ownership of any facilities used to serve service locations or customers retained by Oahe.

Section 4

It is specifically understood and agreed that the East ½ of section 22 shall remain a part of Oahe Electric's exclusive service territory irrespective of any future annexation by City. In order to assure that all residents of City receive a level of service and rate structure which is on par with or "seamless" without regard to whether they are served by the City utility or Oahe, Oahe agrees to provide electric power, energy and services to service locations or customers within any area annexed to City meeting or exceeding the requirements of Section 5 below.

Section 5

Oahe Electric agrees to deliver, to any area annexed to the City, electric services equivalent to services provided by City in City's service territory and to provide service to service locations or customers in any area annexed to the City at the same rate as provided by the City of Pierre or Oahe's own rate, at the option of the customer. Electric service distribution facilities and lines maintained by Oahe Electric for service to its retained service locations and customers within any area annexed to the City shall be installed in conformance with specifications of the City's municipal utilities, including installation of all lines underground.

Conversion from overhead lines to underground lines within annexed areas shall be accomplished in the following manner: a) all new lines installed after annexation will be underground, b) all replacement lines in an annexed area will be underground, c) existing overhead lines in annexed areas will be retired and replaced when City installs water, sewer, curb & gutter, and storm sewer to the area being served by the existing overhead line.

Street lighting will be provided by requiring developers in such areas to install fixtures and equipment meeting City specifications which shall be substantially the same as specifications generally applicable within the City. City will maintain those fixtures and equipment from the point of connection at the base

of the light pole or similar structure. Oahe will provide, at its cost, power and energy for street lighting in the East ½ of Section 22.

Section 6

Oahe Electric will pay a 2% (or the general city sales tax then in effect) sales tax on revenue generated from the sale of power delivered to service locations or customers retained by Oahe Electric in any area annexed into the City. This tax shall be in lieu of any other tax or fee for providing electrical services but not taxes or assessments of a general character (i.e. street, water, sewer or other services).

Section 7

With the exception of the exclusive territorial rights granted to City in section 21 and the West ½ of section 22, and to Oahe in the East ½ of Section 22, in any other areas annexed to City following the date of this agreement, Oahe shall retain any of its existing service locations or customers as of the date of annexation, irrespective of the annexation, and City shall have the right to serve any new service locations or customers within the annexed area as of the date of annexation.

In order to avoid unnecessary duplication and replacement of facilities, it is agreed that in the event City declines to serve any new service location or customer in an annexed area and requests Oahe to provide service to such service location or

customer, unless otherwise agreed, Oahe shall be allowed to retain that service location or customer permanently.

Section 8

The parties agree that they will cooperate fully with each other in preparing, executing and securing any necessary permits, licenses or approvals necessary to effectuate the terms of this agreement, and they will jointly submit this agreement to the Public Utilities Commission for approval by the Commission.

The parties understand and agree that future implementation of this agreement shall require good faith cooperation between them, and each party pledges its good faith efforts accordingly. Oahe agrees to terminate its activities in attempting to initiate a sale of the Pierre Municipal Utilities and Oahe, its officers, agents and employees will not undertake or support any attempt to sell the Pierre Municipal Utilities in the future without the approval of the Pierre City Commission.

Nothing contained in this agreement shall prevent the parties from negotiating mutually agreeable exchanges of service territory, service rights or future modifications or additions to this agreement in order to provide contiguous service areas, efficiency of operations, and to avoid duplication of facilities.

Section 9

This agreement constitutes the entire agreement between the parties and supercedes any prior understandings with respect to the service territory identified in this agreement. There are no other provisions, considerations or understandings other than as are expressed herein.

Section 10

The terms of this agreement may be enforced by a proceeding in equity and any party found to have violated the terms shall be responsible for any damages that may have resulted including costs and reasonable attorney fees to enforce this agreements. Any records necessary to ensure compliance with this agreement will be made available to the parties.

CITY OF PIERRE

OAHE ELECTRIC COOPERATIVE

By: *Don Casach*

By: *Carl G. Byrd*

Its: *Mayor*

Its: *President*

(SEAL)

(SEAL)

ATTEST:

By *Tom Pittlich*
Its: *Bus mgr*