

AGREEMENT TO TRANSFER SERVICE TERRITORY

THIS AGREEMENT made and entered into this 24th day of May, 2011, by and between Clay Union Electric Corporation, a rural electric cooperative, 1410 East Cherry Street, Vermillion, South Dakota 57069 (Clay Union) and City of Vermillion, a municipal corporation, 25 Center Street, Vermillion, South Dakota 57069 (City), and in consideration of the covenants contained herein, the parties hereto agree as follows:

1. The assigned electric service territory of Clay Union currently includes a portion of the following property:

LOT 4, BLOCK 1 AND LOTS 1 THRU 5, BLOCK 2, AROBBA ADDITION TO THE CITY OF VERMILLION, CLAY COUNTY, SOUTH DAKOTA.

(formerly known as the South 225 feet of the East 600.17 feet and the North 200 feet of the South 425 feet of the East 490.17 feet and the North 143 feet of the South 568 feet of the East 214.17 feet and the Southeast half of the North 144.32 feet of the South 712.32 feet of the East 214.17 feet of the West 52.666 rods of the South half of the Southeast quarter of Section 17-92-51, Clay County, South Dakota)

2. City annexed all of the above property into the City limits of Vermillion, South Dakota, on March 7, 2011. A copy of the annexation map is attached hereto and incorporated herein by this reference. (Attachment #1)
3. By letter dated March 22, 2011, City advised Clay Union of its intent to purchase electric utility property now owned by Clay Union and situated in the annexed area, and advised Clay Union of City's intent to provide electrical service in the annexed area, all pursuant to and as allowed by SDCL ch. 49-34A.
4. Clay Union agrees to sell its facilities in the annexed area to City and agrees that City shall provide electric service to the annexed area.
5. The parties agree that City shall pay Clay Union the present day reproduction cost, new, of the facilities being acquired, less depreciation computed on a straight-line

basis; plus an amount equal to the cost on a non-betterment basis of constructing any necessary facilities to reintegrate the system of Clay Union outside the annexed area after detaching the portion to be sold. In addition, City shall pay Clay Union, as compensation for service rights, an annual amount equal to the sum of twenty-five percent of the gross revenues received from power sales to consumers of electric power within the annexed area. The obligation of the City to compensate Clay Union for service rights shall continue for eleven years from the date of the offer to purchase by the City. During the eleven-year period, compensation for service rights to any one customer location within the annexed area shall be paid by the City for a period of seven years, or until the expiration of the eleven-year period, whichever is less. Gross revenues received shall be determined by applying the rate in effect by the City at the time of purchase.

6. The parties agree that City shall pay Clay Union the sum of ONE THOUSAND EIGHT HUNDRED FIFTEEN DOLLARS AND 36/100 (\$1,815.36) for the purchase of Clay Union's facilities and shall pay Clay Union the sum of NINE HUNDRED TWENTY-ONE DOLLARS AND 00/100 (\$921.00) for the cost of reintegrating Clay Union's system outside the annexed area.
7. City shall, annually, on the transfer date indicated below, calculate the gross revenues received from the sale of electric power to consumers within this annexed territory and pay to Clay Union twenty-five percent (25%) of said gross revenues. Clay Union shall receive annual payments for seven years or until the expiration of the eleven-year period, whichever is less, as calculated herein, and said payments shall be made by City within 30 days of the anniversary of the transfer date.

8. Clay Union shall transfer all of the service territory and rights to serve, described herein, within the annexed territory to City as of the 26th day of May, 2011; this shall be known as the transfer date and from that date forward City shall own said service territory and shall have the right to serve and actually serve consumers within the annexed territory.
9. The parties agree to cooperate with each other to make an efficient transfer of service territory. The parties further agree to share all information necessary to make an efficient transfer.
10. The parties will cooperate and take all necessary steps to gain the approval of this AGREEMENT by the Public Utilities Commission and any other regulatory authority which may have jurisdiction over this matter.
11. The parties shall execute three original copies of this AGREEMENT.

CITY OF VERMILLION
A Municipal Corporation

CLAY UNION ELECTRIC CORPORATION

By: John E. Powell
John E. (Jack) Powell
Its: Mayor

By: James Ryken
James Ryken
Its: President of the Board

ATTEST:

Michael D. Carlson
Michael D. Carlson
Finance Officer

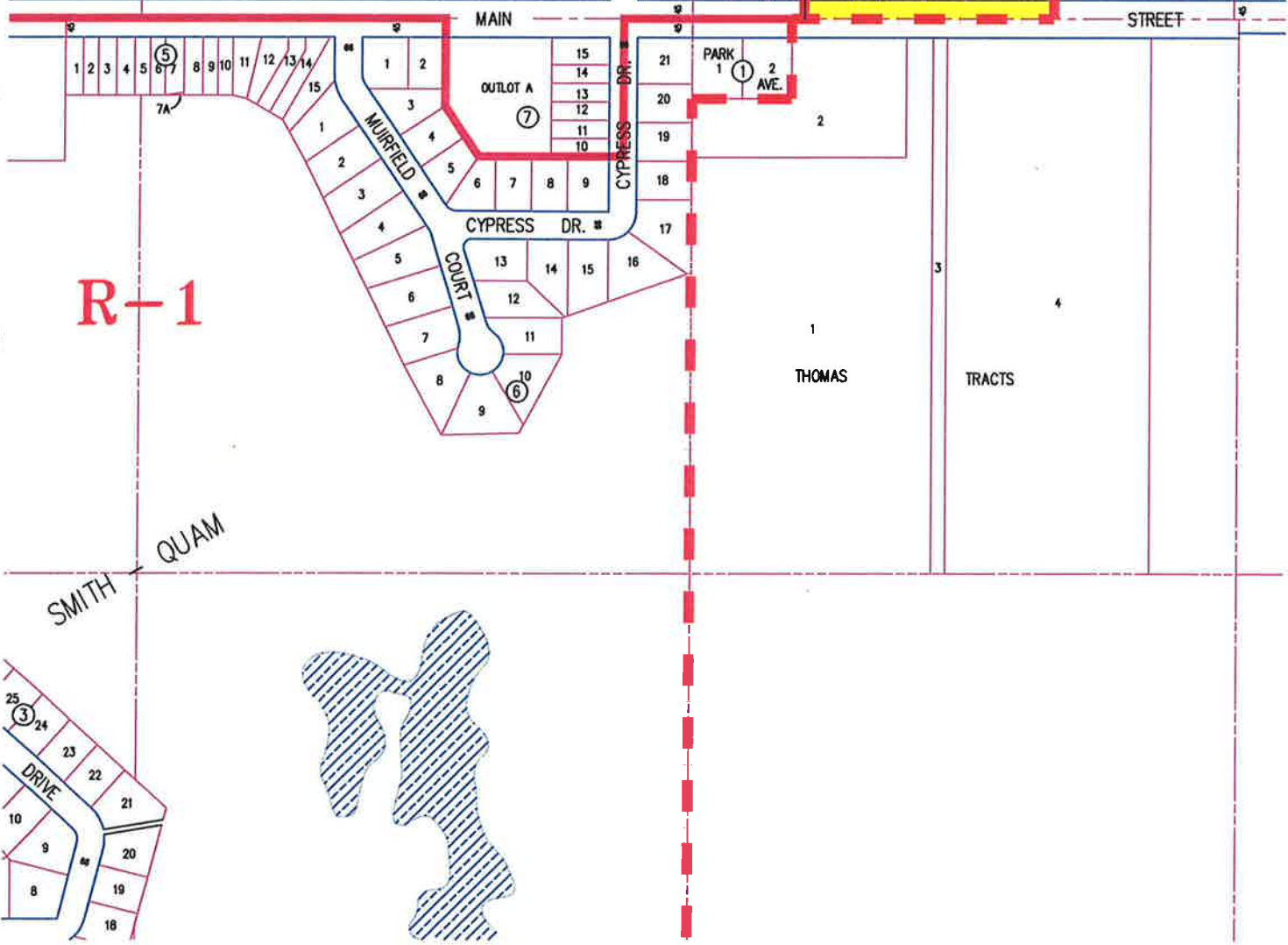


CITY OF VERMILLION ANNEXED
AREA & CLAY UNION SERVICE AREA
(HIGHLIGHTED IN YELLOW)
ANNEXED ON MARCH 7, 2011

R-2

R-1

NRC



THOMAS TRACTS