

AGREEMENT TO TRANSFER SERVICE TERRITORY

This Agreement made and entered into this 20th day of August, 2012 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:

SOUTH 140 FEET OF LOT 3, BLOCK 1, PARK AVENUE ADDITION, CLAY COUNTY, SOUTH DAKOTA (formerly known as the West 238 feet of Thomas Tract 2, NW ¼ NE ¼ 20-92-51, Clay County, South Dakota).
2. City annexed all of the above property into the City limits of Vermillion, South Dakota, on July 2, 2012. A copy of the annexation map is attached hereto and incorporated herein by this reference. (Attachment #1)
3. By notice dated July 16, 2012, and replied July 31, 2012, 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 acknowledges that it does not have any consumers in the described annexed area and agrees that City shall provide electric service to the annexed area. Clay Union also acknowledges that it does not have electric distribution facilities in the described annexed area.
5. The parties agree that 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. 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 seven annual payments as calculated herein and said payments shall be made by City within 30 days of the anniversary of the transfer date.
7. Clay Union shall transfer all of the service territory and rights to serve described herein within the annexed territory to City as of date Aug 20, 2012; 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.
8. 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.
9. 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.
10. The parties shall execute three original copies of this Agreement.

CITY OF VERMILLION
A Municipal Corporation

By: John E. Lowell
Its: Mayor

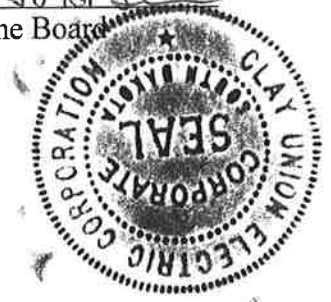
ATTEST:

Michael D. Carlson
Michael D. Carlson
Finance Officer



CLAY UNION ELECTRIC CORPORATION

By: Thomas Rens
Its: President of the Board



CITY OF VERMILLION ANNEXED
AREA & CLAY UNION SERVICE AREA
(HIGHLIGHTED IN YELLOW)
ANNEXED ON JULY 2, 2012

