



25 Center Street • Vermillion, SD 57069

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June 24, 2016

Public Utilities Commission  
Attn: Patricia Van Gerpen  
Capitol Building, 1<sup>st</sup> Floor  
500 E. Capitol Ave.  
Pierre, SD 57501-5070

RECEIVED

JUN 27 2016

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

RE: Agreement to Transfer Service Territory

Patricia,

On February 16, 2016 the City of Vermillion annexed the property that the City's airport is located. The City elected to provide utility services to the property and have worked closely with Clay-Union Electric Coop to come to an agreement to transfer service territory on June 30, 2016. I have attached a fully executed agreement as well as a map of the annexed area.

If there is anything else that you may need, please contact me either by phone 605-677-7050 or e-mail [shaneg@cityofvermillion.com](mailto:shaneg@cityofvermillion.com)

Sincerely,

CITY OF VERMILLION



Shane Griese  
Utilities Manager

Enclosures

RECEIVED

JUN 27 2016

SOUTH DAKOTA PUBLIC  
UTILITIES COMMISSION

AGREEMENT TO TRANSFER SERVICE TERRITORY

THIS AGREEMENT made and entered into this 20<sup>th</sup> day of June, 2016,

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 A of Lot 1, S11-T32N-R4E; and, Lot A of Lot 2, S11-T32N-R4E, and accretion; and, Re-survey of Record Lot A-3 of Replat of Lot A, S24-T92N-R52W; and, Re-survey of Record Lot A-2 of Replat of Lot A, S24-T92N-R52W; and, Lot T of Lot B, Sealey Farm Plat, S24-T92N-R52W; and, Lot A of Lot A-4, S24-T92N-R52W; and, Lot A of Lot 1, S24-T92N-R52W; and, Lot A of Lot 2, S24-T92N-R52W, Clay County, South Dakota**

2. City annexed all of the above property into the City limits of Vermillion, South Dakota, on February 16, 2016. A copy of the annexation map is attached hereto and incorporated herein by this reference. (Attachment #1)
3. By letter dated February 17, 2016, 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 SIX THOUSAND THREE HUNDRED SIXTY-ONE DOLLARS AND 98/100 (\$6,361.98) for the purchase of Clay Union's facilities and there shall be no payment 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 30 day of June,

2016; 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.

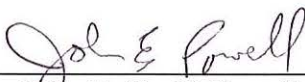
9. The parties agree to cooperate with each other to make an efficient transfer of service territory. The parties further agree to share all information necessary to make an efficient transfer.

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. (Jack) Powell  
Its: Mayor

By:   
Tom Larsen  
Its: President of the Board

ATTEST:

  
Michael D. Carlson  
Finance Officer

