

TERRITORIAL AGREEMENT

THIS AGREEMENT is made and entered into as of this 20th day of March, 2008, by and between the CITY OF PALMYRA, MISSOURI, a Home Rule City organized and existing under, Article VI, Section 19 of the Constitution of the State of Missouri and Chapter 82, RSMo.2000, with its principal office located at 301 S Main St, Palmyra Missouri 63461, ("CITY") and MISSOURI RURAL ELECTRIC COOPERATIVE, a Missouri rural electric cooperative corporation organized and existing pursuant to Chapter 394, RSMo. 2000, with its office located at 975 West Ross, Palmyra, Missouri 63461, ("COOPERATIVE").

WITNESSETH:

WHEREAS, CITY and COOPERATIVE are authorized by law to provide electric service within certain areas of Missouri, including portions of Marion County; and

WHEREAS, Sections 394.312 and 416.041 RSMo. 2000, provides that competition to provide retail electrical service as between rural electric cooperatives such as COOPERATIVE and municipally owned electrical utility corporations such as CITY may be displaced by written territorial agreements;

WHEREAS, CITY and COOPERATIVE desire 1) to promote the orderly development of retail electrical service within a portion of the city of Palmyra Missouri and Marion County, Missouri, 2) to avoid unnecessary duplication of electrical facilities therein, and 3) to most effectively avail themselves of prior investment and planning for serving the public; and

WHEREAS, this Territorial Agreement does not require any customer of either CITY or COOPERATIVE to change its supplier;

NOW, THEREFORE, CITY and COOPERATIVE, in consideration of the mutual covenants and agreements herein contained, the adequacy and sufficiency of which are hereby acknowledged, agree as follows:

Exhibit A

1. Territory Affected.

A. This Agreement pertains only to land in Marion County, Missouri. For purposes of this Agreement, the affected territory shall be divided into three (3) tracts as follows:

1) **Tract "A"** shall be real property located within the corporate boundaries of the city of Palmyra, Missouri as existing on January 1, 2008, except that portion of real property located within the corporate boundaries of the City of Palmyra, Missouri as more fully described below as "Tract 'C'" .

2) **Tract "B"** shall be real property located outside of the corporate limits of the city of Palmyra, Missouri, within Marion County, Missouri and thus is a "rural area" as defined by Section 394.020(3) RSMO. 2000.

3) **Tract "C"** shall be real property located within the corporate limits of the city of Palmyra, Missouri.

A copy of the plat map depicting **Tracts "A", "B" and "C"** in Marion County, Missouri is attached hereto as **Exhibit "A"** and incorporated herein by reference.

B. This Agreement shall have no affect whatsoever upon service by COOPERATIVE or CITY in any areas other than Tracts "A", "B" and "C".

2. Definitions.

A. For purposes of this Agreement, the references to "structure" have the same meaning as the statutory definition of the term "structure" found in Sections 393.106 and 394.315 RSMo. in effect at the relevant time. In the event no such statutory definitions exist or are not otherwise applicable, the term shall be construed to give effect to the intent of this agreement which is to designate an exclusive provider, as between the parties hereto, of retail electric service for anything using or designed to use electricity that is located within the Service Areas described herein.

B. The term "permanent service" shall have the same meaning as the definition of "permanent service" found in Section 394.315 RSMo., in effect at the

relevant time. The term shall be liberally construed to give effect to the expressed intent of this Agreement.

C. The term "new structure" shall mean (i) one on which construction has not commenced by the Effective Date, or (ii) one on which construction has commenced by the Effective Date but on the Effective Date is not complete from the standpoint that permanent wiring for the electrical power and energy to be utilized by or within the structure has not been permanently installed and permanently energized by physical connection to the facilities of an electrical supplier, or (iii) one for which the respective electrical inspection authority has not granted a permit by the Effective Date for it to be energized, or (iv) one for which the respective building authority has not granted an occupancy permit by the Effective Date.

D. The term "Effective Date" shall mean 12:01 a.m. of the date on which the Report and Order of the Commission approving this Agreement is effective pursuant to the terms of such Report and Order, unless a writ of review or other proceeding is taken challenging the Report and Order, in which case there shall be no Effective Date of this Agreement until CITY and COOPERATIVE both execute a document which establishes an Effective Date for purposes of this Agreement.

3. Exclusive Service Areas Established.

A. CITY, pursuant to this Territorial Agreement, shall be entitled to provide permanent service to all structures now located within Tract "A" and all new structures within Tract "A" and therefore it shall be considered to be the exclusive Service Area of CITY, as between CITY and COOPERATIVE.

B. COOPERATIVE, pursuant to this Territorial Agreement, shall be entitled to provide permanent service to all structures now located within Tract "B" and all new structures within Tract "B" and therefore it shall be considered to be the exclusive Service Area of COOPERATIVE, as between CITY and COOPERATIVE.

C. COOPERATIVE, pursuant to this Territorial Agreement, shall be entitled to provide permanent service to all new structures within Tract "C" and therefore it shall

D. This Agreement does not purport to affect the rights of any electric supplier not a party to this Agreement.

5. Service to Structures Receiving Service as of the Date of this Agreement. CITY and COOPERATIVE retain the right to furnish electric service to all existing structures that they are serving by either permanent or temporary electric service on the Effective Date of this Agreement, regardless of their location. To the knowledge of CITY and COOPERATIVE, there are no other suppliers of electricity providing permanent or temporary electric retail service within Tracts "A", "B" or "C".

A. During the interim period between the date of execution of this Agreement and the Effective Date, the parties shall abide by the territorial division provisions of this Agreement and may provide provisional service to any customer seeking service. Pending the issuance of a decision by the Commission either granting or denying approval of this Agreement, however, neither party shall construct primary or secondary electric facilities within the territory assigned exclusively to the other pursuant to this Agreement, unless (i) ordered to do so by the Commission or a court of competent jurisdiction or (ii) as a necessary part of the provision of service to its customers in other areas and such construction is within a previously established easement obtained for the

purpose of providing service in other areas. During the time period between the filing date of this Agreement with the Missouri Public Service Commission and the Effective Date of the Agreement, if a customer requests new electric service for a Structure located in the Exclusive Service Area of one party from the other party the parties will meet and determine the party and means to serve the Structure. In the event the parties cannot agree, the new Structure shall be served by the party whose customer equipment is located closer to the new Structure.

7. Location of a Structure.

A. The location of a Structure for purposes of this Agreement shall be the geographical location at which electric energy is used, regardless of the metering point or point of delivery.

The first owner of a New Structure who requests and receives electric service at said Structure which is located on or crossed by any mutual boundary line, as described herein, defining the service areas of the parties shall be permitted to choose either party for permanent electric service; provided that the Customer's meter is installed within that service area. Thereafter, that party shall exclusively serve that Structure.

B. Either party, if requested by an existing customer who is located in the Exclusive Service Area of the other party, may provide its customer with additional facilities and/or electric service to New Outbuildings, so long as the New Outbuildings are located on the Consumer's contiguous tracts of land. This section shall apply to the original customer's successors who continue to reside at or operate the premises. This section shall not apply to a customer who receives electric service from both Company and Cooperative on the same tract of land, and requests additional electric service. These customers shall receive their additional electric service from the designated exclusive service provider, unless the customer, Company, and Cooperative agree otherwise and follow the procedures set out herein.

8. Case-by-Case Exception Procedure.

This shall not be construed to otherwise prohibit sales of electric power and energy between the parties to this Agreement.

10. Term and Termination.

A. The initial term of this Agreement shall be for ten (10) years, commencing on the Effective Date of the Order of the Commission regarding the approval of same and shall continue on a year to year basis after the expiration of said ten (10) year initial term, unless terminated by the parties in accordance with this Paragraph 10.

B. During the initial ten year term, this Agreement and the transactions contemplated by this Agreement may be terminated by mutual consent of CITY and COOPERATIVE. Thereafter, termination of this Agreement shall be effective on the date the Commission receives a notice signed by CITY and COOPERATIVE of the termination of this Agreement.

C. CITY or COOPERATIVE may terminate this Agreement by providing written notice to the other party at least twelve (12) months in advance of the expiration of the initial ten year term or any renewal term of this Agreement. Thereafter, termination of this Agreement shall be effective on the date the Commission receives a notice signed by either CITY or COOPERATIVE of the termination of this Agreement.

D. The parties agree that a copy of any notice of termination of this Agreement shall be simultaneously served upon the Executive Secretary of the Commission and the Office of the Public Counsel.

E. Termination of this Agreement shall eliminate the exclusive service territories provided for herein, but shall not entitle a party to provide service to a structure lawfully being served by the other party, or allow a change of supplier to any structure in the other's Service Area hereunder, unless such a change is otherwise permitted by law.

F. If this Agreement is terminated as provided herein, each party shall pay the costs and expenses incurred by it in connection with such termination, and no

party (or any of its officers, directors, employees, agents, attorneys, representatives, or shareholders) shall be liable to any other party for any costs, expenses, or damages; except as provided herein, neither party shall have any liability or further obligation to the other party to this Agreement.

11. Cooperation. CITY and COOPERATIVE agree to undertake all actions reasonably necessary to implement this Agreement. CITY and COOPERATIVE will cooperate in presenting a joint application to the Commission demonstrating that this Agreement is in the public interest. COOPERATIVE shall pay all the costs assessed by the Commission for seeking administrative approval of this Agreement. All other costs, including but not limited to the attorneys fees of each party, will be borne by the respective party incurring the costs.

12. General Terms.

A. Land Descriptions: The maps utilized in this Agreement are assumed by the parties to be accurate and reliable.

B. No Constructive Waiver: No failure of CITY or COOPERATIVE to enforce any provision hereof shall be deemed to be a waiver.

C. Modifications: Neither the boundaries described in this agreement nor any provision of this Agreement may be modified or repealed except by a signed writing of the parties which is approved by all applicable regulatory authorities.

D. Survival: This Agreement shall inure to the benefit and be binding upon the parties, their respective successors and assigns.

E. Lack of Approval or Termination: If the Commission or any other regulatory authority having jurisdiction does not approve this Agreement, this Agreement shall be nullified and of no legal effect between the parties. If this Agreement is terminated pursuant to its terms, it shall thereafter be nullified and of no further legal effect except as may be necessary to govern disputes concerning situations existing prior to such termination. Further, if any part of this Agreement is declared invalid or void by a court or agency of competent jurisdiction, then the parties shall replace such provision

as similarly as possible to the provision which was declared invalid or void so as to return each of them, as much as practical, to the status quo prior to the declaration.

F. This Agreement shall not be construed to prevent either party from obtaining easements or right of way through or in any part of the Service Area of the other if the acquisition of such easement or right of way is reasonably necessary to or desirable for the performance of the party's duties to provide electric service to its customers in other areas.

G. The subsequent platting, re-platting, subdividing, re-subdividing, or re-naming of any parcel or subdivision covered by this Agreement shall not affect the respective rights of CITY or COOPERATIVE established by this Agreement.

13. Subsequent Legislation. This Agreement is reached between the parties based upon their understanding of the current state of the law in Missouri under Section 394.315 RSMo. 2000, which allows an electrical supplier, once it lawfully commences supplying retail electric energy to a structure through permanent service facilities, to have the right to continue serving such structure. Further, the concept of service under those sections at the current time contemplates not only the physical provision of the conductors to provide an electrical path and connection between the structure and the conductors of the electrical supplier, but also the provision of electrical power and energy through such conductors. In the event the law in Missouri is changed during any term of this Agreement the provider of the electrical facilities (i.e. conductors) within the Service Area is not also required or assumed to be the provider of electrical power and energy (i.e., the electricity), and thereby give customers a choice as to who provides their electricity, as contrasted with who owns the wires over which such electricity is provided, then nothing in this Agreement shall be construed to prohibit CITY from providing electrical power and energy to structures within the Service Area of COOPERATIVE established by this Agreement, or COOPERATIVE from providing electrical power and energy to structures within the Service Area of CITY established by this Agreement, under the terms of such future legislation, notwithstanding the terms of this Agreement to the contrary. However, if either § 394.315 or § 394.312 RSMo. are repealed and not reenacted in a form substantially equivalent to their status on the Effective Date, this

Agreement shall terminate, coincident with the effective date of the elimination of the current content of § 394.315 or § 394.312, as the case may be.

IN WITNESS WHEREOF, the parties have executed this Agreement as of this 20th day of March, 2008.

CITY OF PALMYRA, MISSOURI

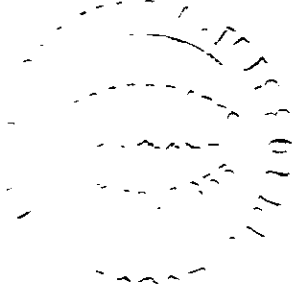
By: Leon Graham

Title: Mayor

Attest: Andrew Dodd

Title: City Clerk

(seal)



MISSOURI RURAL ELECTRIC
COOPERATIVE

By: Richard D. Jonelean

Title: General Manager

Attest: Shyllis L. Parsons

Title: EXECUTIVE SECRETARY

(seal)